

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**PROPOSITION 39 GENERAL OBLIGATION BONDS  
MEASURE U, MEASURE S AND MEASURE AA  
FINANCIAL AND PERFORMANCE AUDITS**

**June 30, 2014**



**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**PROPOSITION 39 GENERAL OBLIGATION BONDS  
MEASURE U, MEASURE S & MEASURE AA  
FINANCIAL AND PERFORMANCE AUDITS**

**June 30, 2014**

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**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**PROPOSITION 39 GENERAL OBLIGATION BONDS  
MEASURE U, MEASURE S & MEASURE AA  
FINANCIAL AND PERFORMANCE AUDITS**

**June 30, 2014**

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**FINANCIAL AUDIT OF GENERAL OBLIGATION BOND FUNDS  
MEASURE U, MASURE S AND MEASURE AA**

## INDEPENDENT AUDITORS' REPORT

The Board of Trustees  
The Citizens' Oversight Committee  
Santa Monica Community College District  
1900 Pico Boulevard  
Santa Monica, CA 90405-1628

### **Report on the Financial Statements**

We have audited the accompanying Balance Sheet, Statement of Revenues, Expenditures and Changes in Fund Balance and Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual for the General Obligation Bond Funds of the Santa Monica Community College District (the District) as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's General Obligation Bond Funds financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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The Board of Trustees  
The Citizens' Oversight Committee  
Santa Monica Community College District

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Obligation Bond Funds of the District as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the District's General Obligation Bond Funds financial statements. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The supplementary section is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2014 on our consideration of the District's internal control over the General Obligation Bond Funds financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over the General Obligation Bond Funds financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over the General Obligation Bond Funds financial reporting and compliance.



VICENTI, LLOYD & STUTZMAN LLP  
Glendora, California  
December 16, 2014

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**BALANCE SHEET  
GENERAL OBLIGATION BOND FUNDS  
For the Fiscal Year Ended June 30, 2014**

	<b>Measure U</b>	<b>Measure S</b>	<b>Measure AA</b>
<b><u>ASSETS</u></b>			
Cash in County Treasury	\$ 23,940,365	\$ 57,607,088	\$ 36,655,187
Accounts Receivable:			
Interest Receivable	84,561	202,217	153,704
Prepaid Expenditures	_____	_____	28,417
<b>TOTAL ASSETS</b>	<b>\$ 24,024,926</b>	<b>\$ 57,809,305</b>	<b>\$ 36,837,308</b>
<b><u>LIABILITIES AND FUND BALANCE</u></b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 358,518	\$ 67,052	\$ 10,865,505
<b>TOTAL LIABILITIES</b>	<b>358,518</b>	<b>67,052</b>	<b>10,865,505</b>
<b>FUND BALANCE</b>			
Restricted	23,666,408	57,742,253	25,971,803
<b>TOTAL FUND BALANCE</b>	<b>23,666,408</b>	<b>57,742,253</b>	<b>25,971,803</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 24,024,926</b>	<b>\$ 57,809,305</b>	<b>\$ 36,837,308</b>

See the accompanying notes to the financial statements.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL OBLIGATION BOND FUNDS  
For the Fiscal Year Ended June 30, 2014**

	<b>Measure U</b>	<b>Measure S</b>	<b>Measure AA</b>
<b>REVENUES</b>			
Interest Income	\$ 154,428	\$ 369,230	\$ 305,358
<b>TOTAL REVENUES</b>	154,428	369,230	305,358
<b>EXPENDITURES</b>			
Supplies and Materials			23,077
Contracted Services and Other Expenses		88,653	384,716
Capital Outlay	1,041,733	1,198,632	29,261,273
<b>TOTAL EXPENDITURES</b>	1,041,733	1,287,285	29,669,066
Deficiency of Revenues over Expenditures	(887,305)	(918,055)	(29,363,708)
Fund Balance at Beginning of Year	24,553,713	58,660,308	55,335,511
Fund Balance at End of Year	\$ 23,666,408	\$ 57,742,253	\$ 25,971,803

See the accompanying notes to the financial statements.



**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL OBLIGATION BOND FUND - MEASURE U  
For the Fiscal Year Ended June 30, 2014**

	<b>Budget *</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>			
Interest Income	\$ 159,000	\$ 154,428	\$ (4,572)
<b>TOTAL REVENUES</b>	<u>159,000</u>	<u>154,428</u>	<u>(4,572)</u>
<b>EXPENDITURES</b>			
Supplies and Materials	25,000		25,000
Contracted Services and Other Expenses	340,000		340,000
Capital Outlay	<u>24,347,713</u>	<u>1,041,733</u>	<u>23,305,980</u>
<b>TOTAL EXPENDITURES</b>	<u>24,687,713</u>	<u>1,041,733</u>	<u>23,645,980</u>
Net Change in Fund Balance	<u>\$ (24,528,713)</u>	(887,305)	<u>\$ 23,641,408</u>
Fund Balance at Beginning of Year		<u>24,553,713</u>	
Fund Balance at End of Year		<u>\$ 23,666,408</u>	

\* The budget for revenues reflects estimated amounts to be received in the current year. The budget for expenditures reflects amounts remaining and available for current and subsequent years' expenditures and does not necessarily coincide with actual planned expenditures in the current year.

See the accompanying notes to the financial statements.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL OBLIGATION BOND FUND - MEASURE S  
For the Fiscal Year Ended June 30, 2014**

	<b>Budget *</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>			
Interest Income	\$ 376,000	\$ 369,230	\$ (6,770)
<b>TOTAL REVENUES</b>	376,000	369,230	(6,770)
<b>EXPENDITURES</b>			
Supplies and Materials	100,000		100,000
Contracted Services and Other Expenses	2,779,400	88,653	2,690,747
Capital Outlay	56,156,908	1,198,632	54,958,276
<b>TOTAL EXPENDITURES</b>	58,936,308	1,287,285	57,649,023
Net Change in Fund Balance	\$ (58,560,308)	(918,055)	\$ 57,642,253
Fund Balance at Beginning of Year		58,660,308	
Fund Balance at End of Year		\$ 57,742,253	

\* The budget for revenues reflects estimated amounts to be received in the current year. The budget for expenditures reflects amounts remaining and available for current and subsequent years' expenditures and does not necessarily coincide with actual planned expenditures in the current year.

See the accompanying notes to the financial statements.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL OBLIGATION BOND FUND - MEASURE AA  
For the Fiscal Year Ended June 30, 2014**

	<b>Budget *</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>			
Interest Income	\$ 338,000	\$ 305,358	\$ (32,642)
<b>TOTAL REVENUES</b>	<u>338,000</u>	<u>305,358</u>	<u>(32,642)</u>
<b>EXPENDITURES</b>			
Supplies and Materials	100,500	23,077	77,423
Contracted Services and Other Expenses	1,800,500	384,716	1,415,784
Capital Outlay	<u>54,491,693</u>	<u>29,261,273</u>	<u>25,230,420</u>
<b>TOTAL EXPENDITURES</b>	<u>56,392,693</u>	<u>29,669,066</u>	<u>26,723,627</u>
Net Change in Fund Balance	<u>\$ (56,054,693)</u>	<u>(29,363,708)</u>	<u>\$ 26,690,985</u>
Fund Balance at Beginning of Year		<u>55,335,511</u>	
Fund Balance at End of Year		<u>\$ 25,971,803</u>	

\* The budget for revenues reflects estimated amounts to be received in the current year. The budget for expenditures reflects amounts remaining and available for current and subsequent years' expenditures and does not necessarily coincide with actual planned expenditures in the current year.

See the accompanying notes to the financial statements.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**ACCOUNTING POLICIES**

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and *Audits of State and Local Governmental Units* issued by the American Institute of Certified Public Accountants.

**FUND STRUCTURE**

The Statement of Revenues, Expenditures and Change in Fund Balance is a statement of financial activities of the General Obligation Bond Funds related to the current reporting period. Expenditures frequently include amounts for land, buildings, equipment, retirement of indebtedness, transfers to other funds, etc. Consequently, this statement does not purport to present the results of operations or the net income or loss for the period as would a statement of income for a profit-type organization.

**BASIS OF ACCOUNTING**

The General Obligation Bond Funds of the Santa Monica Community College District is maintained on the modified accrual basis of accounting. As such, revenues are recognized when they become susceptible to accrual, which is to say, when they become both measurable and available to finance expenditures of the current period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered).

Cash in the County Treasury is recorded at cost, which approximates fair value, in accordance with the requirements of GASB Statement No. 31.

**BUDGET**

The Statements of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual include a column titled “Budget”. The amounts in this column represent the budget adopted by the Board and all amendments throughout the year.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**FUND BALANCE CLASSIFICATION**

The governmental fund financial statements present fund balance classifications that comprise a hierarchy based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts can be spent. Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation are considered restricted. The fund balance of the General Obligation Bond Funds is therefore classified as restricted.

**CAPITAL ASSETS AND LONG-TERM DEBT**

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with the General Obligation Bond Funds are determined by its measurement focus. The General Obligation Bond Funds are accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered a measure of “available spendable resources”. Thus, the capital assets and long-term liabilities associated with the General Obligation Bond Funds are accounted for in the basic financial statements of the Santa Monica Community College District.

**ESTIMATES**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2014**

**NOTE 2 – DEPOSITS – CASH IN COUNTY TREASURY:**

In accordance with the *Budget and Accounting Manual*, the District maintains substantially all of its cash in the Los Angeles County Treasury as part of the common investment pool. These pooled funds are carried at cost which may differ from fair value. The fair value of the District's deposits for the General Obligation Bond Funds in this pool as of June 30, 2014, as provided by the pool sponsor, was \$23,887,117, \$57,478,958 and \$36,573,494 for Measure U, Measure S and Measure AA, respectively.

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq. The County is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the County are either secured by federal depository insurance or are collateralized. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

**NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS:**

There were no excesses of expenditures over appropriations in the General Obligation Bond Funds, by major object accounts.

**NOTE 4 – BONDED DEBT:**

**Measure U**

On March 5, 2002, at an election held within the boundaries of the District, the voters authorized bonds to be sold in the amount of \$160,000,000. Proceeds from the sale of the bonds were used to finance the construction, acquisition, furnishing and equipping of District facilities.

Series A bonds were issued on August 1, 2002 for \$25,000,000. Interest rates range from 3.0% to 5.0% payable semiannually on February 1 and August 1. The bond has been fully redeemed.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2014**

**NOTE 4 – BONDED DEBT: (continued)**

**Measure U (continued)**

Series B bonds were issued on May 13, 2004 for \$21,675,000 of current interest bonds and \$324,971 of capital appreciation bonds. Interest rates range from 3.0% to 5.0% payable semiannually on May 1 and November 1.

Capital appreciation bonds were issued with maturity dates from May 1, 2027 through May 1, 2029. Prior to the applicable maturity date, each bond will accrete interest on the principal component. Accreted interest accrued and included in long term debt at June 30, 2014 is \$1,558,400.

Series C bonds were issued on August 2, 2005 for \$22,690,000 of current interest bonds and \$67,309,923 of capital appreciation bonds. Interest rates range from 3.12% to 5.07% payable semi-annually on August 1 and February 1.

Capital appreciation bonds were issued with maturity dates from August 1, 2009 through August 1, 2029. Prior to the applicable maturity date, each bond will accrete interest on the principal component. The bonds have been fully redeemed.

Series A 2007 bonds were issued on January 31, 2007 for \$11,999,987 of capital appreciation bonds. Interest rates range from 4.20% to 4.74%. The bonds were issued with maturity dates from August 1, 2015 through August 1, 2031. Prior to the applicable maturity date, each bond will accrete interest on the principal component. Accreted interest accrued and included in long term debt at June 30, 2014 is \$4,795,611.

Series E 2010 bonds were issued on January 26, 2010 for \$10,998,993 of capital appreciation bonds. Interest rates range from 3.92% to 5.7%. The bonds were issued with maturity dates from August 1, 2016 through August 1, 2026. Prior to the applicable maturity date, each bond will accrete interest on the principal component. Accreted interest accrued and included in long-term debt at June 30, 2014 is \$2,450,310.

Refunding Series A 2013 bonds were issued on June 5, 2013 for \$108,405,000 of current interest bonds. The bond was issued to effect an advance refunding of a portion of the District's outstanding general obligation bonds (Series A, B and C). The interest rates range from 2.0% to 5.0% depending on the maturity date of the bond.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2014**

**NOTE 4 – BONDED DEBT: (continued)**

**Measure U (continued)**

The proceeds associated with the refunding were deposited into an irrevocable escrow account for future repayments. The outstanding debt service of the defeased debt to be paid by the escrow agent of \$122,105,868 is scheduled to be paid off on August 1, 2015. The refunded bonds are considered in-substance defeased and are not recorded on the financial statements.

**Measure S**

On November 2, 2004, at an election held within the boundaries of the District, the voters authorized bonds to be sold in the amount of \$135,000,000. Proceeds from the sale of the bonds were used to finance the construction, acquisition, furnishing and equipping of District facilities.

Series A bonds were issued on May 1, 2005 for \$58,000,000. Interest rates range from 3.5% to 5.25% payable semiannually on May 1 and November 1.

Refunding Series C 2007 bonds were issued for \$15,660,000 of current interest bonds and \$24,404,768 of capital appreciation bonds. The interest rate ranges from 3.71% to 5.0% payable semiannually on August 1 and February 1.

Capital appreciation bonds were issued with maturity dates from August 1, 2007 through August 1, 2014. The bonds have been fully redeemed.

Series C bonds were issued on February 17, 2009 for \$30,885,000 of current interest bonds and \$26,112,857 capital appreciation bonds. Interest rate ranges from 1.77% to 4.39% payable semiannually on August 1 and February 1.

Capital appreciation bonds were issued with maturity dates from August 1, 2012 through August 1, 2029. Prior to the applicable maturity date, each bond will accrete interest on the principal component. Accreted interest accrued and included in long-term debt at June 30, 2014 is \$9,055,063.



**SANTA MONICA COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND FUNDS**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2014**

**NOTE 4 – BONDED DEBT: (continued)**

**Measure S (continued)**

Refunding Series B 2013 bonds were issued on June 5, 2013 for \$23,450,000 of current interest bonds. The bond was issued to effect an advance refunding of a portion of the District's outstanding general obligation bonds (Series C). The interest rates range from 0.486% to 2.205% depending on the maturity date of the bond.

The proceeds associated with the refunding were deposited into an irrevocable escrow account for future repayments. The outstanding debt service of the defeased debt to be paid by the escrow agent of \$23,349,500 is scheduled to be paid off on August 1, 2015. The refunded bonds are considered in-substance defeased and are not recorded on the financial statements.

**Measure AA**

On November 4, 2008, at an election held within the boundaries of the District, the voters authorized bonds to be sold in the amount of \$295,000,000. Proceeds from the sale of the bonds were used to finance the construction, acquisition, furnishing and equipping of District facilities.

General obligation bonds were issued on January 26, 2010 in the amount of \$100,000,000. These bonds consisted of \$33,135,000 tax-exempt Series A bonds and \$66,865,000 in federally taxable Build America Bonds Series A-1. The interest rate for Series A is 5% and for Series A-1 range from 5.728% to 5.878%, payable semiannually on February 1 and August 1. The Build America Bonds program was created by the American Recovery and Reinvestment Act to assist state and local governments in financing capital projects at lower borrowing costs and to stimulate the economy and create jobs.

The District elected to treat the Series A-1 bonds as "Build America Bonds" under Section 54AA of the Tax Code, and the Series A-1 Bonds be "qualified bonds" under Section 54AA(g)(2) of the Tax Code which make the District eligible for a cash subsidy payment from the United States Treasury equal to 35% of the interest payable on the Series A-1 Bonds. The District will deposit the cash subsidy payments with the County to be credited to the Debt Service Fund for the Series A-1 Bonds. Cash subsidy payments are expected to be received contemporaneously with each interest payment date.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND FUNDS**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2014**

**NOTE 4 – BONDED DEBT: (continued)**

**Payments**

The following summarizes the outstanding bonds at June 30, 2014:

	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Outstanding June 30, 2014</u>
<b>Measure U (2002 Election)</b>							
Series A	8/1/2002	8/1/2027	\$ 25,000,000	\$ 650,000	\$	\$ 650,000	\$ -
Series B	5/13/2004	5/1/2029	21,999,971	1,084,971		760,000	324,971
Series C	8/2/2005	8/1/2030	89,999,923	3,417,542		3,417,542	-
Series A	1/31/2007	8/1/2031	11,999,987	11,999,987			11,999,987
Series E	1/26/2010	8/1/2026	10,998,993	10,998,993			10,998,993
Refunding series A	6/5/2013	8/1/2030	108,405,000	<u>108,405,000</u>		<u>810,000</u>	<u>107,595,000</u>
Subtotal				<u>136,556,493</u>	<u>-</u>	<u>5,637,542</u>	<u>130,918,951</u>
<b>Measure S (2004 Election)</b>							
Series A	5/1/2005	5/1/2015	58,000,000	3,540,000		1,725,000	1,815,000
Refunding Series C	1/31/2007	8/1/2016	40,064,768	2,706,143		2,706,143	-
Series C	2/17/2009	8/1/2029	56,997,857	56,867,857		240,000	56,627,857
Refunding Series B	6/5/2013	8/1/2019	23,450,000	<u>23,450,000</u>			<u>23,450,000</u>
Subtotal				<u>86,564,000</u>	<u>-</u>	<u>4,671,143</u>	<u>81,892,857</u>
<b>Measure AA (2008 Election)</b>							
Series A	1/26/2010	8/1/2023	33,135,000	25,805,000		1,510,000	24,295,000
Series A-1	1/26/2010	8/1/2034	66,865,000	<u>66,865,000</u>			<u>66,865,000</u>
Subtotal				<u>92,670,000</u>	<u>-</u>	<u>1,510,000</u>	<u>91,160,000</u>
<b>Unamortized Bond Premiums</b>							
Measure U			15,242,152	13,792,043		811,297	12,980,746
Measure S			14,472,774	2,427,161		136,740	2,290,421
Measure AA			<u>4,334,926</u>	<u>3,334,558</u>		<u>333,456</u>	<u>3,001,102</u>
Subtotal				<u>19,553,762</u>	<u>-</u>	<u>1,281,493</u>	<u>18,272,269</u>
			<u>\$ 580,966,351</u>	<u>\$ 335,344,255</u>	<u>\$ -</u>	<u>\$ 13,100,178</u>	<u>\$ 322,244,077</u>

**SANTA MONICA COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND FUNDS**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

**NOTE 4 – BONDED DEBT: (continued)**

**Payments – Measure U**

The annual requirements to amortize Measure U bond payable, outstanding as of June 30, 2014, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Accreted Interest</u>	<u>Total</u>
2015	\$ 2,115,000	\$ 4,690,350	\$	\$ 6,805,350
2016	4,229,128	4,644,250	730,872	9,604,250
2017	5,038,586	4,568,150	656,414	10,263,150
2018	5,454,292	4,441,700	800,708	10,696,700
2019	5,881,384	4,285,500	948,616	11,115,500
2020-2024	36,937,531	17,905,375	7,492,469	62,335,375
2025-2029	48,300,395	9,331,625	12,834,605	70,466,625
2030-2033	22,962,635	913,500	2,967,365	26,843,500
Total	<u>\$ 130,918,951</u>	<u>\$ 50,780,450</u>	<u>\$ 26,431,049</u>	<u>\$ 208,130,450</u>

**Payments – Measure S**

The annual requirements to amortize Measure S bond payable, outstanding as of June 30, 2014, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Accreted Interest Component</u>	<u>Total</u>
2015	\$ 6,470,000	\$ 1,899,599	\$	\$ 8,369,599
2016	5,170,000	1,778,427		6,948,427
2017	7,400,000	1,687,930		9,087,930
2018	6,935,000	1,513,515		8,448,515
2019	7,360,000	1,264,603		8,624,603
2020-2024	26,417,314	2,349,035	5,172,686	33,939,035
2025-2029	18,761,492		36,373,508	55,135,000
2030	3,379,051		9,260,949	12,640,000
Total	<u>\$ 81,892,857</u>	<u>\$ 10,493,109</u>	<u>\$ 50,807,143</u>	<u>\$ 143,193,109</u>

**SANTA MONICA COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND FUNDS**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2014**

**NOTE 4 – BONDED DEBT: (continued)**

**Payments – Measure AA**

The annual requirements to amortize Measure AA bond payable, outstanding as of June 30, 2014, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,650,000	\$ 5,589,545	\$ 7,239,545
2016	1,800,000	5,503,295	7,303,295
2017	1,955,000	5,409,420	7,364,420
2018	2,120,000	5,307,545	7,427,545
2019	2,295,000	5,197,170	7,492,170
2020-2024	14,475,000	23,996,350	38,471,350
2025-2029	23,415,000	18,723,921	42,138,921
2030-2034	34,810,000	9,148,549	43,958,549
2035	8,640,000	292,161	8,932,161
Total	<u>\$ 91,160,000</u>	<u>\$ 79,167,956</u>	<u>\$ 170,327,956</u>

**NOTE 5 – PURCHASE COMMITMENTS:**

As of June 30, 2014, the District was committed under various capital expenditure purchase agreements for bond projects totaling approximately \$3,441,000, \$2,076,000 and \$76,956,000 for Measure U, Measure S, and Measure AA, respectively.

**NOTE 6 – SUBSEQUENT EVENTS:**

The District issued \$144,995,829 in General Obligation, 2008 Election, 2014 Series B Bonds on November 13, 2014. The bonds were issued as current interest bonds in the aggregate principal amount of \$121,100,000 and Capital Appreciation Bonds in the aggregate amount of \$23,895,829. These bonds contain an interest provision ranging from 1 percent to 5 percent depending on the maturity date of the bond.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Trustees  
The Citizens' Oversight Committee  
Santa Monica Community College District  
1900 Pico Boulevard  
Santa Monica, CA 90405-1628

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the Balance Sheet, Statement of Revenues, Expenditures and Changes in Fund Balance and Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual for the General Obligation Bond Funds of the Santa Monica Community College District (the District), as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's General Obligation Bond Funds basic financial statements, and have issued our report thereon dated December 16, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over the General Obligation Bond Funds financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's General Obligation Bond Funds financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



VICENTI, LLOYD & STUTZMAN LLP  
Glendora, California  
December 16, 2014

**SANTA MONICA COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND FUNDS**

**SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2014**

There were no findings related to the financial audit of the General Obligation Bond Funds (Measure U, Measure S and Measure AA) for the fiscal years ended June 30, 2014 and June 30, 2013.

**SUPPLEMENTAL INFORMATION**



**SANTA MONICA COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND FUNDS**

**BOND PROJECT SUMMARY – MEASURE U  
June 30, 2014**

The District has identified the following projects to be funded with proceeds from the Measure U general obligation bonds. The District incurred costs of \$142,879,941 through June 30, 2014 for these construction projects. Expenditures were as follows:

Project Name	Project Budget	Total Project Costs Through June 30, 2013	2013-14 Actual Costs	Total Project Costs Through June 30, 2014
Real Property Acquisition - BAE Site	\$ 30,280,878	\$ 30,280,878	\$	\$ 30,280,878
Real Property Acquisition - Emeritus College	9,603,782	8,909,940		8,909,940
Real Property Acquisition - 1738 Pearl Street	749,208	749,208		749,208
North Quad Plaza - Relocation of PE Building	2,797,033	2,797,033		2,797,033
Temporary Facilities - Math Village	1,458,690	1,458,690		1,458,690
Site Improvements - Bundy Campus	4,170,264	4,170,264		4,170,264
Site Improvements - Bundy West Building	19,709,741	19,709,741		19,709,741
Renovation of Main Stage Theater	19,544,314	19,496,949	47,365	19,544,314
Replacement Liberal Arts - Liberal Arts North	12,507,725	6,505,400		6,505,400
Student Services - Relocation of Music	4,629,484	2,009,333	2,038	2,011,371
Replacement Liberal Arts - Liberal Arts South	16,733,220	6,108,150		6,108,150
Real Property Acquisition - Off-Site Parking	18,969,509	18,969,509		18,969,509
Construction of North Quad Plaza	11,388,463	11,388,463		11,388,463
Student Services Center	109,862,122	2,526,058	992,330	3,518,388
Replacement Math and Science Extension Building	87,944,336	308,336		308,336
Technology and Infrastructure Improvements	4,003,084	4,003,083		4,003,083
Modernization of Restrooms	17,501	17,501		17,501
Facilities Master Planning	2,110,430	2,110,430		2,110,430
Literacy Center - 14th and Pico	319,242	319,242		319,242
<b>Project Totals</b>	<b><u>\$ 356,799,026</u></b>	<b><u>\$ 141,838,208</u></b>	<b><u>\$ 1,041,733</u></b>	<b><u>\$ 142,879,941</u></b>

See Independent Auditor's Report.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND FUNDS**

**BOND PROJECT SUMMARY – MEASURE S  
June 30, 2014**

The District has identified the following projects to be funded with proceeds from the Measure S general obligation bonds. The District incurred costs of \$86,765,858 through June 30, 2014 for these construction projects and related costs. Expenditures were as follows:

Project Name	Project Budget	Total Project Costs Through June 30, 2013	2013-14 Actual Costs	Total Project Costs Through June 30, 2014
Retrofit of Field Space - Corsair Field	\$ 4,440,065	\$ 4,372,535	\$	\$ 4,372,535
Retrofit of Field Space - John Adams	2,969,807	2,969,807		2,969,807
Performing Arts Complex	40,690,201	37,610,571	87,054	37,697,625
Replacement Health/PE/Fitness Building	49,586,632	790,589		790,589
Early Childhood Development Facility	13,176,578	186,027	196,268	382,295
Malibu Site Acquisition and Facility	26,775,991	5,857,416	836,408	6,693,824
Energy Efficiency Projects	510,683	293,361		293,361
Satellite Campus Parking Facilities and Roadway Improvements	4,775,000	3,825,841	41,626	3,867,467
Parking Garage, Grounds and Equipment - Student Services	109,862,122	15,394,556	76,445	15,471,001
Grounds Improvements - Pico Promenade	1,018,009	1,018,009		1,018,009
Facilities Master Planning	716,428	708,583	7,845	716,428
Bond Related Expenses - Project Management	662,764	212,928	31,939	244,867
Real Property Acquisition	45,597	45,597		45,597
Signage Safety/Information	606,223	237,125	9,700	246,825
Project Totals	<u>255,836,100</u>	<u>73,522,945</u>	<u>1,287,285</u>	<u>74,810,230</u>
2007 Series C Refunding Bond *	11,562,625	11,562,625		11,562,625
Arbitrage Expense		393,003		393,003
Totals	<u>\$ 267,398,725</u>	<u>\$ 85,478,573</u>	<u>\$ 1,287,285</u>	<u>\$ 86,765,858</u>

\* These funds are related to debt services and are not available for capital projects.

See Independent Auditor's Report.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND FUNDS**

**BOND PROJECT SUMMARY – MEASURE AA  
June 30, 2014**

The District has identified the following projects to be funded with proceeds from the Measure AA general obligation bonds. The District incurred costs of \$77,202,731 through June 30, 2014 for these construction projects. Expenditures were as follows:

Project Name	Project Budget	Total Project Costs Through June 30, 2013	2013-14 Actual Costs	Total Project Costs Through June 30, 2014
Utility Infrastructure and Technology	\$ 9,486,271	\$ 573,406	\$ 250,931	\$ 824,337
Infrastructure & Technology - Information Technology Relocation	19,866,324	4,439,049	11,104,218	15,543,267
Media and Technology Complex	89,922,081	12,524,823	13,861,662	26,386,485
Replacement Health/PE/Fitness/Dance Building with Central Plant	47,586,632	4,637,297	304,338	4,941,635
Drescher - Academic Modernization, Bookstore, Pico Promenade	8,711,882	5,082		5,082
Replacement Math and Science Extension Building	87,944,336		4,950	4,950
Madison East Wing Seismic Upgrade	23,016,844	1,882,609	185,956	2,068,565
Renovation of Corsair Stadium	35,299	35,299		35,299
Malibu Education Improvements	26,775,991			
Business and Facilities Infrastructure	2,000,000	1,191,296	763,095	1,954,391
Facilities Master Planning	750,000		76,015	76,015
Environmental Performance Improvements	6,542,613	2,113,062	990,389	3,103,451
Community Classroom & Facility Projects	3,162,183	3,163,186	(1,003)	3,162,183
Real Property Acquisition	14,802,902	14,787,102	15,800	14,802,902
Roadways, Walkways, Grounds, Parking Lots, and Garages	3,035,375	974,506	1,153,512	2,128,018
Infrastructure & Technology - Technology	2,512,181	1,147,696	18,944	1,166,640
Infrastructure & Technology - Utility	27,753	27,752		27,752
Emergency Lighting, Fire Alarm, and Security System	9,570,794	31,500	940,259	971,759
Student Services	109,862,122			
<b>Project Totals</b>	<b>\$ 465,611,583</b>	<b>\$ 47,533,665</b>	<b>\$ 29,669,066</b>	<b>\$ 77,202,731</b>

See Independent Auditor's Report.

**GENERAL OBLIGATION BONDS MEASURE U,  
MEASURE S & MEASURE AA PERFORMANCE AUDIT**

**INDEPENDENT AUDITOR'S REPORT**

The Board of Trustees  
The Citizens' Oversight Committee  
Santa Monica Community College District  
1900 Pico Boulevard  
Santa Monica, CA 90405-1628

We have conducted a performance audit of the Santa Monica Community College District (the "District"), Measure U, Measure S, and Measure AA General Obligation Bond Funds for the year ended June 30, 2014.

We conducted our performance audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit was limited to the objectives listed on page twenty-five of this report which includes determining the District's compliance with the performance requirements for the Proposition 39 Measure U, Measure S, and Measure AA General Obligation Bonds under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution and Sections 15264 and 15272 – 15286 of the California Education Code as they apply to the Bonds and the net proceeds thereof. Management is responsible for the District's compliance with those requirements.

Solely to assist us in planning and performing our performance audit, we obtained an understanding of the internal control of the District to determine if internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution and Sections 15264 and 15272 – 15286 of the California Education Code. Accordingly, we do not express any assurance on internal control.

The results of our tests indicated that, in all significant respects, the District expended Measure U, Measure S, Measure AA General Obligation Bond Funds for the year ended June 30, 2014, only for the specific projects developed by the District's Board of Trustees, and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution and Sections 15264 and 15272 – 15286 of the California Education Code.

*Vicenti, Lloyd & Stutzman LLP*

VICENTI, LLOYD & STUTZMAN LLP  
Glendora, California  
December 16, 2014

# SANTA MONICA COMMUNITY COLLEGE DISTRICT

## GENERAL OBLIGATION BONDS PERFORMANCE AUDIT

June 30, 2014

### BACKGROUND INFORMATION

In November 2000, the voters of the State of California approved Proposition 39 authorizing the issuance of general obligation bonds by California public school districts and community colleges, under certain circumstances and subject to certain conditions.

In March 2002, a general obligation bond proposition (Measure U) of the Santa Monica Community College District was approved by the voters of the District. Measure U authorized the District to issue up to \$160 million of general obligation bonds to finance various capital projects, and related costs, as specified in the bond measure provisions.

In November 2004, a general obligation bond proposition (Measure S) of the Santa Monica Community College District was approved by the voters of the District. Measure S authorized the District to issue up to \$135 million of general obligation bonds to finance various capital projects, and related costs, as specified in the bond measure provisions.

In November 2008, a general obligation bond proposition (Measure AA) of the Santa Monica Community College District was approved by the voters of the District. Measure AA authorized the District to issue up to \$295 million of general obligation bonds to finance various capital projects, and related costs, as specified in the bond measure provisions.

Pursuant to the requirements of Proposition 39, and related State legislation, the Board of Trustees of the District established a Citizens' Oversight Committee and appointed its members. The principal purpose of the Citizens' Oversight Committee, as set out in State law, is to inform the public as to the expenditures made using the proceeds of the bonds issued pursuant to the Measure U, Measure S and Measure AA bond authorization. The Citizens' Oversight Committee is required to issue at least one report annually as to its activities and findings.

Section 1(b)(3)(C) of Article XIII A of the California Constitution requires the District to conduct an annual independent performance audit to ensure that the proceeds of the bonds deposited into the General Obligation Bond Funds have been expended only for the authorized bond projects. Consistent with this provision, Section 15286 of the California Education Code requires the performance audit to be conducted in accordance with *Government Auditing Standards* issued by the comptroller General of the United States and be submitted to the Citizen's Oversight Committee by March 31<sup>st</sup> of each year.

# **SANTA MONICA COMMUNITY COLLEGE DISTRICT**

## **GENERAL OBLIGATION BONDS PERFORMANCE AUDIT**

**June 30, 2014**

### **OBJECTIVES**

The objectives of our performance audit were to:

- Document the expenditures charged to the Santa Monica Community College District General Obligation Bond Funds.
- Determine whether expenditures charged to the General Obligation Bond Funds, have been made in accordance with the bond project list approved by the voters through the approval of Measure U in March 2002, Measure S in November 2004, and Measure AA in November 2008.
- Determine compliance with specific Education Codes Sections related to oversight of bond expenditures.
- Note any incongruities or system weaknesses, or non-compliance with specific Education Code Sections related to oversight of fund expenditures and provide recommendations for improvement.
- Provide the District Board and the Citizens' Oversight Committee with a performance audit as required under the requirements of the California Constitution and Proposition 39.

### **SCOPE OF THE AUDIT**

The scope of our performance audit covered the fiscal period from July 1, 2013 to June 30, 2014. The sample of expenditures tested included object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than the proceeds of the bonds, were not included within the scope of our audit. Expenditures incurred subsequent to June 30, 2014, were not reviewed or included within the scope of our audit or in this report.

# **SANTA MONICA COMMUNITY COLLEGE DISTRICT**

## **GENERAL OBLIGATION BONDS PERFORMANCE AUDIT**

**June 30, 2014**

### **PROCEDURES PERFORMED**

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2014 for the Measure U, Measure S and Measure AA General Obligation Bond Funds. We also reviewed documentation, including the District website, for compliance with Education Code Sections 15264 and 15272 – 15286. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for expenditures to ensure compliance with the requirements of Proposition 39 and Measure U, Measure S and Measure AA with regards to the approved bond projects list and performed the following procedures:

- We reviewed the projects listed to be funded with general obligation bond proceeds as set out in the Measure U, Measure S and Measure AA election documents.
- We selected a sample of expenditures from each bond Measure for the fiscal year ended June 30, 2014 and reviewed supporting documentation to ensure that such funds were properly expended on the authorized bond projects.
- We verified that funds from the General Obligation Bond Funds were generally expended for the construction, reconstruction, acquisition, furnishing and equipping of District facilities constituting the authorized bond projects and we verified that funds held in the General Obligation Bond Funds were not used for salaries of school administrators or other operating expenses of the District.

### **CONCLUSION**

The results of our tests indicated that, in all significant respects, the Santa Monica Community College District has properly accounted for the expenditures of the funds held in the Measure U, Measure S and Measure AA General Obligation Bond Funds and that such expenditures were made on authorized bond projects. Further, it was noted that the funds held in the Measure U, Measure S and Measure AA General Obligation Bond Funds and expended by the District were not expended for salaries of school administrators or other operating expenditures.

In addition, the results of our tests indicated that, in all significant respects, the District complied with certain provisions of the California Education Code requirements for which the purpose of a Citizens' Oversight Committee is established.



**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**GENERAL OBLIGATION BONDS  
PERFORMANCE AUDIT**

**SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2014**

There were no findings related to the performance audit for the fiscal years ended June 30, 2014 and June 30, 2013.