

SANTA MONICA COMMUNITY COLLEGE DISTRICT

LOS ANGELES COUNTY

**REPORT ON
AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE**

June 30, 2012



SANTA MONICA COMMUNITY COLLEGE DISTRICT

AUDIT REPORT

June 30, 2012

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	
MANAGEMENT’S DISCUSSION AND ANALYSIS	i-xix
BASIC FINANCIAL STATEMENTS:	
Statement of Net Assets	1
Statement of Revenues, Expenses and Changes in Net Assets	2
Statement of Cash Flows.....	3-4
Statement of Fiduciary Net Assets.....	5
Statement of Changes in Fiduciary Net Assets	6
NOTES TO FINANCIAL STATEMENTS	7-50
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Post-Employment Health Care Benefits Funding Progress	51
Notes to Required Supplementary Information	52
SUPPLEMENTARY INFORMATION:	
History and Organization	53
Schedule of Expenditures of Federal Awards	54-55
Schedule of State Financial Assistance - Grants.....	56
Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance	57
Reconciliation of Annual Financial and Budget Report with Audited Fund Balances	58
Reconciliation of 50 Percent Law Calculation.....	59-60
Schedule of Budgetary Comparison for the General Fund	61
Notes to Supplementary Information	62-63

SANTA MONICA COMMUNITY COLLEGE DISTRICT

AUDIT REPORT

June 30, 2012

CONTENTS

	<u>Page</u>
OTHER INDEPENDENT AUDITOR’S REPORTS:	
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.....	64-65
Independent Auditor’s Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.....	66-67
Independent Auditor’s Report on State Compliance	68-70
FINDINGS AND QUESTIONED COSTS:	
Schedule of Findings and Questioned Costs – Summary of Auditor Results.....	71
Schedule of Findings and Questioned Costs.....	72
Status of Prior Year Findings and Questioned Costs.....	73
CONTINUING DISCLOSURE INFORMATION (UNAUDITED)	74



INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Santa Monica Community College District
1900 Pico Boulevard
Santa Monica, California 90405-1628

We have audited the accompanying basic financial statements of the Santa Monica Community College District, as of and for the year ended June 30, 2012 as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements listed in the aforementioned table of contents present fairly, in all material respects, the financial position of the Santa Monica Community College District as of June 30, 2012, and the results of its operations, changes in net assets and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2012 on our consideration of the Santa Monica Community College District's internal control over financial reporting and 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 financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Trustees
Santa Monica Community College District

Accounting principles generally accepted in the United States of America require that the required supplementary information such as management's discussion and analysis and the schedule of postemployment health care benefits funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the Santa Monica Community College District financial statements as a whole. The supplementary schedules and the continuing disclosure information are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements of Santa Monica Community College District. The supplementary section, including the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The 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. The continuing disclosure information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.


VICENTI, LLOYD & STUTZMAN LLP

December 12, 2012

SANTA MONICA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

Introduction

The following discussion and analysis provides an overview of the financial position and activities of the Santa Monica Community College District (the "District") for the year ended June 30, 2012. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section.

Santa Monica Community College District is the preeminent educational, cultural, and economic development institution in the City of Santa Monica. The District offers programs of the highest quality for Santa Monica, Malibu, and other students who continue on with their higher education studies; offers programs of remediation and reentry; is a leading community provider of programs for seniors; offers cultural and arts programs of national distinction; delivers programs of exceptional depth in professional training, job training and workforce development; and provides fee-based community services programs of personal interest.

Financial Highlights

This section is to provide an overview of the District's financial activities. The District was required to implement the reporting standards of Governmental Accounting Standards Board Statements No. 34 and 35 during the fiscal year 2001-02 using the Business Type Activity (BTA) model. The California Community College Chancellor's Office (CCCCO), through its Fiscal and Accountability Standards Committee, recommended that all community college districts implement the new reporting standards under the BTA model. To comply with the recommendation of the Chancellor's Office and to report in a manner consistent with other California community college districts, the District has adopted the BTA reporting model for these financial statements.

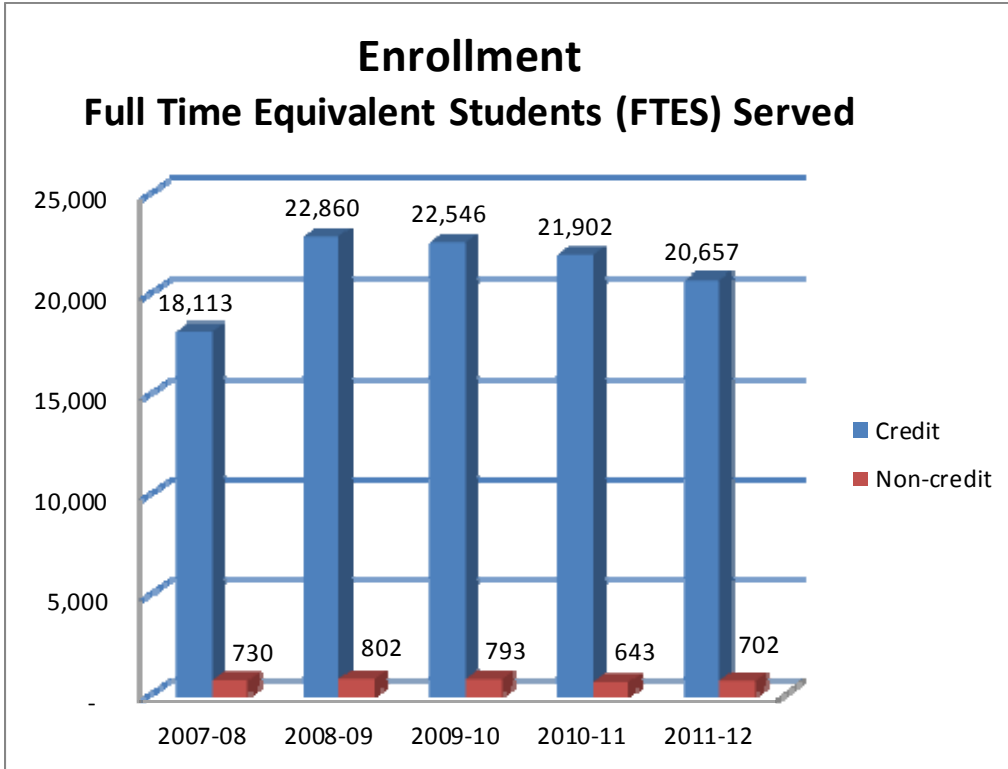
SANTA MONICA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

Full-time Equivalent Students

During 2011-12, total Full-Time Equivalent Students (FTES) served decreased from 22,545 to 21,359 (approximately 5.3%) as a result of State reductions in funding. While the District served less overall FTES than in the prior year, the District was able to serve approximately 996 more Full-Time Equivalent Students than funded by the State by utilizing reserves.



SANTA MONICA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities and net assets of the District as of the end of the fiscal year and is prepared using the accrual basis of accounting, which is similar to the accounting basis used by most private-sector organizations. The Statement of Net Assets is a point-of-time financial statement whose purpose is to present to the readers a fiscal snapshot of the District.

From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of the District. Readers are also able to determine how much the District owes vendors and employees. Finally, the Statement of Net Assets provides a picture of the net assets and their availability for expenditure by the District.

The difference between total assets and total liabilities is one indicator of the current financial condition of the District; the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allocation for depreciation expense.

The Net Assets are divided into three major categories. The first category, invested in capital assets, provides the equity amount in property, plant and equipment owned by the District. The second category is expendable restricted net assets; these net assets are available for expenditure by the District, but must be spent for purposes as determined by external entities and/or donors that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets that are available to the District for any lawful purpose of the District.

SANTA MONICA COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

The Statements of Net Assets as of June 30, 2012 and June 30, 2011 are summarized below:

	(in thousands)	(in thousands)
	<u>2012</u>	<u>2011</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 167,611	\$ 193,276
Receivables	35,638	31,490
Due from fiduciary funds	1,056	2,957
Inventories	2,107	2,603
Prepaid expenses	2,579	1,306
Prepaid issue costs - current portion	219	219
Total current assets	<u>209,210</u>	<u>231,851</u>
Non-current assets		
Restricted cash and cash equivalents	30,247	26,970
Prepaid issue costs - non-current portion	1,844	2,064
Long-term investments	1,065	1,073
Capital assets, net of accumulated depreciation	<u>334,627</u>	<u>331,968</u>
Total non-current assets	<u>367,783</u>	<u>362,075</u>
TOTAL ASSETS	<u>576,993</u>	<u>593,926</u>
LIABILITIES		
Current liabilities		
Bank overdraft	1,613	2,873
Accounts payable and accrued liabilities	20,519	18,558
Due to fiduciary funds	344	208
Deferred revenue	9,714	9,405
Compensated absences - current portion	1,004	969
Long-term liabilities - current portion	<u>19,868</u>	<u>18,155</u>
Total current liabilities	<u>53,062</u>	<u>50,168</u>
Non-current liabilities		
Long-term liabilities less current portion	<u>403,886</u>	<u>412,656</u>
Total non-current liabilities	<u>403,886</u>	<u>412,656</u>
TOTAL LIABILITIES	<u>456,948</u>	<u>462,824</u>
NET ASSETS		
Invested in capital assets, net of related debt	94,386	95,499
Restricted	35,037	33,515
Unrestricted	<u>(9,378)</u>	<u>2,088</u>
TOTAL NET ASSETS	<u>\$ 120,045</u>	<u>\$ 131,102</u>

SANTA MONICA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

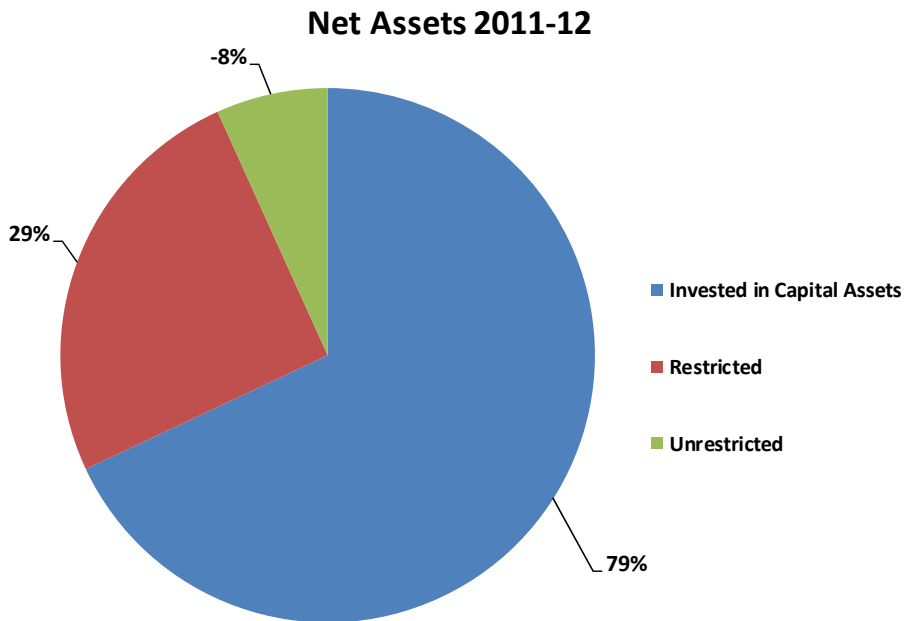
- There was a decrease in cash and cash equivalents. This decrease was mainly caused by the decrease in cash and cash equivalents in the bond building funds related to pre-construction, construction and property acquisition expenses. Additionally, the District's Unrestricted General Fund realized a decline in cash as a result of reductions in State funding and deferred cash payments to the District by the State due to state cash flow issues. Further discussion is located in the section labeled "Statement of Cash Flows", along with an additional explanation of changes in cash balances.
- Due to state cash flow and budget issues, the state increased its deferral of apportionment payment to the community college system from \$832 million in 2010-11 to \$961 million in 2011-12. This increase in deferral is primarily responsible for the increase in receivables. In 2012-13, the District received the deferred apportionment payment in whole.
- In 2010-11 there were reimbursements/transfers that were still in transit at year end from the following programs: Big Blue Bus "Any Line Any Time" program, Broad Stage and KCRW. In 2011-12, these reimbursements/transfers were either received prior to June 30, 2012 or the transfer amounts were significantly reduced from the previous year resulting in a decrease in due from fiduciary funds.
- The District's inventories decreased mainly due to a decrease in bookstore stock as a result of reduced class offering and the effort to maintain a reduced inventory.
- In 2011-12, the District prepaid the first month of 2012-13 health and welfare insurance for employees which had not been done in the prior year, resulting in an increase in prepaid expenses.
- Restricted cash and cash equivalents increased as a result of an increased reserve in the bond interest redemption fund related to collections for prior year bond issuances and an increase in reserves related to restricted programs

SANTA MONICA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

- The bookstore fund has a bank overdraft balance of \$1.613 million at June 30, 2012. The overdraft, in reality, is a loan from other funds and decreased primarily as a result of maintaining a reduced inventory from prior year.
- Accounts payables and accrued liabilities increased as a result of increased levels of both salaries and benefits payable in the General Fund and vendor payables in both the General Fund and Bond Building Funds as compared to prior year.
- Long-term liabilities – current portion increased as a result of a scheduled increase in principal and interest payments related to general obligation debt.
- Non-current liabilities decreased as a result of the net effect of the retirement of debt related to general obligation bonds/certificates of participation.
- Unrestricted net assets decreased primarily as a result of the recognition of additional non-current long term liabilities related to other post-employment benefits and a reduction in Unrestricted Fund Balance as a result of State funding reductions.



SANTA MONICA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

Statement of Revenues, Expenses and Change in Net Assets

The change in total net assets is presented on the Statement of Net Assets based on the activity presented in the Statement of Revenues, Expenses and Change in Net Assets. The purpose of this statement is to present the operating and non-operating revenues earned (whether received or not) by the District, the operating and non-operating expenses incurred (whether paid or not) by the District, and any other revenues, expenses, gains and/or losses earned or incurred by the District. Thus, this Statement presents the District's results of operations. Generally, operating revenues are earned for providing goods and services to the various customers and constituencies of the District. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues and to fulfill the mission of the District. Non-operating revenues are those received or pledged for which goods and services are not provided. For example, state appropriations are non-operating because they are provided by the legislature to the District without the legislature directly receiving commensurate goods and services for those revenues.

A comparison between fiscal years 2010-11 and 2011-12 is provided on the following page.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

The Statements of Revenues, Expenses and Change in Net Assets for the years ended June 30, 2012 and June 30, 2011 are summarized below:

	(in thousands)	(in thousands)
	<u>2012</u>	<u>2011</u>
Operating Revenues		
Net enrollment, tuition and other fees	\$ 44,544	\$ 38,998
Grants and contracts, non-capital	50,324	46,917
Auxiliary enterprise sales and charges, net	<u>7,497</u>	<u>7,828</u>
Total operating revenues	<u>102,365</u>	<u>93,743</u>
Operating Expenses		
Salaries and benefits	140,281	139,130
Supplies, materials and other operating expenses and services	29,561	28,003
Financial aid	34,438	31,343
Utilities	2,938	3,025
Depreciation	<u>13,427</u>	<u>5,542</u>
Total operating expenses	<u>220,645</u>	<u>207,043</u>
Operating loss	<u>(118,280)</u>	<u>(113,300)</u>
Non-operating revenues		
State apportionments, non-capital	72,535	84,400
Local property taxes	15,058	14,314
State taxes and other revenues	4,049	4,200
Investment income, net	231	267
Contributions, gifts and grants, non-capital	<u>2,348</u>	<u>4,637</u>
Total non-operating revenues	<u>94,221</u>	<u>107,818</u>
Other revenues, expenses, gains or (losses)		
Interest expense on capital-related debt	(18,621)	(23,469)
Loss on disposal of fixed assets	(2,847)	-
Investment income, capital	1,790	2,563
Local property taxes and revenues, capital	<u>31,791</u>	<u>32,784</u>
Total other revenues, expenses, gains or losses	<u>12,113</u>	<u>11,878</u>
Change in net assets	<u>(11,946)</u>	<u>6,396</u>
Net assets, beginning of year	131,102	124,706
Adjustment for restatement (see note 14)	<u>889</u>	<u>-</u>
Net assets, end of year	<u>\$ 120,045</u>	<u>\$ 131,102</u>

SANTA MONICA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

- In 2011-12, the State mandated an increase in enrollment fees from \$26 per unit to \$36 per unit. This mandated increase coupled with an increase in non-resident tuition resulted in an increase in net enrollment, tuition and other fees over the prior year.
- Grants and contracts, non-capital, increased from prior year primarily as a result of increased funding associated with Federal Financial Aid programs.
- Due to a reduction in the class schedule and increased competition from outside vendors, the bookstore realized a reduction in sales of approximately \$331 thousand resulting in a decline in auxiliary enterprise sales and charges, from prior year.
- Between 2008-09 and 2010-11 the District, in response to the possibility of State funding reductions, substantially reduced resources designated for use in the supplies, materials and other operating expenses and services area. This reduction in allocation of resources, over the three year period, had a negative effect on District operations and infrastructure. In 2011-12 the District reallocated resources to these areas to improve operations and infrastructure which resulted in the increase from prior year.
- Operating expenses related to Financial Aid increased from prior year primarily as a result of an increased number of eligible applicants. While the District provides a match to some financial aid programs, the majority of the funding for these programs originated from sources outside the District.
- Utility related expenditures decreased 3% from 2010-11. This decrease is generally a result of current and previously implemented energy conservation, renegotiated energy contracts and sustainability efforts by the District including: installation of an electric photovoltaic power supply, an upgrade to the power control systems in the Science building, increased maintenance efforts to optimize equipment efficiency and the development of a power usage schedule for lighting and climate control. The District believes these projects, coupled with previously completed energy system retrofitting efforts, will continue to help mitigate some of the future escalations in utility costs.
- Depreciation expense has increased over prior year due to a change in internal accounting policy related to depreciation.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

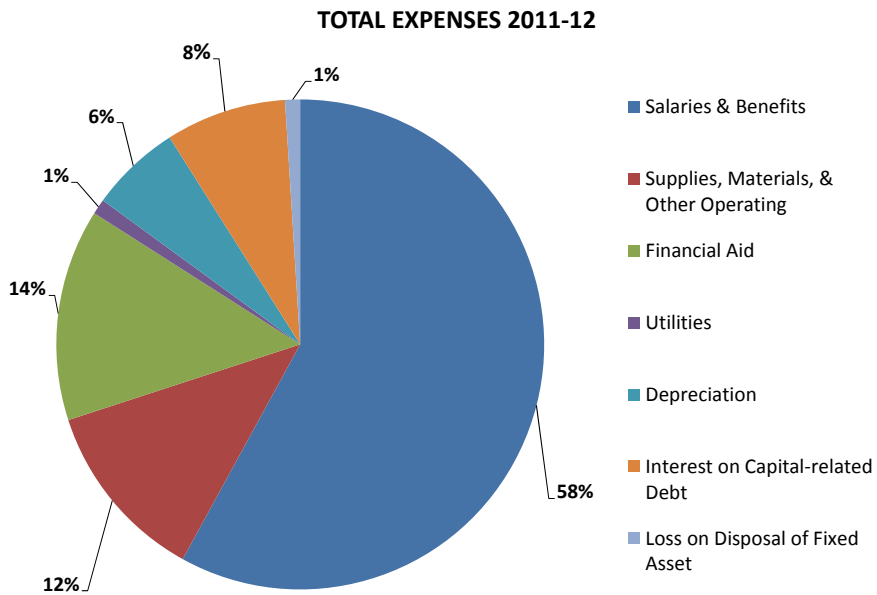
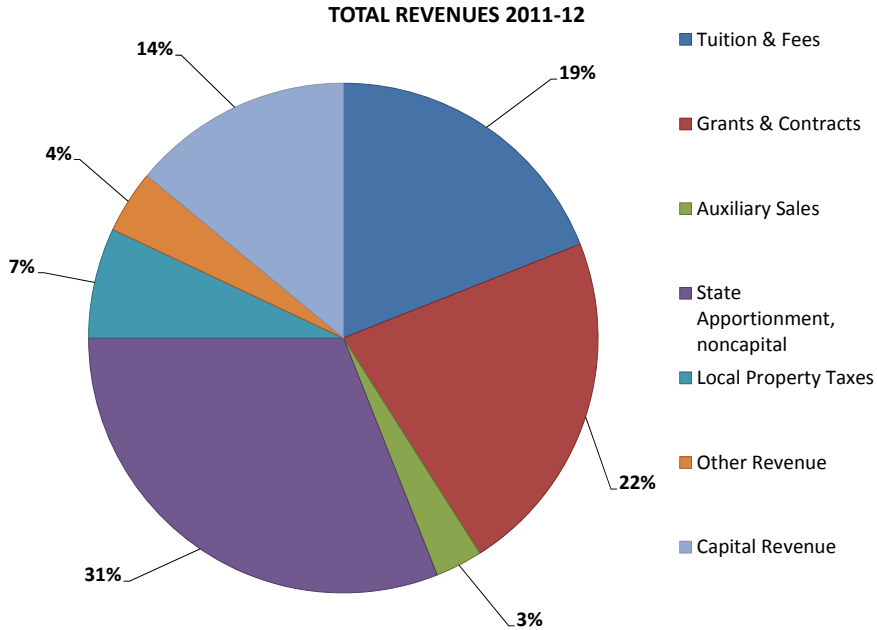
June 30, 2012

- State apportionments, non-capital are generated based on the Full-Time Equivalent Students (FTES) reported to the State by the District. State principal apportionment, technically defined as total general revenue, is a workload calculation that is funded by property taxes, enrollment fees, and apportionment. If property taxes or enrollment fees decline, the apportionment increases to cover the shortage, if state funding is available. The inverse is also true, so any increase in tax receipts or enrollment fees would lower the apportionment. In 2011-12, the State implemented both permanent and one-time funding reductions, as a direct result of the state budget shortages, which resulted in a decrease in state apportionments, non-capital.
- Local property taxes are received through the Auditor-Controller's Office for Los Angeles County. There was an increase in Local Property Tax revenues in 2011-12, due primarily to the liquidation of the local Redevelopment Agency and increased property tax receivables related to general obligation bonds. In relationship to State apportionment, the amount received for property taxes is deducted from the total State apportionment amount for general revenue calculated by the State for the District. Any increase/decrease in property taxes would not necessarily result in an increase/decrease in net revenue.
- Contributions, gifts and grants, non-capital decreased as a result of decreased contributions, received by the District, related to KCRW and Emeritus College.
- Interest expense on capital-related debt decreased primarily as a result of a reduction in accreted and accrued interest associated with certificates of participation and general obligation bonds.
- Investment income, capital, decreased \$773 thousand as a result of lower returns from the prior year coupled with a reduction of principal invested as a result of the use of principal for construction and capital related expenses.
- Net assets decreased primarily due to a reduction in State apportionment and an increase in depreciation expense.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012



SANTA MONICA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments during the fiscal year. This statement also helps users assess the District's ability to generate positive cash flows, meet obligations as they come due and the need for external financing.

The Statement of Cash Flows is divided into five parts. The first part reflects operating cash flows and shows the net cash used by the operating activities of the District. The second part details cash received for non-operating, non-investing and non-capital financing purposes. The third part shows cash flows from capital and related financing activities. This part deals with the cash used for the acquisition and construction of capital and related items. The fourth part provides information from investing activities and the amount of interest received. The last section reconciles the net cash used by operating activities to the operating loss reflected on the Statement of Revenues, Expenses and Change in Net Assets located on page 4 of the financial statements.

	(in thousands)	(in thousands)
	<u>2012</u>	<u>2011</u>
Cash Provided By (Used in)		
Operating activities	\$ (94,389)	\$ (101,136)
Non-capital financing activities	87,567	102,241
Capital and related financing activities	(16,017)	(6,661)
Investing activities	<u>451</u>	<u>490</u>
Net increase in cash and cash equivalents	(22,388)	(5,066)
Cash balance, beginning of year	<u>220,246</u>	<u>225,312</u>
Cash balance, end of year	<u>\$ 197,858</u>	<u>\$ 220,246</u>

SANTA MONICA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

- Cash receipts from operating activities are from student tuition, auxiliary operation sales and from federal, state and local grants. Uses of cash from operating activities consist of payments to employees, vendors and students. The decrease in cash used for operating activities is related to the net effect of increased receipts related to tuition and fees, increased funding received for Federal Financial Aid programs, increased payments to/on behalf of employees and outside vendors.
- Non-capital financing activities represent cash receipts from State apportionment, property taxes, state taxes, other state revenue and grants and gifts for other than capital purposes. The decrease in cash provided from Non-capital Financing Activities is primarily a result of increased cash deferrals from the State and reduced funding provided by the State due to state budget issues.
- Increased construction and debt payments from prior year has resulted in an increase in cash used in relation to Capital and Related Financing Activities.
- Cash from investing activities is primarily from cash invested through the Los Angeles County pool and interest earned on cash in banks. Due to state cash flow issues, the State increased its deferral of apportionment payments to the Community College System from \$832 million in 2010-11 to \$961 million in 2011-12. This increase in deferment coupled with continued low interest rates resulted in a decline in cash flow from investing activities.

District's Fiduciary Responsibility

The District is the trustee or fiduciary for certain amounts held on behalf of students, clubs and donors for student loans and scholarships. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. These activities are excluded from the District's other financial statements because the District cannot use these assets to finance operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

SANTA MONICA COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2012, the District had net governmental capital assets of \$334.6 million, consisting of land, buildings and building improvements, construction in progress, vehicles, office and instructional equipment, with an accumulated depreciation of \$66.9 million. Net additions to capital assets in 2011-12 consisted mainly of site/site improvements and construction in progress as a result of the passage of Measure U, Measure S and Measure AA. The following major projects added significantly to the capital assets of the District in the form of land, site/site improvements and construction in process: Student Services and Administration Complex; Madison East Wing Seismic Upgrade; 919 Santa Monica Property Acquisition; Business and Facilities Infrastructure at 1510 Pico; Replacement of Health, PE, Fitness, Dance Building with Central Plant; Media Technology Complex at AET; Infrastructure and Technology Relocation Project; and Community Classroom and Facility Project. It is important to recognize that all valuations are based on historical cost as required by generally accepted accounting Principles (GAAP). For example, the 38 acres of the main campus would have a significantly greater value today than is reflected in the capital asset listing below.

Note 5 to the financial statements provides additional information on capital assets. Total capital assets, net of depreciation, are summarized below:

	<u>Balance June 30, 2012</u>
Land	\$ 70,566,358
Site and Site Improvements	206,390,242
Equipment	18,555,130
Construction in Progress	<u>106,086,854</u>
Totals at historical cost	<u>401,598,584</u>
Less accumulated depreciation for:	
Site and Site Improvements	(52,401,362)
Equipment	<u>(14,570,344)</u>
Total accumulated depreciation	<u>(66,971,706)</u>
Governmental capital assets, net	<u>\$ 334,626,878</u>

SANTA MONICA COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

Debt

At June 30, 2012, the District had approximately \$424.8 million in debt: \$7.2 million from compensated absences, \$25.7 million from GASB Statement No. 45, other post-employment health care benefit liability, \$6.0 million from capital lease, \$21.1 million from obligations under certificates of participation, \$325.6 million from general obligation bonds and \$39.1 million of accreted interest. The general obligation bonds and certificates of participation were issued to fund various projects related to construction, purchase and renovation of instructional facilities, laboratories, centers, administrative facilities and parking structures. Debt payments on the bonds will be funded through property tax receipts collected over the term of the bonds. Debt payments on the certificates of participation will be funded through parking revenues, additional funding sources related to student enrollment and other sources identified within the capital funds. The District's bond rating is AA (S&P).

Note 9 to the financial statements provides additional information on long-term liabilities. A summary of long-term debt is presented below:

	Balance <u>June 30, 2012</u>
Compensated absences	\$ 7,201,411
Other post-employment health care benefits	25,719,205
Capital lease	6,021,989
Certificates of participation	21,141,693
General obligation bonds	325,607,979
Accreted interest	<u>39,065,981</u>
Total	<u><u>\$ 424,758,258</u></u>

SANTA MONICA COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

Budgeting for the Future

Overview

Santa Monica College has developed the 2012-13 Adopted Budget during a time of state funding reductions that are unprecedented. In 2011-12, the District's budget continued to honor the Board's Budget Principles by maintaining full employment of permanent employees and by prioritizing student access in serving almost 1,000 full-time equivalent students beyond the number funded by the State. Despite ending 2011-12 with an operating deficit in the Unrestricted General Fund of \$8.84 million, the District has managed to develop a recommended adopted budget for 2012-13 that reduces the operating deficit to \$4 million and still does not negatively impact permanent employees. Given the cumulative State revenue reductions over the past several years, this is a truly impressive accomplishment for the entire college community.

Budget for 2012-13 – Unrestricted General Fund

Summary

As of the adopted budget, the District is projecting revenue increases from prior year actuals of approximately 3.5% or \$4,595,978 and expenditure reductions of 0.2% or \$216,871. The net effect of the projected changes in revenue and expenditures will result in a projected operating deficit, with one-time items, of \$4,027,625 and a projected ending Unrestricted General Fund Balance of \$8,842,415, excluding designated reserves, or 6.37% of total expenditures and transfers.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

Revenues

State Revenue – Principal Apportionment

State funding, in the form of principal apportionment, constitutes 75% (\$101,093,354) of the District's operating revenue. The calculation for Principal Apportionment is based on the number of Full Time Equivalent Students the District serves, but is capped based on the state adopted budget. The District receives principal apportionment through a combination of direct state funds known as general apportionment, coupled with enrollment fees and property taxes, which are combined to equal the principal apportionment. If actual receipts of property taxes or enrollment fees differ from projections, general apportionment funding will be adjusted, provided that state funding is available, to keep the formula constant.

The District has based its principal apportionment revenue projections on the State budget which has implemented a 1.0% restoration of workload reduction for 2012-13. This will result in the District being funded by the State to serve approximately 20,005 credit FTES in 2012-13. As of the proposed adopted budget, the target is to serve approximately 20,255 credit FTES, which is 250 FTES more than what the State is funding the District to serve. Between 2008-09 and 2011-12 the District, using its reserves to cover instruction-related expenditures, has served approximately 4,383 credit FTES beyond what the state has provided funding for.

Property Taxes

Based on preliminary projections, the District will receive \$13,951,082 in property tax in the current year. This is a combination of property tax shift, homeowner's exemption, secured taxes, unsecured taxes, supplemental taxes, RDA pass through and prior years' taxes. If the receipt of property tax does not meet these projections, the State may impose a further workload reduction or deficit factor to offset the loss in funding.

Lottery

The State Lottery revenues are paid each year according to the annual enrollment figures. The District is projecting a decrease in lottery revenue of \$59,136 from prior year actuals. If lottery sales or enrollment fall below projections, lottery revenue will be adjusted lower.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

Enrollment Fees

The State required that all community college districts raise the enrollment fee from \$36 a unit to \$46 a unit for 2012-13. This mandated increase in fee coupled with expected increases in BOGG Fee Waiver eligibility is expected to generate \$462,261 in additional enrollment fee revenue. It is important to note that enrollment fee revenue belongs to the State, and this increase does not result in an increase in revenue for the District.

Local Revenues

The Local Revenue section of the budget contains the District's largest revenue sources outside of principal apportionment in the form of non-resident tuition. The non-resident tuition line item includes both revenue generated from non-resident tuition and revenue from special intensive ESL classes for international students. The District increased non-resident tuition for the 2012-13 year. This increase is expected to result in an increase in revenue of \$939,975 from prior year actuals. The remaining local revenue categories include property taxes, enrollment fees, student fees, interest, rental of facilities and others.

Expenditures

Summary

The General Fund Unrestricted Expenditure budget is where the District accounts for all operational expenditures. As of the adopted budget the breakdown of expenditures is as follows: 88.13% on salaries and benefits, 10.68% on other operational expenses and services, 0.67% on supplies, 0.33% on capital, and 0.19% on transfers and financial aid. For 2012-13, the largest projected increases in expenditures are salary-related increases and one-time payments of \$1,356,613, salary step and longevity (\$1,081,636), vacancy list (\$665,903), and retiree health and welfare benefits (\$300,751), with the largest decrease in expenditure related to course schedule reduction (\$1,692,116) to reduce unfunded FTES.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

Salary and Benefits

Salary and benefit expenditure projections reflect appropriate step, column and longevity increases for qualified employees. For the adopted budget, changes in salary and benefit line items account for approximately a \$287,372 increase in expenditures from prior year actuals. For 2012-13, salaries and benefits represent 88.13% of total expenditures and transfers for the District's unrestricted general fund. Consistent with Board principles, these projections do not include any assumptions for layoffs of permanent employees in the 2012-13 fiscal year.

Supplies, Services, Capital and Transfers

Supplies, services, capital and transfer expenditure projections reflect departmental requests based on operational needs. For the adopted budget, changes in these line items account for approximately a \$504,243 decrease from prior year actual. For 2012-13 supplies, service, capital and transfers represent 11.87% of total expenditures and transfers for the District's unrestricted general fund.

The largest line item of non-salary and benefit related expenditure is contracts/services. The contracts/services line item in the adopted budget includes: rents/leases (Madison site, swimming pool, Big Blue Bus) 21%, bank fees and bad debt 12%, repairs and maintenance of equipment 9%, advertising 7%, online course management system 6%, other contract services 6%, legal services (including personnel commission) 6%, consultants 5%, district copiers 4%, postage and delivery services 4%, global citizenship 3%, off-campus printing 3%, software licensing 3%, LACOE contracts (i.e. PeopleSoft, HRS) 2%, conferences and training 2%, repairs/improvement of facilities 1%, memberships and dues 1%, audit 1%, professional growth 1% and other services (i.e. mileage, fingerprinting, board meetings, field trips) 3%.

Closing

In light of the changes and challenges at both the local and state level, the District needs to be mindful of keeping its reserves at a level that is financially sound, especially with the possibility of a revenue base drop in future years due to state budget constraints. In order to explore new and innovative ideas that can help to ensure a fiscally sound reserve, while maintaining the Board principles of protecting full-time employees from layoffs, and while maintaining a class offering that exceeds the funding provided by the State, the District is actively engaged in the shared governance process. This action along with the District's enrollment development and other planning efforts should allow the District to maintain a fund balance that is financially sound.

BASIC FINANCIAL STATEMENTS

SANTA MONICA COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET ASSETS

June 30, 2012

ASSETS

Current Assets:

Cash and cash equivalents	\$ 167,610,908
Accounts receivable, net	35,638,068
Due from fiduciary funds	1,056,051
Inventories	2,107,083
Prepaid expenses and deposits	2,578,463
Prepaid issue costs - current portion	219,243
Total Current Assets	<u>209,209,816</u>

Non-Current Assets:

Restricted cash and cash equivalents	30,247,163
Prepaid issue costs - non-current portion	1,844,444
Long-term investments	1,064,606
Capital assets, net of accumulated depreciation	334,626,878
Total Non-Current Assets	<u>367,783,091</u>

TOTAL ASSETS \$ 576,992,907

LIABILITIES AND NET ASSETS

Current Liabilities:

Bank overdraft	\$ 1,613,067
Accounts payable	12,461,816
Accrued liabilities	8,057,111
Due to fiduciary funds	343,641
Deferred revenue	9,714,204
Compensated absences - current portion	1,003,709
Capital lease payable - current portion	270,230
Certifications of participation payable - current portion	1,335,000
General obligation bonds payable - current portion	18,263,566
Total Current Liabilities	<u>53,062,344</u>

Non-Current Liabilities:

Compensated absences	6,197,702
Other post-employment health care benefits	25,719,205
Capital lease payable	5,751,759
Certificates of participations payable	19,806,693
General obligation bonds payable	346,410,394
Total Non-Current Liabilities	<u>403,885,753</u>

TOTAL LIABILITIES 456,948,097

NET ASSETS

Invested in capital assets, net of related debt	94,385,778
Restricted for:	
Capital projects	11,301,842
Debt service	22,474,723
Specific purposes	1,260,087
Unrestricted	<u>(9,377,620)</u>

TOTAL NET ASSETS 120,044,810

TOTAL LIABILITIES AND NET ASSETS \$ 576,992,907

See the accompanying notes to the financial statements.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

**STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS
For the Fiscal Year Ended June 30, 2012**

OPERATING REVENUES	
Enrollment, tuition and other fees (gross)	\$ 55,378,551
Less: Scholarship discounts and allowances	<u>(10,834,375)</u>
Net enrollment, tuition and other fees	44,544,176
Grants and contracts, non-capital:	
Federal	41,205,316
State	6,620,409
Local	2,497,870
Auxiliary enterprise sales and charges, net	<u>7,497,229</u>
TOTAL OPERATING REVENUES	<u>102,365,000</u>
OPERATING EXPENSES	
Salaries	102,124,541
Employee benefits	38,156,438
Supplies, materials and other operating expenses and services	29,561,263
Financial aid	34,437,901
Utilities	2,937,982
Depreciation	<u>13,426,591</u>
TOTAL OPERATING EXPENSES	<u>220,644,716</u>
OPERATING LOSS	<u>(118,279,716)</u>
NON-OPERATING REVENUES	
State apportionments, non-capital	72,534,643
Local property taxes	15,058,099
State taxes and other revenues	4,048,790
Investment income, net	231,536
Contributions, gifts and grants, non-capital	<u>2,347,536</u>
TOTAL NON-OPERATING REVENUES	<u>94,220,604</u>
LOSS BEFORE OTHER REVENUES, EXPENSES, GAINS OR (LOSSES)	<u>(24,059,112)</u>
OTHER REVENUES, EXPENSES, GAINS OR (LOSSES)	
Interest expense on capital-related debt	(18,620,865)
Loss on disposal of capital assets	(2,846,848)
Investment income, capital	1,789,762
Local property taxes and revenues, capital	<u>31,791,342</u>
TOTAL OTHER REVENUES, EXPENSES, GAINS OR (LOSSES)	<u>12,113,391</u>
DECREASE IN NET ASSETS	<u>(11,945,721)</u>
NET ASSETS - BEGINNING OF YEAR AS PREVIOUSLY REPORTED	131,101,526
Adjustment for restatement (see note 14)	<u>889,005</u>
NET ASSETS - BEGINNING OF YEAR AS RESTATED	<u>131,990,531</u>
NET ASSETS - END OF YEAR	<u>\$ 120,044,810</u>

See the accompanying notes to the financial statements.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Enrollment, Tuition and fees	\$ 47,229,545
Federal grants and contracts	39,970,943
State grants and contracts	7,497,836
Local grants and contracts	2,676,558
Auxiliary operation sales	8,475,741
Payments to suppliers	(32,900,509)
Payments to/on-behalf of employees	(134,954,716)
Payments to/on-behalf of students	(34,420,899)
Payments to Trust and Agency Fund	<u>2,036,432</u>
Net cash used by operating activities	<u>(94,389,069)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State apportionments and receipts	67,700,334
Property taxes	14,035,164
State taxes and other revenue	3,484,147
Grants and gifts for other than capital purposes	<u>2,347,536</u>
Net cash provided by non-capital financing activities	<u>87,567,181</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Local revenue for capital purposes	2,796,239
Tax revenue for payment of capital debt	29,230,238
Purchase of capital assets	(19,057,843)
Principal paid on capital debt	(16,044,529)
Federal Funds (Build America Bond) subsidy	1,545,616
Interest paid on capital debt	(16,342,439)
Interest on capital investments	<u>1,855,275</u>
Net cash used by capital and related financing activities	<u>(16,017,443)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>451,205</u>
Net cash provided by investing activities	<u>451,205</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(22,388,126)
CASH BALANCE - Beginning of Year	<u>220,246,197</u>
CASH BALANCE - End of Year	<u>\$ 197,858,071</u>

See the accompanying notes to the financial statements.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2012

**Reconciliation of Operating Loss to
Net Cash Used by Operating Activities**

CASH USED BY OPERATING ACTIVITIES

Operating Loss	\$ (118,279,716)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation expense	13,426,591
Changes in assets and liabilities:	
Receivables, net	1,946,382
Due from fiduciary funds	1,901,124
Inventories	496,074
Prepaid expenses and deposits	(1,272,953)
Accounts payable	(466,493)
Accrued liabilities	1,119,109
Due to fiduciary funds	135,308
Deferred revenue	309,601
Compensated absences	677,933
Other post-employment health care benefits	<u>5,617,971</u>
Net cash used by operating activities	<u>\$ (94,389,069)</u>
Breakdown of ending cash balance:	
Cash and cash equivalents	\$ 167,610,908
Restricted cash and cash equivalents	<u>30,247,163</u>
Total	<u>\$ 197,858,071</u>

See the accompanying notes to the financial statements.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2012

	Trust and Agency Fund	Associated Student Body Fund
ASSETS		
Cash on hand and in banks	\$ 11,967,894	\$ 2,448,178
Accounts receivable:		
Miscellaneous	41,858	1,026
Due from governmental funds	92,489	251,152
Prepaid expenses	8,238	462
TOTAL ASSETS	12,110,479	2,700,818
LIABILITIES		
Accounts payable	40,766	29,493
Due to governmental funds	1,056,051	
Deferred revenue	39,191	
Funds held in trust	10,974,471	2,568,156
TOTAL LIABILITIES	12,110,479	2,597,649
NET ASSETS		
Unrestricted		103,169
TOTAL NET ASSETS	\$ -	\$ 103,169

See the accompanying notes to the financial statements.

SANTA MONICA COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
For the Fiscal Year Ended June 30, 2012

	Associated Student Body Fund
	<u> </u>
ADDITIONS	
Other local revenues	\$ 406,508
TOTAL ADDITIONS	<u>406,508</u>
DEDUCTIONS	
Supplies and materials	312,428
Services and other operating expenses	<u>94,080</u>
TOTAL DEDUCTIONS	<u>406,508</u>
Change in net assets	-
NET ASSETS - BEGINNING OF YEAR	<u>103,169</u>
NET ASSETS - END OF YEAR	<u><u>\$ 103,169</u></u>

See the accompanying notes to the financial statements.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. REPORTING ENTITY

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of elected officials who, together, constitute the Board of Trustees.

The District considered its financial and operational relationships with potential component units under the reporting entity definition of GASB Statement No. 14, *The Financial Reporting Entity*. The basic, but not the only, criterion for including another organization in the District's reporting entity for financial reports is the ability of the District's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one entity is dependent on another and that the dependent unit should be reported as part of the other.

Oversight responsibility is derived from the District's power and includes, but is not limited to: financial interdependency; selection of governing authority; designation of management; ability to significantly influence operations; and accountability for fiscal matters.

Based upon the requirements of GASB Statement No. 14, and as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the District, including their ongoing financial support to the District or its other component units. A legally separate, tax-exempt organization should be reported as a component unit of the District if all of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District, its component units, or its constituents.
2. The District, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

A. REPORTING ENTITY (continued)

3. The economic resources received or held by an individual organization that the District, or its component units, is entitled to, or has the ability to otherwise access, are significant to the District.

Based upon the application of the criteria listed above, the following two potential component units have been included as part of the District's reporting entity through blended presentation:

The California School Boards Association Finance Corporation - The financial activity has been blended in the activity of the District. Certificates of Participation issued by the Corporation are included in the Statement of Net Assets. Individually prepared financial statements are not prepared for the Corporation.

Los Angeles County Schools Regionalized Business Services Corporation - The financial activity specific to the District has been blended in these financial statements. Certificates of Participation issued by the Corporation are included in the Statement of Net Assets. Individually prepared financial statements are prepared for the Corporation on a comprehensive basis.

Based upon the application of the criteria listed above, the following three potential component units have been excluded from the District's reporting entity:

Santa Monica College Foundation - The Foundation is a separate not-for-profit corporation created for the benefit of the District and its students and organized for educational purposes. The Board of Directors are elected by their own Board and independent of any District Board of Trustee's appointments. The Board is responsible for approving its own budget, accounting and finance related activities.

KCRW Foundation - The Foundation is a separate not-for-profit corporation which has an affiliation in the District's KCRW-FM radio station. The Board of Directors are elected by their own Board and independent of any District Board of Trustee's appointments. The Board is responsible for approving its own budget, accounting and finance related activities.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

A. REPORTING ENTITY (continued)

Madison Project Foundation – The Foundation is a separate not-for-profit corporation incorporated for the purpose of programming, presenting, and producing for the general public performances and productions for Madison Theatre. The Board of Directors are elected by their own Board and independent of any District Board of Trustee’s appointments. The Board is responsible for approving its own budget, accounting and financial related activities.

Separate financial statements for the three foundations can be obtained through the District. The foundations are not included as a component unit because the second and third criterion was not met.

B. FINANCIAL STATEMENT PRESENTATION

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements and Management’s Discussion and Analysis – for State and Local Governments* and including Statement No. 35, *Basic Financial Statements and Management’s Discussion and Analysis of Public College and Universities*, issued in June and November 1999 and *Audits of State and Local Governmental Units* issued by the American Institute of Certified Public Accountants. The financial statement presentation required by GASB Statement No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the District’s financial activities. The entity-wide perspective replaces the fund-group perspective previously required. Fiduciary activities, with the exception of Student Financial Aid Programs, are excluded from the basic financial statements.

The District operates a payroll pass-through agency fund as a holding account for amounts collected from employees for Federal taxes, state taxes and other contributions. The District had cash in the County Treasury amounting to \$(395,276) on June 30, 2012, which represents advance payments of payroll deductions. The Warrant Pass-Through Fund is not reported in the basic financial statements.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

For financial reporting purposes, the District is considered a special-purpose government engaged in business-type activities. Accordingly, the District's basic financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated with exception of those between the District and the Fiduciary Funds.

For internal accounting purposes, the budgetary and financial accounts of the District have been recorded and maintained in accordance with the Chancellor's Office of the California Community College's *Budget and Accounting Manual*.

To ensure compliance with the California Education Code, the financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations and equities.

By state law, the District's Governing Board must approve a budget no later than September 15. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements. Budgets for all governmental funds were adopted on a basis consistent with generally accepted accounting principles (GAAP).

These budgets are revised by the District's Governing Board during the year to give consideration to unanticipated revenue and expenditures. Formal budgetary integration was employed as a management control device during the year for all budgeted funds. Expenditures cannot legally exceed appropriations by major object account.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING (continued)

In accordance with GASB Statement No. 20, the District follows all GASB statements issued prior to November 30, 1989 until subsequently amended, superceded or rescinded. The District has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989 unless FASB conflicts with GASB. The District has elected to not apply FASB pronouncements issued after the applicable date.

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash in the County Treasury is recorded at cost, which approximates fair value, in accordance with the requirements of GASB Statement No. 31.

2. Accounts Receivable

Accounts receivable consists primarily of amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grant and contracts and State Aid. All material receivables are considered fully collectible.

Accounts receivable from students for tuition and fees are recorded net of a provision for uncollectible amounts.

3. Inventories

Inventories are presented at the lower of cost or market on an average basis and are expensed when used. Inventory consists primarily of items held for resale in the bookstore and some expendable instructional, custodial, health and other supplies held for consumption.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING (continued)

4. Prepaid Expenses and Deposits

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2012, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which goods or services are consumed.

5. Prepaid Issue Costs

Amounts paid for fees and underwriting costs associated with long-term debt are capitalized and amortized to interest expense over the life of the liability. These costs are amortized using the straight-line method.

6. Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents are those amounts externally restricted as to use pursuant to the requirements of the District's grants, contracts and debt service requirements.

7. Capital Assets

Capital assets are recorded at cost at the date of acquisition. Donated capital assets are recorded at their estimated fair value at the date of donation. For equipment, the District's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Buildings as well as renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Interest incurred during construction is not capitalized.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the asset's life is recorded in operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings, 20 years for building and land improvements, 10 years for equipment, 8 years for vehicles and 5 years for technology.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. **BASIS OF ACCOUNTING** (continued)

8. Accounts Payable and Accrued Liabilities

Accounts payable consists of amounts due to vendors of which \$12,461,816 includes accrued interest on long-term debt of \$6,642,674. Accrued liabilities consist of salary and benefits payable of \$8,057,111.

9. Deferred Revenue

Cash received for Federal and State special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent cash received on specific projects and programs exceeds qualified expenditures.

10. Compensated Absences

In accordance with GASB Statement No. 16, accumulated unpaid employee vacation benefits are recognized as liabilities of the District as compensated absences in the Statement of Net Assets.

The District has accrued a liability for the amounts attributable to load banking hours and vacation hours within accrued liabilities. Load banking hours consist of hours worked by instructors in excess of a full-time load for which they may carryover for future paid time off.

Sick leave benefits are accumulated without limit for each employee. The employees do not gain a vested right to accumulated sick leave. Accumulated employee sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires within the constraints of the appropriate retirement systems.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING (continued)

11. Net Assets

Invested in capital assets, net of related debt: This represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets – expendable: Restricted expendable net assets include resources in which the District is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties or by enabling legislation adopted by the District. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Restricted net assets – nonexpendable: Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The District had no restricted net assets – nonexpendable.

Unrestricted net assets: Unrestricted net assets represent resources available to be used for transactions relating to the general operations of the District, and may be used at the discretion of the governing board to meet current expenses for any purpose.

12. State Apportionments

Certain current year apportionments from the state are based upon various financial and statistical information of the previous year.

Any prior year corrections due to the recalculation in February of 2013 will be recorded in the year computed by the State.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING (continued)

13. Property Taxes

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31.

Real and personal property tax general revenues are reported in the same manner in which the County auditor records and reports actual property tax receipts to the Department of Finance. This is generally on a cash basis. A receivable has not been recognized in the basic financial statements for general purpose property taxes due to the fact that any receivable is offset by a payable to the state for apportionment purposes. Tax revenues associated with debt service payments are accrued when levied. A receivable has been accrued in these financial statements.

For fiscal year 2011-12, the District received a premium of \$17,250 in local revenue and \$202,940 in property tax revenue from the California Statewide Delinquent Tax Finance Authority for the sale of delinquent tax receivables.

14. On-Behalf Payments

GASB Statement No. 24 requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers' Retirement System on behalf of all community college and school districts in California. However, a fiscal advisory was issued by the California Department of Education instructing districts not to record revenue and expenditures for these on-behalf payments. The amount of on-behalf payments made for the District is estimated at \$1,050,000 for STRS.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING (continued)

15. Classification of Revenues

The District has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as student fees, net of scholarship discounts and allowances, and Federal and most state and local grants and contracts.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as State apportionments, taxes, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting*, and GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

16. Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the District, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, state or nongovernmental programs, are recorded as operating revenues in the District's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the District has recorded a scholarship discount and allowance.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING (continued)

17. 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.

18. Minimum Reserve Policy

The District has adopted a minimum reserve balance policy in order to protect against revenue short falls and unexpected one-time expenditures. This policy meets the minimum reserve balance recommended by the California Community College Chancellor's Office that districts provide for a minimum prudent reserve balance being 5% of unrestricted expenditures.

NOTE 2 - DEPOSITS AND INVESTMENTS:

A. Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial risk, but all public funds are invested in bonds or government backed (collateralized) securities at 110% on the amount of deposit. The principal (face value) does not fluctuate, only the interest received on the investment. As of June 30, 2012, \$8,867,221 of the District's bank balance of \$10,421,279 was exposed to credit risk by being uninsured and collateral held by pledging bank's trust not in the District's name.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)

A. Deposits (continued)

Cash in County

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 unamortized cost which approximates fair value. The fair value of the District's deposits in this pool as of June 30, 2012, as provided by the pool sponsor, was \$192,316,207. Interest earned is deposited quarterly into participating funds, except for the Restricted General Fund, Student Financial Aid Fund, Warrant Pass-Through, and Earthquake Capital Outlay Fund, in which case interest earned is credited to the General Fund. Any investment losses are proportionately shared by all funds in the pool.

B. Cash in Bank Overdraft

The Bookstore Fund has a Cash in Bank overdraft balance of \$1,613,067 at June 30, 2012. The negative cash balance, in reality, is a loan from other funds. The Bookstore Fund is one of three funds kept in pooled bank accounts and at June 30, 2012 the pooled accounts had a positive balance of \$13,712,340.

C. Investments

Under provisions of California Government Code Sections 53601 and 53602 and District Board Policy Section 6006, the District may invest in the following types of investments:

- State of California Local Agency Investment Fund (LAIF)
- Los Angeles County Investment Pools
- U.S. Treasury notes, bonds, bills or certificates of indebtedness
- U.S. Government Agency guaranteed instruments
- Fully insured or collateralized certificates of deposit
- Fully insured and collateralized credit union accounts

The District did not violate any provisions of the California Government Code during the year ended June 30, 2012.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)

C. Investments (continued)

Investments for both the governmental and fiduciary fund types at June 30, 2012 are presented below:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Standard & Poor's / Moody's Rating</u>
Federated Treasury Obligation	n/a	\$1,064,606	(1)

(1) Amount is fully invested in a U.S. government obligation; therefore, no risk is disclosed.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investment will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Government Code Sections 16430 and 53601 allow governmental entities to invest surplus moneys in certain eligible securities. The District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

Concentration of credit risk is the risk of a loss attributed to the magnitude of a government's investment in a single issuer. The District places no limit on the amount that may be invested in any one issuer. In accordance with Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*, requirements, the District is exposed to concentration of credit risk whenever investments in any one issuer exceeds 5%. Currently the District has 100% invested in Federated Treasury Obligation.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 3 - ACCOUNTS RECEIVABLE:

The accounts receivable balance as of June 30, 2012 consist of the following:

Federal and State Grants	\$30,284,694
Enrollment tuition and other fees (net of allowance for doubtful accounts of \$586,552)	945,738
Miscellaneous	<u>4,407,636</u>
 Total	 <u>\$35,638,068</u>

NOTE 4 - INTERFUND TRANSACTIONS:

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. Interfund receivables and payables result when an interfund transfer is transacted after the close of the fiscal year. Interfund activity within the governmental funds has been eliminated in the basic financial statements.

NOTE 5 – CAPITAL ASSETS:

The following provides a summary of changes in capital assets for the year ended June 30, 2012:

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012
Non-depreciable assets:				
Land	\$ 66,875,463	\$ 3,690,895	\$	\$ 70,566,358
Construction in progress	102,608,597	14,484,667	(11,006,410)	106,086,854
Total non-depreciated assets:	<u>169,484,060</u>	<u>18,175,562</u>	<u>(11,006,410)</u>	<u>176,653,212</u>
Depreciable assets:				
Site and site improvements	198,871,512	11,006,410	(3,487,680)	206,390,242
Equipment	17,828,216	756,454	(29,540)	18,555,130
Total depreciable assets:	<u>216,699,728</u>	<u>11,762,864</u>	<u>(3,517,220)</u>	<u>224,945,372</u>
Less accumulated depreciation for:				
Site and site improvements	(41,367,518)	(11,674,676)	640,832	(52,401,362)
Equipment	(12,847,969)	(1,751,915)	29,540	(14,570,344)
Total accumulated depreciation	<u>(54,215,487)</u>	<u>(13,426,591)</u>	<u>670,372</u>	<u>(66,971,706)</u>
Total depreciable assets, net	<u>162,484,241</u>	<u>(1,663,727)</u>	<u>(2,846,848)</u>	<u>157,973,666</u>
Governmental capital assets, net	<u>\$ 331,968,301</u>	<u>\$ 16,511,835</u>	<u>\$(13,853,258)</u>	<u>\$ 334,626,878</u>

SANTA MONICA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 6 –LEASES:

A. Capital Lease

The District entered into a lease with Municipal Financial Corporation for the acquisition of certain capital improvements, including a Photovoltaic Power System, valued at approximately \$7 million under an agreement which provides for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Lease Payment</u>
2013	\$ 535,753
2014	550,788
2015	432,092
2016	404,929
2017	423,818
2018-2022	2,435,768
2023-2027	3,064,518
2028-2029	<u>879,883</u>
Total	8,727,549
Less Interest	<u>(2,705,560)</u>
Present value of net minimum lease payments	<u>\$ 6,021,989</u>

Current year expenditures for capital lease is approximately \$521,000. The District will receive no sublease rental revenues nor pay any contingent rentals for these leases.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 6 –LEASES: (continued)

B. Operating Lease

The District has entered into an operating lease for land, building, and equipment with lease terms in excess of one year for the Madison Campus. This agreement did not contain purchase option. Future minimum lease payment under these agreements are as follows.

<u>Year</u>	<u>Lease Payment</u>
2013	\$ 883,600
2014	883,600
2015	883,600
2016	883,600
2017	883,600
2018-2022	4,418,000
2023-2027	4,418,000
2028-2032	4,418,000
2033-2037	4,418,000
2038-2042	4,418,000
2043-2047	4,418,000
2048-2052	4,418,000
2053-2057	4,418,000
2058	<u>883,600</u>
Total	<u>\$40,645,600</u>

Current year expenditures for operating leases is approximately \$884,000. The District will receive no sublease rental revenues nor pay any contingent rentals for these leases.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 7 - CERTIFICATES OF PARTICIPATION:

- A. The agreement dated August 1, 2004 is between the Santa Monica Community College District as the "lessee" and the California School Boards Association Financing Corporation as the "lessor" or "corporation". The Corporation is a legally separate entity which was formed to assist in the advance refunding the 1997 Certificates of Participation in order to acquire the Academy of Entertainment and Technology (AET) campus.

The Corporation's funds for the advance refunding were generated by the issuance of \$11,140,000 of Certificates of Participation (COPs). COPs are long-term debt instruments which are tax exempt and therefore issued at interest rates below current market levels for taxable investments which range from 3.00% to 4.375% for the length of the issuance.

Lease payments are required to be made by the District under the lease agreement on each January 15 for use and possession of the capital improvements for the period commencing January 15, 2005 and terminating January 15, 2027. Lease payments will be funded in part from the proceeds of the Certificates.

The lease requires that lease payments be deposited in the lease payment fund maintained by the trustee. Any amount held in the lease payment fund will be credited towards the lease payment due and payable. The trustee will pay from the lease payment fund the required principal and interest payments with respect to Santa Monica Community College District as listed on the following page:

SANTA MONICA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 7 - CERTIFICATES OF PARTICIPATION: (continued)

<u>Lease Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
July 15, 2012	\$	\$ 213,400	\$ 213,400
January 15, 2013	420,000	213,400	633,400
July 15, 2013		205,000	205,000
January 15, 2014	435,000	205,000	640,000
July, 15, 2014		196,300	196,300
January 15, 2015	450,000	196,300	646,300
July 15, 2015		186,175	186,175
January 15, 2016	470,000	186,175	656,175
July 15, 2016		175,600	175,600
January 15, 2017	500,000	175,600	675,600
2018-2022	2,850,000	1,382,737	4,232,737
2023-2027	<u>3,695,000</u>	<u>578,400</u>	<u>4,273,400</u>
	8,820,000	<u>\$ 3,914,087</u>	<u>\$ 12,734,087</u>
Deferred charge on refunding	<u>(580,448) *</u>		
Total	<u>\$ 8,239,552</u>		

*The balance of the COPs refunded was \$912,128 less than the amount paid into the escrow account. This amount is reflected on the statement of net assets and amortized to interest expense over 264 months; the life of the new debt. Amortization of \$41,460 was recognized during the 2011-12 year.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 7 - CERTIFICATES OF PARTICIPATION: (continued)

- B.** The agreement dated March 11, 2010, is between the Santa Monica Community College District as the "lessee" and the Los Angeles County Schools Regionalized Business Services Corporation as the "lessor" or "corporation". The Corporation is a legally separate entity which was formed to assist in the advance refunding the 1999 Certificates of Participation.

The Corporation's funds for the advance refunding were generated by the issuance of \$13,945,000 of Certificates of Participation (COPs). COPs are long-term debt instruments which are tax exempt and therefore issued at interest rates below current market levels for taxable investments which range from 3% to 5% for the length of the issuance.

Lease payments are required to be made by the District under the lease agreement on each June 1 for use and possession of the capital improvements for the period commencing June 1, 2011 and terminating June 1, 2023. Lease payments will be funded in part from the proceeds of the Certificates.

The lease requires that lease payments be deposited in the lease payment fund maintained by the trustee. Any amount held in the lease payment fund will be credited towards the lease payment due and payable. The trustee will pay from the lease payment fund the required principal and interest payments with respect to Santa Monica Community College District as listed on the following page.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 7 - CERTIFICATES OF PARTICIPATION: (continued)

Lease Payment <u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
December 1, 2012	\$	\$ 273,725	\$ 273,725
June 1, 2013	915,000	273,725	1,188,725
December 1, 2013		260,000	260,000
June 1, 2014	940,000	260,000	1,200,000
December 1, 2014		245,900	245,900
June 1, 2015	970,000	245,900	1,215,900
December 1, 2015		226,500	226,500
June 1, 2016	1,005,000	226,500	1,231,500
December 1, 2016		206,400	206,400
June 1, 2017	1,045,000	206,400	1,251,400
2018-22	6,025,000	1,282,000	7,307,000
2023	<u>1,395,000</u>	<u>69,750</u>	<u>1,464,750</u>
	12,295,000	<u>\$ 3,776,800</u>	<u>\$ 16,071,800</u>
Unamortized COPs			
Premium*	1,067,925		
Deferred charge on refunding **	<u>(460,784)</u>		
Total	<u>\$ 12,902,141</u>		

* Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The refunding COPs included a premium of \$1,262,093. The amount is amortized over 264 months using the straight-line method. Amortization of \$97,084 was recognized during the 2011-12 year.

** The balance of the COPs refunded was \$544,564 less than the amount paid into the escrow account. This amount is reflected on the statement of net assets and amortized to interest expense over 156 months; the life of the new debt. Amortization of \$41,890 was recognized during the 2011-12 year.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 8 – BONDS PAYABLE:

A. Proposition T

On November 3, 1992, at an election held within the boundaries of the District, the voters authorized bonds to be sold in the amount of \$23,000,000. Proceeds from the sale of the bonds were used to finance certain capital improvements.

1. On August 1, 1993, the District issued Series A bonds totaling \$5,000,000. Interest rates range from 5.45% to 5.75% payable semiannually on February 1 and August 1. On November 1, 1995, the District issued Series B bonds totaling \$10,000,000. Interest rates range from 5.375% to 7.0% payable semiannually on January 1, and July 1. On February 1, 2000, the District issued Series C bonds totaling \$8,000,000. Interest rates range from 3.0% to 5.5% payable semiannually on February 1, and August 1.

On January 31, 2007, the District issued 1992 Election, 2007 Refunding Series B bonds totaling \$15,589,854 of capital appreciation bonds. The bonds have maturity dates from August 1, 2008 through August 1, 2014. 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, 2012 is \$3,036,854.

Associated issuance costs are recorded as prepaid issue costs on the statement of net assets and are amortized to interest expense over the life of the liability. Amortization of \$29,145 was recognized during 2011-12 and \$58,290 is outstanding as of June 30, 2012.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 8 – BONDS PAYABLE: (continued)

A. Proposition T (continued)

Debt service requirements on these bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Accreted Interest Component</u>	<u>Total</u>
2013	\$ 2,278,950	\$ 1,236,050	\$ 3,515,000
2014	2,188,980	1,466,020	3,655,000
2015	<u>1,131,314</u>	<u>913,686</u>	<u>2,045,000</u>
Total	5,599,244	<u>\$ 3,615,756</u>	<u>\$ 9,215,000</u>
Unamortized bond premium*	751,448		
Deferred charge on refunding**	<u>(89,117)</u>		
Total	<u>\$ 6,261,575</u>		

* Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The refunding bonds included a premium of \$2,817,925. This amount is amortized over 90 months using the straight-line method. Amortization of \$375,723 was recognized during the 2011-12 year.

** The balance of the bonds refunded was \$334,191 less than the amount paid into the escrow account. This amount is reflected on the statement of net assets and amortized to interest expense over 90 months; the life of the new debt. Amortization of \$44,559 was recognized during the 2011-12 year.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 8 – BONDS PAYABLE: (continued)

B. 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.

1. On August 1, 2002, the District issued Series A bonds for \$25,000,000. Interest rates range from 3.0% to 5.0% payable semiannually on February 1 and August 1.

Debt service requirements on these bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 650,000	\$ 554,263	\$ 1,204,263
2014	650,000	528,263	1,178,263
2015	650,000	500,638	1,150,638
2016	660,000	473,013	1,133,013
2017	670,000	444,963	1,114,963
2018-2022	3,510,000	1,757,837	5,267,837
2023-2027	3,960,000	838,537	4,798,537
2028	860,000	44,075	904,075
	<u>\$ 11,610,000</u>	<u>\$ 5,141,589</u>	<u>\$ 16,751,589</u>

2. On May 13, 2004 the District issued Series B bonds 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, 2012 is \$1,350,017.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 8 – BONDS PAYABLE: (continued)

B. Measure U (continued)

Debt service requirements for these bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Accreted Interest Component</u>	<u>Total</u>
2013	\$ 725,000	\$ 705,350	\$	\$ 1,430,350
2014	760,000	669,100		1,429,100
2015	800,000	631,100		1,431,100
2016	835,000	593,100		1,428,100
2017	875,000	553,438		1,428,438
2018-2022	5,085,000	2,054,000		7,139,000
2023-2027	5,185,199	648,500	1,304,801	7,138,500
2028-2029	204,772		2,645,228	2,850,000
	<u>\$ 14,469,971</u>	<u>\$ 5,854,588</u>	<u>\$ 3,950,029</u>	<u>\$ 24,274,588</u>

3. On August 2, 2005 the District issued Series C bonds 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. Accreted interest accrued and included in long term debt at June 30, 2012 is \$17,230,446.

Associated issuance costs are recorded as prepaid issue costs on the statement of net assets and are amortized to interest expense over the life of the liability. Amortization of \$47,726 was recognized during 2011-12 and \$867,032 is outstanding as of June 30, 2012.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 8 – BONDS PAYABLE: (continued)

B. Measure U (continued)

Debt service requirements for these bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Accreted Interest Component</u>	<u>Total</u>
2013	\$ 3,314,689	\$ 1,134,500	\$ 965,311	\$ 5,414,500
2014	3,417,542	1,134,500	1,212,458	5,764,500
2015	3,516,580	1,134,500	1,478,420	6,129,500
2016	3,163,803	1,134,500	1,566,197	5,864,500
2017	3,109,900	1,134,500	1,890,100	6,134,500
2018-2022	15,375,739	5,672,500	14,009,261	35,057,500
2023-2027	14,913,126	5,672,500	22,491,874	43,077,500
2028-2031	<u>28,694,489</u>	<u>3,461,500</u>	<u>12,360,511</u>	<u>44,516,500</u>
	75,505,868	<u>\$ 20,479,000</u>	<u>\$ 55,974,132</u>	<u>\$ 151,959,000</u>
Unamortized bond premium*	1,053,748			
Deferred charge for refunding**	<u>(303,395)</u>			
Total	<u>\$ 76,256,221</u>			

* Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The Series C bonds included a premium of \$1,450,109. This amount is amortized over 300 months using the straight-line method. Amortization of \$58,004 was recognized during the 2011-12 year.

** A portion of the proceeds was used to refund the outstanding balance of one of the District's COPs. The balance of the bonds refunded was \$539,372 less than the amount paid into the escrow account. This amount is reflected on the statement of net assets and amortized to interest expense over 192 months; the life of the new debt. Amortization of \$33,771 was recognized during the 2011-12 year.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 8 – BONDS PAYABLE: (continued)

B. Measure U (continued)

4. On January 31, 2007 the District issued 2007 Series A bonds totaling \$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, 2012 is \$3,346,435.

Debt service requirements on these bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Accreted Interest Component</u>	<u>Total</u>
2013	\$	\$	\$
2014			
2015			
2016	1,734,128	730,872	2,465,000
2017	928,629	456,371	1,385,000
2018-2022	3,999,838	2,925,162	6,925,000
2023-2027	3,116,091	3,798,909	6,915,000
2028-2032	2,221,301	4,683,699	6,905,000
Total	<u>\$ 11,999,987</u>	<u>\$ 12,595,013</u>	<u>\$ 24,595,000</u>

5. On January 26, 2010 the District issued 2010 Series E bonds totaling \$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, 2012 is \$1,155,237.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 8 – BONDS PAYABLE: (continued)

B. Measure U (continued)

Debt service requirements on these bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Accreted Interest Component</u>	<u>Total</u>
2013	\$	\$	\$
2014			
2015			
2016			
2017	699,957	200,043	900,000
2018-2022	4,623,712	2,711,288	7,335,000
2023-2027	<u>5,675,324</u>	<u>6,974,676</u>	<u>12,650,000</u>
	<u>\$ 10,998,993</u>	<u>\$ 9,886,007</u>	<u>\$ 20,885,000</u>

C. 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.

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

Debt service requirements on the remaining portion of Series A bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,635,000	\$ 249,000	\$ 1,884,000
2014	1,725,000	163,163	1,888,163
2015	<u>1,815,000</u>	<u>72,600</u>	<u>1,887,600</u>
	<u>\$ 5,175,000</u>	<u>\$ 484,763</u>	<u>\$ 5,659,763</u>

SANTA MONICA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 8 – BONDS PAYABLE: (continued)

C. Measure S (continued)

2. On January 31, 2007 the District issued 2004 Election, 2007 Refunding Series C bonds 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. 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, 2012 is \$7,981,752.

The proceeds were placed into an irrevocable escrow account and will be used to fund the future required principal and interest payments of the refunded bonds. The refunded bonds are considered in-substance defeased and are not recorded on the financial statements. The balance of the in-substance defeased debt as of June 30, 2012 is \$40,065,000. The balance of the in-substance defeased debt will be paid off on May 1, 2015.

Associated issuance costs are recorded as prepaid issue costs on the statement of net assets and are amortized to interest expense over the life of the liability. Amortization of \$61,103 was recognized during 2011-12 and \$244,410 is outstanding as of June 30, 2012.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 8 – BONDS PAYABLE: (continued)

C. Measure S (continued)

Debt service requirements on these bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Accreted Interest Component</u>	<u>Total</u>
2013	\$ 2,889,218	\$ 783,000	\$ 2,825,782	\$ 6,498,000
2014	2,706,142	783,000	3,358,858	6,848,000
2015	2,565,607	783,000	3,949,393	7,298,000
2016	6,815,000	783,000		7,598,000
2017	<u>8,845,000</u>	<u>442,250</u>		<u>9,287,250</u>
	23,820,967	<u>\$ 3,574,250</u>	<u>\$ 10,134,033</u>	<u>\$ 37,529,250</u>
Unamortized bond premium*	4,827,144			
Deferred charge on refunding**	<u>(241,653)</u>			
Total	<u>\$ 28,406,458</u>			

* Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The refunding bonds included a premium of \$11,464,462. This amount is amortized over 114 months using the straight-line method. Amortization of \$1,206,785 was recognized during the 2011-12 year.

** The balance of the bonds refunded was \$573,930 less than the amount paid into the escrow account. This amount is reflected on the statement of net assets and amortized to interest expense over 114 months; the life of the new debt. Amortization of \$60,414 was recognized during the 2011-12 year.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 8 – BONDS PAYABLE: (continued)

C. Measure S (continued)

3. On February 17, 2009 the District issued Series C bonds for \$30,885,000 of current interest bonds. Interest rate ranges from 1.77% to 4.39% payable semiannually on August 1 and February 1.

Capital appreciation bonds of \$26,112,857 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, 2012 is \$4,965,240.

Debt service requirements for these bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Accreted Interest Component</u>	<u>Total</u>
2013	\$ 130,000	\$ 1,589,763	\$	\$ 1,719,763
2014	240,000	1,581,438		1,821,438
2015	360,000	1,567,938		1,927,938
2016	645,000	1,545,324		2,190,324
2017	1,320,000	1,501,112		2,821,112
2018-2022	22,055,000	4,753,400		26,808,400
2023-2027	21,715,900	161,043	25,029,100	46,906,043
2028-2030	10,531,957		25,778,043	36,310,000
	<u>56,997,857</u>	<u>\$ 12,700,018</u>	<u>\$ 50,807,143</u>	<u>\$ 120,505,018</u>
Unamortized bond premium*	<u>2,563,903</u>			
Total	<u>\$ 59,561,760</u>			

* Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The Series C bonds included a premium of \$3,008,315. This amount is amortized over 300 months using the straight-line method. Amortization of \$136,741 was recognized during the 2011-12 year.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 8 – BONDS PAYABLE: (continued)

D. Measure AA

1. 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.

On January 26, 2010 the District issued general obligation bonds as approved by the voters in November 2008 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. Interest rates 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.

Associated issuance costs are recorded as prepaid issue costs on the statement of net assets and are amortized to interest expense over the life of the liability. Amortization of \$81,269 was recognized during 2011-12 and \$893,955 is outstanding as of June 30, 2012.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 8 – BONDS PAYABLE: (continued)

D. Measure AA (continued)

Debt service requirements for Series A Bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 4,530,000	\$ 1,403,500	\$ 5,933,500
2014	1,510,000	1,252,500	2,762,500
2015	1,650,000	1,173,500	2,823,500
2016	1,800,000	1,087,250	2,887,250
2017	1,955,000	993,375	2,948,375
2018-2022	12,455,000	3,261,125	15,716,125
2023-2024	<u>6,435,000</u>	<u>327,625</u>	<u>6,762,625</u>
	30,335,000	<u>\$ 9,498,875</u>	<u>\$ 39,833,875</u>
Unamortized bond premium*	<u>3,668,014</u>		
Total	<u>\$ 34,003,014</u>		

* Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The Series A bonds included a premium of \$4,334,926. This amount is amortized over 156 months using the straight-line method. Amortization of \$333,456 was recognized during the 2011-12 year.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 8 – BONDS PAYABLE: (continued)

D. Measure AA (continued)

Debt service requirements for Series A-1 Build America Bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$	\$ 4,416,045	\$ 4,416,045
2014		4,416,045	4,416,045
2015		4,416,045	4,416,045
2016		4,416,045	4,416,045
2017		4,416,045	4,416,045
2018-2022		22,080,225	22,080,225
2023-2027	12,860,000	20,986,266	33,846,266
2028-2032	29,855,000	13,481,432	43,336,432
2033-2035	24,150,000	2,529,023	26,679,023
	<u>\$ 66,865,000</u>	<u>\$ 81,157,171</u>	<u>\$ 148,022,171</u>

SANTA MONICA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 9 – LONG-TERM DEBT:

A schedule of changes in long-term debt for the year ended June 30, 2012 is shown below:

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012	Amount Due in One Year
Compensated absences	\$ 6,523,478	\$ 677,933	\$	\$ 7,201,411	\$ 1,003,709
Other post-employment health care benefits	20,101,234	5,617,971		25,719,205	
Capital Lease	6,266,423		244,434	6,021,989	270,230
Certificates of participation	22,440,427		1,298,734	21,141,693	1,335,000
General obligation bonds	342,095,100		16,487,121	325,607,979	18,263,566
Accreted interest	34,353,875	8,996,034	4,283,928	39,065,981	
Total	\$ 431,780,537	\$ 15,291,938	\$22,314,217	\$ 424,758,258	\$20,872,505

Liabilities are liquidated by the General Fund for governmental activities, including the capital lease, compensated absences, and net OPEB obligations. The certificates of participations are liquidated by parking revenues, additional funding sources related to student enrollment and other sources identified within the capital outlay funds. General obligation bond liabilities are liquidated through property tax collections as administered by the County Controller's office through the Bond Interest and Redemption Fund.

NOTE 10 - EMPLOYEE RETIREMENT PLANS:

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the State Teachers' Retirement System (STRS) and classified employees are members of the Public Employees' Retirement System (PERS).

SANTA MONICA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 10 - EMPLOYEE RETIREMENT PLANS: (continued)

State Teachers' Retirement System (STRS)

Plan Description

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, CA 95826.

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2011-12 was 8.25% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

Public Employees' Retirement System (PERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 10 - EMPLOYEE RETIREMENT PLANS: (continued)

Public Employees' Retirement System (PERS) (continued)

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The average required employer contribution for fiscal year 2011-12 was 10.923% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

Contributions to STRS and PERS

The District's contributions to STRS and PERS for each of the last three fiscal years is as follows:

Year Ended <u>June 30,</u>	<u>STRS</u>		<u>PERS</u>	
	<u>Required Contribution</u>	<u>Percent Contributed</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2010	\$4,287,558	100%	\$3,727,562	100%
2011	4,191,863	100%	3,667,954	100%
2012	4,297,418	100%	3,793,923	100%

SANTA MONICA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 11 – POST-EMPLOYMENT HEALTH CARE BENEFITS:

Plan Description and Funding Policy

The District administers a single-employer defined benefit plan for retiree healthcare benefits. The District provides post-employment health care benefits, in accordance with District employment contracts, to all employees who retire from the District on or after attaining age 55 with at least 10 years of service. The District contributes 100% of the amount of premiums, for medical, dental and vision benefits, incurred by retirees and their dependents up to the age of 65. For all retirees above the age of 65, medical benefits are paid, not-to-exceed a maximum amount determined by the District, for life. 347 retirees meet those eligibility requirements. The plan is funded on a pay-as-you go basis with discretionary contributions made to an irrevocable trust as determined by the Board of Trustees. During the year, the District contributed \$2,532,754 to the plan. Benefit provisions are established through negotiations between the District and the bargaining Unions representing employees. Separate financial statements for the plan can be obtained from CalPERS.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed, and changes in the OPEB obligation:

Annual required contribution (ARC)	\$ 8,122,014
Interest on net OPEB obligation	1,005,061
Adjustment to annual required contribution	<u>(976,350)</u>
Annual OPEB cost (expense)	8,150,725
Contributions made	<u>(2,532,754)</u>
Change in net OPEB obligation	5,617,971
Net OPEB obligation - Beginning of Year	<u>20,101,234</u>
Net OPEB obligation - End of Year	<u><u>\$ 25,719,205</u></u>

SANTA MONICA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 11 – POST-EMPLOYMENT HEALTH CARE BENEFITS: (continued)

Annual OPEB Cost and Net OPEB Obligation (continued)

The District's annual OPEB cost for the year, the percentage of annual OPEB cost contributed, and the net OPEB obligation for the prior and current fiscal years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2010	\$7,683,490	21.5%	\$13,734,084
6/30/2011	\$8,715,693	26.9%	\$20,101,234
6/30/2012	\$8,150,725	31.1%	\$25,719,205

Funding Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the plan was 2.0% funded. The actuarial accrued liability for benefits is \$88,692,776 and the unfunded actuarial accrued liability (UAAL) was \$86,905,288. The covered payroll (annual payroll of active employees covered by the plan) was \$66,394,945, and the ratio of the UAAL to the covered payroll was 139.5%.

Actuarial valuations of an ongoing benefit plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of postemployment healthcare benefits funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets, if any, is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 11 – POST-EMPLOYMENT HEALTH CARE BENEFITS: (continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, if any, consistent with the long-term perspective of the calculations.

In the June 30, 2011 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 5.0 percent investment rate of return (net of administrative expenses) using the “Building Block Method” as described in ASOP 27 paragraph 3.6.2, and an annual healthcare cost trend rate of 4 percent. Both rates included a 3.25 percent inflation assumption. The actuarial value of assets was determined using a 15 year smoothing formula with a 20% corridor around market value. The UAAL is being amortized as a level percentage of payroll over a 30 year closed period. Any residual UAAL is amortized over an open 30 year period.

NOTE 12 - JOINT POWERS AGREEMENT:

The Santa Monica Community College District participates in three joint powers agreement (JPA) entities; the Alliance of Schools for Cooperative Insurance Programs (ASCIP); the Southern California Community College District Joint Powers Agency (SCCCD-JPA); and the Statewide Association of Community Colleges (SWACC). The relationship between the District and the JPAs is such that none of the JPAs are a component unit of the District for financial reporting purposes, as explained below.

ASCIP provides its member with high quality, high value employee benefit programs and related services. Payments transferred to funds maintained under the JPA are expensed when earned. Claim liabilities of the JPA are recomputed periodically by an actuary to produce current estimates that reflect trend and claim lag time.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 12 - JOINT POWERS AGREEMENT: (continued)

SCCCD provides workers' compensation and retiree health insurance coverage for its seven member districts. Payments transferred to funds maintained under the JPA are expensed when earned. SCCCDD has self-funded their workers' compensation coverage since inception as a joint banking pool, and accordingly, does not transfer risk between members. District administrators are of the opinion that the procedures for accumulating and maintaining reserves are sufficient to cover future contingencies under potential workers' compensation claims.

SWACC provides liability and property insurance for approximately nineteen community colleges. SWACC is governed by a Board comprised of a member of each of the participating districts. The board controls the operations of SWACC, including selection of management and approval of members. Each member shares surpluses and deficits proportionately to its participation in SWACC.

Separate financial statements for each JPA may be obtained from the respective entity.

Condensed financial information of ASCIP, SCCCDD-JPA, and SWACC for the most current information available is as follows:

	ASCIP 6/30/2012 <u>(Unaudited)</u>	SCCCD-JPA 6/30/2012 <u>(Audited)</u>		SWACC 6/30/2012 <u>(Unaudited)</u>
		Workers' Compensation <u>Insurance Fund</u>	Retiree Health Insurance Fund	
Total assets	\$273,122,432	\$ 15,752,088	\$ 29,100,579	\$ 48,874,611
Total liabilities	<u>148,739,028</u>	<u>702,552</u>	-	<u>21,266,021</u>
Retained earnings	<u>\$124,383,404</u>	<u>\$ 15,049,536</u>	<u>\$ 29,100,579</u>	<u>\$ 27,608,590</u>
Total revenues	\$186,424,038	\$ 1,434,189	\$ (338,147)	\$ 10,916,311
Total expenditures	<u>174,073,579</u>	<u>7,122,790</u>	<u>1,500</u>	<u>6,710,584</u>
Change in retained earnings	<u>\$ 12,350,459</u>	<u>\$ (5,688,601)</u>	<u>\$ (339,647)</u>	<u>\$ 4,205,727</u>

SANTA MONICA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 13 – FUNCTIONAL EXPENSE:

	Salaries	Benefits	Supplies, Materials, Utilities, and Services	Financial Aid	Depreciation	Total
Instructional Activities	\$ 49,953,352	\$ 16,194,773	\$ 986,809	\$	\$	\$ 67,134,934
Academic Support	10,708,496	3,958,512	1,343,905			16,010,913
Student Services	16,728,585	5,723,139	5,050,986			27,502,710
Operation & Maintenance of Plant	5,004,479	2,670,043	2,539,837			10,214,359
Institutional Support Services	12,742,078	7,201,131	5,799,434			25,742,643
Community Services & Economic Development	1,775,964	466,055	241,311			2,483,330
Ancillary Services & Auxiliary Operations	4,994,276	1,860,758	2,615,536			9,470,570
Physical Property & Related Acquisitions	217,311	82,027	13,921,427			14,220,765
Student Financial Aid				34,437,901		34,437,901
Depreciation Expense					13,426,591	13,426,591
	<u>\$ 102,124,541</u>	<u>\$ 38,156,438</u>	<u>\$ 32,499,245</u>	<u>\$ 34,437,901</u>	<u>\$ 13,426,591</u>	<u>\$ 220,644,716</u>

NOTE 14 – RESTATEMENT TO BEGINNING NET ASSET:

Beginning net assets were restated by the net amount of \$889,005 for the following:

- An increase of \$2,977,755 resulted from management’s analysis of deferred revenue related to student fees.
- A decrease of \$2,088,750 was recognized as a result of a reimbursement to the Warrant Pass-through Fund for excess payments made in previous years.

NOTE 15 – COMMITMENTS AND CONTINGENCIES:

A. State and Federal Allowances, Awards and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

B. Litigation

The District is a defendant in various pending liability lawsuits. The outcome of the litigation is unknown at the present time. Any estimated possible judgment(s) against the District are either immaterial or unknown and are not reflected in these financial statements.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 15 – COMMITMENTS AND CONTINGENCIES: (continued)

C. Purchase Commitments

As of June 30, 2012, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$27 million. Projects will be funded through bond proceeds, State capital outlay funds and State scheduled maintenance allocations.

D. Earthquake Capital Outlay Projects Fund

The Earthquake Capital Outlay Projects Fund has a receivable balance that has remained partially uncollected since the 2003-04 fiscal year. This receivable is related to Federal Emergency Management Agency (FEMA) recovery funding to repair damaged District buildings caused by the 1994 Northridge earthquake. On November 5, 2008, FEMA informed the District that it completed and closed its review of the District's Federal Final Inspection Report and determined that the District is eligible for the funding it applied for. The District received \$2 million of the \$4.3 million receivable during the 2010-11 fiscal year. Because of this recent activity, these financial statements do not include an allowance for doubtful accounts related to the earthquake recovery funding receivable. An additional payment is expected in fiscal year 2012-13.

**NOTE 16 – GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS
ISSUED, NOT YET EFFECTIVE:**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2012, that have effective dates that may impact future financial presentations; however, the impact of the implementation of each of the statements below to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 60

In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This standard addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. This statement is effective for fiscal year 2012-13 financial statements.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE 16 – GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS
ISSUED, NOT YET EFFECTIVE: (continued)**

Governmental Accounting Standards Board Statement No. 61

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity, Omnibus*. This standard is designed to improve financial reporting for governmental entities by amending the requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 34, *Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments*. This statement is effective for fiscal year 2012-13 financial statements.

Governmental Accounting Standards Board Statement No. 62

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This standard establishes accounting and financial reporting standards for state and local governments that report governmental activities, business-type activities and proprietary funds by incorporating applicable guidance from FASB and AICPA pronouncements to meet the needs of the governmental environment and the users of governmental financial statements. This statement, amended by the technical corrections contained in GASB Statement No. 66, is effective for fiscal year 2012-13 financial statements.

Governmental Accounting Standards Board Statement No. 63

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This standard is designed to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. This statement is effective for fiscal year 2012-13 financial statements.

Governmental Accounting Standards Board Statement No. 64

In June 2011, the GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53*. This standard is designed to improve financial reporting by clarifying the circumstances in which hedge accounting should continue when a swap counterparty, or swap counterparty's credit support provider, is replaced. This statement is effective for fiscal year 2012-13 financial statements.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE 16 – GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS
ISSUED, NOT YET EFFECTIVE: (continued)**

Governmental Accounting Standards Board Statement No. 65

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This standard is designed to improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflow of resources that were previously reported as assets and liabilities to ensure consistency in financial reporting. This statement is effective for fiscal year 2013-14 financial statements.

Governmental Accounting Standards Board Statement No. 67

In June 2012, the GASB Issued Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*. This standard is designed to improve financial reporting by state and local governmental pension plans. This statement replaces the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and GASB Statement No. 50, *Pension Disclosures*. This statement is effective for fiscal year 2013-14 financial statements.

Governmental Accounting Standards Board Statement No. 68

In June 2012, the GASB Issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. This standard is designed to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions provided by other entities. This statement replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and GASB Statement No. 50, *Pension Disclosures*. This statement is effective for fiscal year 2014-15 financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

SANTA MONICA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF POST-EMPLOYMENT HEALTH CARE BENEFITS FUNDING PROGRESS

For the Fiscal Year Ended June 30, 2012

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Actuarial Accrued Liability (Unit Cost Method) (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funding Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
11/11/2008	\$ 1,496,996	\$ 68,668,113	\$ 67,171,117	2.2%	\$ 61,259,354	109.7%
5/1/2010	1,641,391	83,792,387	82,117,696	2.0%	65,579,641	125.2%
6/30/2011	1,787,488 *	88,692,776	86,905,288	2.0%	66,153,965	131.4%

* The District maintains investments in an irrevocable trust. The fair value of the trust assets as of June 30, 2012 is \$2,160,732.

See the accompanying notes to the required supplementary information.

SANTA MONICA COMMUNITY COLLEGE DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2012

NOTE 1 - PURPOSE OF SCHEDULE:

A. Schedule of Post-Employment Health Care Benefits Funding Progress

This schedule is prepared to show information for the most recent actuarial valuation and in future years, the information from the three most recent actuarial valuations in accordance with Statement No. 45 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The schedule is intended to show trends about the funding progress of the District's actuarially determined liability for post-employment benefits other than pensions.

SUPPLEMENTARY INFORMATION

SANTA MONICA COMMUNITY COLLEGE DISTRICT

HISTORY AND ORGANIZATION

June 30, 2012

Established in 1929, Santa Monica College is the preeminent educational, cultural, and economic development institution in the City of Santa Monica. The College offers programs of the highest quality for Santa Monica, Malibu, and other students who continue on with their higher education studies; offers programs of remediation and reentry; is a leading community provider of programs for seniors; offers cultural and arts programs of national distinction; delivers programs of exceptional depth in professional training, job training and workforce development; and provides fee-based community services programs of personal interest. There were no changes in the boundaries of the District during the current year.

BOARD OF TRUSTEES

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Dr. Margaret Quiñones-Perez	Chair	November 2016
Dr. Nancy Greenstein	Co-Chair	November 2014
Dr. Susan Aminoff	Member	November 2016
Judge David B. Finkel (Ret)	Member	November 2014
Louise Jaffe	Member	November 2014
Rob Rader	Member	November 2016
Dr. Andrew Walzer	Member	November 2014
Michelle Olivarez	Student Trustee	June 2013

SENIOR ADMINISTRATION

Dr. Chui L. Tsang	Superintendent/ President
Randal Lawson	Executive Vice President
Robert Isomoto	Vice-President, Business and Administration
Jeffery Shimizu	Vice President, Academic Affairs
Michael Tuitasi	Vice President, Student Affairs
Teresita Rodriguez	Vice President, Enrollment Development
Marcia Wade	Vice President, Human Resources
Don Girard	Senior Director, Government Relations and Institutional Communications
Vanessa Butler	Senior Director, Institutional Advancement and SMC Foundation Director

SANTA MONICA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended June 30, 2012

	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures as of June 30, 2012
Student Financial Aid Cluster			
Direct from Department of Education:			
Financial Aid Administrative Allowances	84.000	N/A	\$ 127,218
Supplemental Education Opportunity Grant (SEOG)	84.007	N/A	615,873
Federal Work Study	84.033	N/A	537,374
Academic Competitive Grant	84.375	N/A	5,235
Federal Direct Student Loan	84.268	N/A	2,424,315
Pell Grant	84.063	N/A	29,105,950
Direct from Department of Health and Human Services:			
Scholarship for Disadvantaged Students (SDS)	93.925	N/A	41,674
Total Student Financial Aid Cluster			32,857,639
TRIO Cluster			
Direct from Department of Education:			
Student Support Services	84.042	N/A	283,922
Upward Bound	84.047A	N/A	255,495
Total TRIO Cluster			539,417
Department of Commerce			
Direct:			
Corporation for Public Broadcasting	11.000	N/A	1,094,606
Total Department of Commerce			1,094,606
Department of Education			
Direct:			
Hispanic Serving Institution Program (H.S.I.):			
Science, Technology, Engineering and Mathematics (STEM)	84.031C	N/A	364,635
Supporting Student Success in Pre-Transfer Mathematics (Title V)	84.031S	N/A	373,497
Fostering Global Citizenship through Interdisciplinary Campus-Wide Initiative	84.016A	N/A	28,353
Center of Excellence for Veteran Student Success	84.116G	N/A	174,081
Child Care Access Means Parents in School	84.335A	N/A	133,031
Asian American and Pacific Islander	84.382B	N/A	422,865
Subtotal Direct Programs			1,496,462
Passed through from California Community Colleges Chancellor's Office:			
Career and Technical Education:			
Perkins, Title IV	84.048	(1)	564,868
Career Technical Education Transitions	84.048A	(1)	46,970
Subtotal Passed Through Programs			611,838
Total Department of Education			2,108,300

See the accompanying notes to the supplementary information.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended June 30, 2012

	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures as of June 30, 2012
Department of Health and Human Services			
Passed through from Los Rios Community College District:			
American Recovery and Reinvestment Act: Training for Health Information Technology	93.721	N/A	252,951
Passed through from Chancellor's Office of the California Community Colleges:			
Temporary Assistance for Needy Families (TANF)	93.558	(1)	56,367
Total Department of Health and Human Services			<u>309,318</u>
Department of Labor			
Direct:			
Community Based Job Training Grant - Jobs Through Recycling	17.269	N/A	1,688,749
Subtotal Direct Programs			<u>1,688,749</u>
Passed through from the State of California Employment Training Panel:			
American Recovery and Reinvestment Act: Clean Energy Workforce Training Program	17.258	(1)	44,210
Passed through from California Community Colleges Chancellor's Office:			
Governor's 15% WIA Funds for Allied Health Program	17.278	(1)	66,762
Governor's 15% WIA Funds for LVN to RN or Specialty Nursing	17.278	(1)	114,009
Subtotal Passed Through Programs			<u>224,981</u>
Total Department of Labor			<u>1,913,730</u>
National Aeronautics and Space Administration			
Direct:			
Curriculum Improvement Partnership Award for Integration of Research	43.000	N/A	134,590
Total National Aeronautics and Space Administration			<u>134,590</u>
Small Business Administration			
Passed through from Long Beach Community College District:			
Small Business Development Center (SBDC)	59.037	(1)	662,100
Total Small Business Administration			<u>662,100</u>
National Science Foundation			
Passed through from University of California, Los Angeles:			
Frontier Opportunities in Computing for Underrepresented Students (FOCUS)	47.070	(1)	40,000
Total National Science Foundation			<u>40,000</u>
Total Federal Program Expenditures			<u>\$ 39,659,700</u>
Reconciliation to Federal Revenue:			
Total Federal Program Expenditures			\$ 39,659,700
Build America Bonds subsidy received but not subject to Single Audit Act			<u>1,545,616</u>
Total Federal Program Revenue			<u>\$ 41,205,316</u>

Note: (1) Pass-through entity identifying number not readily available.

N/A Not Applicable

See the accompanying notes to the supplementary information.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL ASSISTANCE - GRANTS

For the Fiscal Year Ended June 30, 2012

	Program Revenues				Total Program Expenditures
	Cash Received	Prior Year Deferred Revenue	Accounts Receivable	Deferred Revenue	
Matriculation (Credit)	\$ 697,687	\$	\$	\$	\$ 697,687
Matriculation (Non Credit)	21,959				21,959
Extended Opportunity Program and Services (EOPS)	836,169				836,169
Cooperative Agencies Resources for Education (CARE)	56,762				56,762
Disabled Student Program and Services (DSPS)	1,114,820				1,114,820
Transfer and Articulation		4,431		2,868	1,563
Equal Employment Opportunity - Faculty and Staff Diversity	8,696	4,096		6,933	5,859
Nursing Grant	135,187	10,671	25,750	7,610	163,998
CalWORKS	172,595				172,595
Child Development Training - Yosemite	4,075		3,425		7,500
Small Business Development Center			15,011		15,011
Financial Aid Administration	721,342	19,599			740,941
Career Technical Education Common Collaborative CTE III	(30,611)	179,306			148,695
Basic Skills Funding	420,248	435,599		517,272	338,575
Career Technical Education Common Collaborative CTE IV	342,856			147,551	195,305
Instructional Equipment and Library Materials		105,011		52,497	52,514
Scheduled Maintenance and Instructional Equipment - One-time		63,237		63,237	-
Clean Energy Workforce Program - Employment Training Panel			6,913		6,913
Career Technical Education Common Collaborative CTE V	278,400			263,481	14,919
Disaster Resistance for California Community Colleges	1,006		1,201		2,207
Total State Programs	\$ 4,781,191	\$ 821,950	\$ 52,300	\$ 1,061,449	\$ 4,593,992

See the accompanying notes to the supplementary information.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURE FOR STATE GENERAL APPORTIONMENT
ANNUAL (ACTUAL) ATTENDANCE
For the Fiscal Year Ended June 30, 2012**

	Reported Data	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2011 only)			
1. Noncredit ¹	50.81		50.81
2. Credit	1,777.27		1,777.27
B. Summer Intersession (Summer 2012 - Prior to July 1, 2012)			
1. Noncredit ¹	N/A		N/A
2. Credit	N/A		N/A
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	12,422.41		12,422.41
(b) Daily Census Contact Hours	1,686.90		1,686.90
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit ¹	651.16		651.16
(b) Credit	37.55		37.55
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	3,097.41		3,097.41
(b) Daily Census Contact Hours	1,635.69		1,635.69
(c) Noncredit Independent Study/Distance Education Courses	N/A		N/A
D. Total FTES	21,359.20	-	21,359.20
Supplemental Information (subset of above information)			
E. In-Service Training Courses (FTES)	N/A		
H. Basic Skills courses and Immigrant Education			
(a) Noncredit ¹	41.88		
(b) Credit	2,363.22		
<u>CCFS 320 Addendum</u>			
CDCP Noncredit FTES	157.74		
Centers FTES			
(a) Noncredit	7.21		
(b) Credit	1,209.85		

¹ Including Career Development and College Preparation (CDCP) FTES

N/A - Workload Measure is not applicable

See the accompanying notes to the supplementary information.

SANTA MONICA COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FUND BALANCES
For the Fiscal Year Ended June 30, 2012

The financial data for the Certificates of Participations are a component part of these financial statements that are not reported in the District's CCFS-311.

Additional entries were made to comply with the GASB 34/35 reporting requirements. These entries are not considered audit adjustments for purposes of this reconciliation.

See the accompanying notes to the supplementary information.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF 50 PERCENT LAW CALCULATION

For the Fiscal Year Ended June 30, 2012

	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	\$ 22,956,851	\$	\$ 22,956,851	\$ 22,956,851	\$	\$ 22,956,851
Other	1300	24,163,159		24,163,159	24,163,159		24,163,159
Total Instructional Salaries		47,120,010		47,120,010	47,120,010		47,120,010
Non-Instructional Salaries							
Contract or Regular	1200			-	11,048,287		11,048,287
Other	1400			-	3,640,801		3,640,801
Total Non-Instructional Salaries					14,689,088		14,689,088
Total Academic Salaries		47,120,010	-	47,120,010	61,809,098	-	61,809,098
<u>Classified Salaries</u>							
Non-Instructional Salaries							
Regular Status	2100			-	21,231,068		21,231,068
Other	2300			-	1,571,545		1,571,545
Total Non-Instructional Salaries				-	22,802,613		22,802,613
Instructional Aides							
Regular Status	2200	2,917,147		2,917,147	2,917,147		2,917,147
Other	2400	332,289		332,289	332,289		332,289
Total Instructional Aides		3,249,436		3,249,436	3,249,436		3,249,436
Total Classified Salaries		3,249,436	-	3,249,436	26,052,049	-	26,052,049
Employee Benefits	3000	14,170,230		14,170,230	28,803,258		28,803,258
Supplies and Materials	4000			-	809,472		809,472
Other Operating Expenses	5000			-	14,418,174		14,418,174
Equipment Replacement	6420			-			-
Total Expenditures Prior to Exclusions		64,539,676	-	64,539,676	131,892,051	-	131,892,051

See the accompanying notes to the supplementary information.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF 50 PERCENT LAW CALCULATION

For the Fiscal Year Ended June 30, 2012

	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Exclusions							
Activities to Exclude							
Instructional Staff-Retirees' Benefits and Retirement Incentives	5900	1,150,560		1,150,560	1,150,560		1,150,560
Student Health Services Above Amount Collected	6441			-			-
Student Transportation	6491			-	680,754		680,754
Non-instructional Staff-Retirees' Benefits and Retirement Incentives	6740			-	1,382,193		1,382,193
Objects to Exclude							
Rents and Leases	5060			-	1,510,558		1,510,558
Lottery Expenditures							
Academic Salaries	1000			-			-
Classified Salaries	2000			-			-
Employee Benefits	3000			-			-
Supplies and Materials	4000			-			-
Software	4100			-			-
Books, Magazines, & Periodicals	4200			-			-
Instructional Supplies & Materials	4300			-			-
Noninstructional, Supplies & Materials	4400			-			-
Total Supplies and Materials							
Other Operating Expenses and Services	5000			-	3,124,856		3,124,856
Capital Outlay	6000			-			-
Library Books	6300			-			-
Equipment	6400			-			-
Equipment - Additional	6410			-			-
Equipment - Replacement	6420			-			-
Total Equipment							
Total Capital Outlay							
Other Outgo	7000			-			-
Total Exclusions		1,150,560	-	1,150,560	7,848,921	-	7,848,921
Total for ECS 84362, 50% Law		\$ 63,389,116	\$ -	\$ 63,389,116	\$ 124,043,130	\$ -	\$ 124,043,130
Percent of CEE (Instructional Salary Cost / Total CEE)		51.10%	0%	51.10%	100%	0%	100%
50% of Current Expense of Education					\$ 62,021,565	-	\$ 62,021,565

See the accompanying notes to the supplementary information.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND
For the Fiscal Year Ended June 30, 2012

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Revenue from Federal Sources			
Higher Education Act	\$ 3,705,059	\$ 2,440,221	\$ (1,264,838)
Workforce Investment Act	4,256,298	1,802,758	(2,453,540)
Temporary Assistance for Needy Families (TANF)	56,367	56,367	-
Student Financial Aid	125,576	127,218	1,642
Career & Technical Education	620,651	611,838	(8,813)
Other Federal Revenue	3,657,883	2,469,925	(1,187,958)
Revenue from State Sources			
General Apportionments	74,962,216	72,534,643	(2,427,573)
Categorical Apportionments	6,831,626	5,229,244	(1,602,382)
Other State Revenues	3,532,536	3,972,010	439,474
Revenue from Local Sources			
Property Taxes	12,874,051	14,035,164	1,161,113
Interest and Investment Income	192,664	193,413	749
Student Fees and Charges	46,642,961	44,544,176	(2,098,785)
Other Local Revenue	<u>8,246,166</u>	<u>4,660,593</u>	<u>(3,585,573)</u>
TOTAL REVENUES	<u>165,704,054</u>	<u>152,677,570</u>	<u>(13,026,484)</u>
EXPENDITURES			
Academic Salaries	67,810,561	66,553,087	1,257,474
Classified Salaries	35,414,615	33,856,014	1,558,601
Employee Benefits	32,782,183	32,065,450	716,733
Supplies and Materials	2,292,196	1,467,560	824,636
Student Financial Aid	744,562	622,320	122,242
Other Operating Expenses & Services	29,146,875	22,378,034	6,768,841
Capital Outlay	<u>3,412,567</u>	<u>2,198,629</u>	<u>1,213,938</u>
TOTAL EXPENDITURES	<u>171,603,559</u>	<u>159,141,094</u>	<u>12,462,465</u>
Excess (deficiencies) of revenues over expenditures	<u>(5,899,505)</u>	<u>(6,463,524)</u>	<u>(564,019)</u>
OTHER FINANCING SOURCES (USES)			
Interfund Transfers In	170,540	143,887	(26,653)
Interfund Transfers Out	<u>(1,926,676)</u>	<u>(1,875,921)</u>	<u>50,755</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,756,136)</u>	<u>(1,732,034)</u>	<u>24,102</u>
Excess (deficiencies) of revenues over expenditures and other sources (uses)	<u>\$ (7,655,641)</u>	<u>(8,195,558)</u>	<u>\$ (539,917)</u>
Fund balance, beginning of year		27,092,235	
Adjustment for restatement (see note 14)		<u>889,005</u>	
Fund balance, beginning of year as restated		<u>27,981,240</u>	
Fund balance, end of year		<u>\$ 19,785,682</u>	

See the accompanying notes to the supplementary information.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

**NOTES TO THE SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2012**

NOTE 1 - PURPOSE OF SCHEDULES:

A. Schedules of Expenditures of Federal Awards and State Financial Assistance

The audit of the Santa Monica Community College District for the year ended June 30, 2012 was conducted in accordance with OMB Circular A-133, which requires a disclosure of the financial activities of all federally funded programs. This Schedule of Federal Awards and the Schedule of State Financial Assistance are presented on the modified accrual basis of accounting.

Subrecipients

Of the Federal expenditures presented in the Schedule of Expenditures of Federal Awards, the District provided Federal Awards to subrecipients as follows:

<u>Federal Grantor/Pass-Through Grantor/Program</u>	<u>CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
U.S. Department of Education		
Asian American and Pacific Islanders	84.382B	
Santa Monica College Foundation		\$44,074
University of California Los Angeles/Santa Monica College Academic Collaborative		117,908
Supporting Student Success in Pre-Transfer Math (Title V)	84.031S	
El Camino College		122,325
Science, Technology, Engineering and Mathematics (STEM)	84.031C	
University of California Los Angeles		36,805
U.S. Department of Labor		
Community Based Job Training - Recycling	17.269	
California Resource Recovery Association		316,294
Recycling Organization of North America		8,982
Coast Community College District:		
Golden West College		197,923
South Orange County Community College:		
Irvine Valley College		178,726
Workforce Investment Board :		
Pacific Asian Consortium in Employment		250,000
Jewish Vocational Services of Los Angeles		160,133
Orange County Workforce Investment Board		306,964
		<u>\$ 1,740,134</u>

SANTA MONICA COMMUNITY COLLEGE DISTRICT

NOTES TO THE SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2012

NOTE 1 - PURPOSE OF SCHEDULES: (continued)

B. Schedule of Workload Measure for State General Apportionment

The Schedule of Workload Measure for State General Apportionment represents the basis of apportionment of the Santa Monica Community College District's annual source of funding.

C. Reconciliation of Annual Financial and Budget Report with Audited Fund Balances

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the Annual Financial and Budget Report (Form CCFS-311) to the audited fund balances.

D. Reconciliation of 50 Percent Law Calculation

This schedule reports any audit adjustments made to the 50 percent law calculation (Education Code Section 84362).

E. Schedule of Budgetary Comparison for the General Fund

Continuing disclosure for the general obligation bond requires a budgetary comparison be presented for the General Fund (combined). This schedule presents the final General Fund budget as of the fiscal year end, actual amounts at fiscal year end and the variance between the final budget and actual amounts.

OTHER INDEPENDENT AUDITOR'S REPORTS



**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
Santa Monica Community College District
1900 Pico Boulevard
Santa Monica, California 90405-1628

We have audited the financial statements of Santa Monica Community College District (the District) as of and for the year ended June 30, 2012, and have issued our report thereon dated December 12, 2012. 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.

Internal Control Over Financial Reporting

Management of Santa Monica Community College District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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.

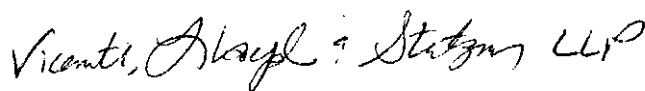
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above.

**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***

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Santa Monica Community College District's 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*.

This report is intended solely for the information and use of management, the Board, the California Department of Finance, the California Community Colleges Chancellor's Office and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


VICENTI, LLOYD & STUTZMAN LLP

December 12, 2012



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

The Board of Trustees
Santa Monica Community College District
1900 Pico Boulevard
Santa Monica, California 90405-1628

Compliance

We have audited the compliance of Santa Monica Community College District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

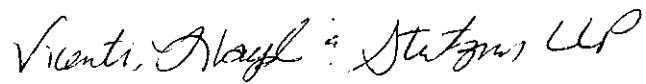
Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance such that there is a reasonable possibility, that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness, as defined above.

This report is intended solely for the information and use of management, the Board, the California Department of Finance, the California Community Colleges Chancellor's Office and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



VICENTI, LLOYD & STUTZMAN LLP

December 12, 2012

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

The Board of Trustees
Santa Monica Community College District
1900 Pico Boulevard
Santa Monica, California 90405-1628

We have audited the compliance of the Santa Monica Community College District (the District) with the types of compliance requirements described in the *2011-12 Contracted District Audit Manual*, published by the California Community Colleges Chancellor's Office for the year ended June 30, 2012. The District's State compliance requirements are identified below. Compliance with the State laws and regulations as identified below is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2011-12 Contracted District Audit Manual*, published by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In connection with our audit referred to above, we selected and tested transactions and records to determine the District's compliance with the following items:

- Whether the District's salaries of classroom instructors equal or exceed 50 percent of the District's current expense of education in accordance with Education Code Section 84362.
- Whether the District complied with all requirements necessary to claim FTES for instruction under instructional service agreements/contracts.
- Whether the District complied with the FTES calculating and reporting requirements for the Annual Attendance Report (CCFS-320).

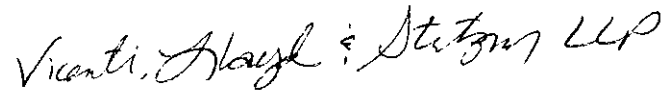
INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

- Whether the District acted to ensure that the residency of each student is properly classified and that only the attendance of California residents, specifically student-athletes, is claimed for apportionment purposes of credit classes.
- Whether the District claimed for apportionment purposes only the attendance of students actively enrolled in a course section as of the census date.
- Whether the District complied with all requirements necessary to claim FTES for the attendance of concurrently enrolled K-12 pupils.
- Whether the Gann Limit Calculation was properly calculated and supported by adequate documentation.
- Whether the District expended CalWORKS and TANF funds to provide specialized student support services, curriculum development, or instruction to eligible CalWORKS students.
- Whether all District courses that qualify for State apportionment are open to enrollment by the general public unless specifically exempted by statute.
- Whether the District adopted policies or regulations regarding the authority of the District to require students to provide various types of instructional materials.
- Whether the District has advised students of the exemptions from payment of health fees and established a process to ensure that students may claim the exemptions.
- Whether the District expended Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resource for Education (CARE) funds to provide services specifically designed to supplement existing support programs and to help EOPS and CARE eligible students complete their educational goal.
- Whether the District expended Disabled Student Programs and Services (DSPS) funds on students with exceptional needs because of a verified disability to facilitate measurable progress towards their educational goals.
- Whether the District has documentation for the noncredit FTES and met specific required criteria.
- Whether the District lists To Be Arranged Hours (TBA) in the schedule of classes and describes them in the course outline and that student participation is carefully tracked to ensure apportionment is not claimed for TBA hours for students with documented zero hours as of the census point for a particular course.

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

In our opinion, we found that, for the items tested, the Santa Monica Community College District complied with the laws and regulations of the state programs referred to above in all material respects.

This report is intended solely for the information and use of management, the Board, the California Department of Finance, the California Community Colleges Chancellor's Office and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



VICENTI, LLOYD & STUTZMAN LLP

December 12, 2012

FINDINGS AND QUESTIONED COSTS

SANTA MONICA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
AS REQUIRED UNDER FEDERAL OMB CIRCULAR A-133
June 30, 2012

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
 Material weaknesses identified? Yes X No
 Significant deficiencies identified not considered
 to be material weaknesses? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:
 Material weaknesses identified? Yes X No
 Significant deficiencies identified not considered
 to be material weaknesses? Yes X None reported

Type of auditor's report issued on compliance for
 major programs: Unqualified

Any audit findings disclosed that are required to be
 Reported in accordance with Circular A-133,
 Section .510(a) Yes X No

Identification of major programs tested

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.000, 84.007, 84.033, 84.375, 84.268, 84.063 and 93.925	Student Financial Aid Cluster
84.031C	Science, Technology, Engineering and Mathematics (STEM)
84.048 93.721	Career and Technical Education: Perkins, Title IV American Recovery and Reinvestment Act: Training for Health Information Technology
59.037	Small Business Development Center (SBDC)

Dollar threshold used to distinguish between Type A
 and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X Yes No

SANTA MONICA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2012

There were no findings and questioned costs related to financial statements, federal awards or state awards for the year ended June 30, 2012.

SANTA MONICA COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2012

There were no prior year findings and questioned costs for the year ended June 30, 2011.

CONTINUING DISCLOSURE INFORMATION

SANTA MONICA COMMUNITY COLLEGE DISTRICT
CONTINUING DISCLOSURE INFORMATION (UNAUDITED)
June 30, 2012

Assessed valuation for fiscal year 2011-12	\$36,575,521,349	(2)
Secured tax levies for fiscal year 2011-12	\$ 11,406,672	(1)
Secured tax delinquencies for fiscal year 2011-12	\$ 930,483	(1)
Secured tax collections for fiscal year 2011-12	\$ 10,476,189	(1)

2011-12 Largest Local Secured Taxpayers (2)

	<u>Property Owner</u>	<u>Primary Land Use</u>	2011-12 <u>Assessed Valuation</u>	% of <u>Total (3)</u>
1.	CA Colorado Center LLC	Office Building	\$ 472,844,007	1.29%
2.	Water Garden Realty Holding LLC	Office Building	458,264,878	1.25
3.	Douglas Emmett LLC	Office Building	303,472,566	0.83
4.	Macerich Santa Monica Place LLC	Shopping Center	268,175,478	0.73
5.	SC Enterprises SMBP LLC	Office Building	265,000,000	0.72
6.	CREP 2700 Holdings LLC	Office Building	227,973,476	0.62
7.	Ocean Avenue LLC	Hotel	146,320,306	0.40
8.	LUI2 La Lantana LP	Office Building	140,314,570	0.38
9.	New Santa Monica Beach Hotel LLC	Hotel	137,172,110	0.38
10.	Rand Corp.	Office Building	131,855,052	0.36
11.	Equity Office Properties Trust	Office Building	124,990,000	0.34
12.	Shores Barrington LLC	Apartments	109,815,752	0.30
13.	Blue Devils Owner LLC	Hotel	106,200,000	0.29
14.	CLPF Arboretum LP	Office Building	105,701,093	0.29
15.	HRL Laboratories LLC	Industrial	97,335,082	0.27
16.	1299 Ocean LLC	Office Building	96,600,000	0.26
17.	Kilroy Realty LP	Office Building	84,060,150	0.23
18.	Hines 26 th Street LLC	Industrial	76,893,370	0.21
19.	The Procaccianti Group LLC	Office Building	76,159,869	0.21
20.	ASN Santa Monica LLC	Hotel	<u>74,559,706</u>	<u>0.20</u>
			\$3,503,707,465	9.58%

- (1) Information obtained from the Los Angeles County Auditor-Controller's Office.
(2) Information obtained from California Municipal Statistics, Inc.
(3) % of total assessed valuation for fiscal year 2011-12 of \$36,575,521,349.