

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

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

**June 30, 2011**

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**PROPOSITION 39 GENERAL OBLIGATION BONDS  
MEASURE U, MEASURE S & MEASURE AA  
FINANCIAL AUDIT**

**June 30, 2011**

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## INDEPENDENT AUDITORS' REPORT

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Santa Monica Community College District, as of and for the year ended June 30, 2011, and have issued our report thereon dated December 14, 2011. We have also audited the accompanying Balance Sheet, Statement of Revenues, Expenditures and Changes in Fund Balance and Statements of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual for the Bond Building Fund of the Santa Monica Community College District as of June 30, 2011. These statements are the responsibility of the District's management. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit of the Bond Building Fund 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements for the Bond Building Fund are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Bond Building Fund financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations for the Bond Building Fund of the Santa Monica Community College District as of June 30, 2011, in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2011 on our consideration of the Santa Monica Community College District's internal control over financial reporting and our test 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 the Bond Building Fund 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 read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Santa Monica Community College District Bond Building Fund. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The supplementary section is the responsibility of management and was derived from and 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, 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 statement as a whole.

  
VICENTI, LLOYD & STUTZMAN LLP

December 14, 2011

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**BALANCE SHEET  
BOND BUILDING FUND  
June 30, 2011**

	<b>Measure U</b>	<b>Measure S</b>	<b>Measure AA</b>
<b><u>ASSETS</u></b>			
Cash in County Treasury	\$ 23,512,761	\$ 59,196,365	\$ 86,282,192
Accounts Receivable:			
Interest Receivable	71,198	179,324	263,672
Prepaid Expenditures			85,250
<b>TOTAL ASSETS</b>	<b>\$ 23,583,959</b>	<b>\$ 59,375,689</b>	<b>\$ 86,631,114</b>
<b><u>LIABILITIES AND FUND BALANCE</u></b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 31,453	\$ 121,413	\$ 751,713
<b>TOTAL LIABILITIES</b>	<b>31,453</b>	<b>121,413</b>	<b>751,713</b>
<b>FUND BALANCE</b>			
Restricted	23,552,506	59,254,276	85,879,401
<b>TOTAL FUND BALANCE</b>	<b>23,552,506</b>	<b>59,254,276</b>	<b>85,879,401</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 23,583,959</b>	<b>\$ 59,375,689</b>	<b>\$ 86,631,114</b>

See the accompanying notes to the financial statements.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BOND BUILDING FUND

June 30, 2011

	<u>Measure U</u>	<u>Measure S</u>	<u>Measure AA</u>
<b>REVENUES</b>			
Interest Income	\$ 302,081	\$ 776,816	\$ 1,203,232
<b>TOTAL REVENUES</b>	<u>302,081</u>	<u>776,816</u>	<u>1,203,232</u>
<b>EXPENDITURES</b>			
Supplies and Materials	-	303	
Contracted Services and Other Expenses	17,923	85,490	38,454
Capital Outlay	<u>(741,784)</u>	<u>531,699</u>	<u>10,897,130</u>
<b>TOTAL EXPENDITURES</b>	<u>(723,861)</u>	<u>617,492</u>	<u>10,935,584</u>
Excess (Deficiency) of Revenues over Expenditures	1,025,942	159,324	(9,732,352)
Fund Balance at Beginning of Year	<u>22,526,564</u>	<u>59,094,952</u>	<u>95,611,753</u>
Fund Balance at End of Year	<u>\$ 23,552,506</u>	<u>\$ 59,254,276</u>	<u>\$ 85,879,401</u>

See the accompanying notes to the financial statements.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BOND BUILDING FUND - MEASURE U**

**For the Fiscal Year Ended June 30, 2011**

	<b>Budget *</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>			
Interest Income	\$ 220,000	\$ 302,081	\$ 82,081
<b>TOTAL REVENUES</b>	<u>220,000</u>	<u>302,081</u>	<u>82,081</u>
<b>EXPENDITURES</b>			
Supplies and Materials	100,000		100,000
Contracted Services and Other Expenses	540,000	17,923	522,077
Capital Outlay	22,106,564	(741,784)	22,848,348
<b>TOTAL EXPENDITURES</b>	<u>22,746,564</u>	<u>(723,861)</u>	<u>23,470,425</u>
Net Change in Fund Balance	<u>\$ (22,526,564)</u>	1,025,942	<u>\$ 23,552,506</u>
Fund Balance at Beginning of Year		<u>22,526,564</u>	
Fund Balance at End of Year		<u>\$ 23,552,506</u>	

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

See the accompanying notes to the financial statements.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BOND BUILDING FUND - MEASURE S  
For the Fiscal Year Ended June 30, 2011**

	<b>Budget *</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>			
Interest Income	\$ 780,000	\$ 776,816	\$ (3,184)
<b>TOTAL REVENUES</b>	<b>780,000</b>	<b>776,816</b>	<b>(3,184)</b>
<b>EXPENDITURES</b>			
Supplies and Materials	104,057	303	103,754
Contracted Services and Other Expenses	5,355,259	85,490	5,269,769
Capital Outlay	54,415,636	531,699	53,883,937
<b>TOTAL EXPENDITURES</b>	<b>59,874,952</b>	<b>617,492</b>	<b>59,257,460</b>
Net Change in Fund Balance	\$ (59,094,952)	159,324	\$ 59,254,276
Fund Balance at Beginning of Year		59,094,952	
Fund Balance at End of Year		\$ 59,254,276	

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

See the accompanying notes to the financial statements.



**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BOND BUILDING FUND - MEASURE AA  
For the Fiscal Year Ended June 30, 2011**

	<b>Budget *</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>			
Interest Income	\$ 490,000	\$ 1,203,232	\$ 713,232
<b>TOTAL REVENUES</b>	<u>490,000</u>	<u>1,203,232</u>	<u>713,232</u>
<b>EXPENDITURES</b>			
Supplies and Materials	728,038		728,038
Contracted Services and Other Expenses	14,923,450	38,454	14,884,996
Capital Outlay	80,450,265	10,897,130	69,553,135
<b>TOTAL EXPENDITURES</b>	<u>96,101,753</u>	<u>10,935,584</u>	<u>85,166,169</u>
Net Change in Fund Balance	<u>\$ (95,611,753)</u>	<u>(9,732,352)</u>	<u>\$ 85,879,401</u>
Fund Balance at Beginning of Year		<u>95,611,753</u>	
Fund Balance at End of Year		<u>\$ 85,879,401</u>	

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

See the accompanying notes to the financial statements.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT  
BOND BUILDING FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011**

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

**ACCOUNTING POLICIES**

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

**FUND STRUCTURE**

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

**FUND BALANCE CLASSIFICATION**

The governmental fund financial statements present fund balance classifications that comprise a hierarchy based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts can be spent. The classifications available in governmental fund financial statements are nonspendable, restricted, committed, assigned and unassigned. The fund balance of the Bond Building Fund is restricted as described below:

Restricted: Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

**BASIS OF ACCOUNTING**

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

**SANTA MONICA COMMUNITY COLLEGE DISTRICT  
BOND BUILDING FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011**

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

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

**BUDGET**

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

**CAPITAL ASSETS AND LONG-TERM DEBT**

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

**ESTIMATES**

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

**SANTA MONICA COMMUNITY COLLEGE DISTRICT  
BOND BUILDING FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011**

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

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Los Angeles County Treasury as part of the common investment pool. These pooled funds are carried at cost which may differ from fair value. The fair value of the District's deposits for the Bond Building Fund in this pool as of June 30, 2011, as provided by the pool sponsor, was \$23,516,551, \$59,205,908 and \$86,296,101 for Measure U, Measure S and Measure AA, respectively.

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

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

There were no excesses of expenditures over appropriations in the Bond Building Fund, by major object accounts.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT  
BOND BUILDING FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011**

**NOTE 4 – BONDED DEBT:**

**Measure U**

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

The Measure U outstanding related bonded debt for the Santa Monica Community College District at June 30, 2011 is:

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2010</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2011</u>
8/1/02	3.0 - 5.0 %	8/1/2027	\$ 25,000,000	\$ 12,910,000	\$	\$ 650,000	\$ 12,260,000
5/13/04	3.0 - 5.0 %	5/1/2029	21,999,971	15,814,971		655,000	15,159,971
8/2/05	3.12 - 5.07 %	8/1/2030	89,999,923	81,771,127		3,062,520	78,708,607
1/31/07	4.20 - 4.74 %	8/1/2031	11,999,987	11,999,987			11,999,987
1/26/10	3.92% - 5.7%	8/1/2026	10,998,993	10,998,993			10,998,993
			<u>\$ 159,998,874</u>	<u>\$ 133,495,078</u>	<u>\$ -</u>	<u>\$ 4,367,520</u>	<u>\$ 129,127,558</u>

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 semi-annually 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>
2012	\$ 650,000	\$ 580,263	\$ 1,230,263
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
2017-2021	3,450,000	1,920,212	5,370,212
2022-2026	3,860,000	1,034,512	4,894,512
2027-2028	1,690,000	130,688	1,820,688
	<u>\$ 12,260,000</u>	<u>\$ 5,721,852</u>	<u>\$ 17,981,852</u>

**SANTA MONICA COMMUNITY COLLEGE DISTRICT  
BOND BUILDING FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011**

**NOTE 4 – BONDED DEBT: (continued)**

**Measure U (continued)**

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 semi-annually 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 on the District's basic financial statements at June 30, 2011 is \$1,254,639.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Accreted Interest Component</u>	<u>Total</u>
2012	\$ 690,000	\$ 739,850	\$	\$ 1,429,850
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
2017-2021	4,840,000	2,298,188		7,138,188
2022-2026	6,185,000	957,750		7,142,750
2027-2029	324,971		3,950,029	4,275,000
	<u>\$ 15,159,971</u>	<u>\$ 6,594,438</u>	<u>\$ 3,950,029</u>	<u>\$ 25,704,438</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 the applicable maturity date, each bond will accrete interest on the principal component. Accreted interest accrued and included in long term debt on the District's basic financial statements at June 30, 2011 is \$14,878,918.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT  
BOND BUILDING FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011**

**NOTE 4 – BONDED DEBT: (continued)**

**Measure U (continued)**

A portion of the proceeds was used to refund the outstanding balance of one of the District's Certificates of Participation (COP's). The balance of the bonds refunded as \$539,372 less than the amount paid into the escrow account. This amount is recorded as a deferred charge on the District's basic financial statements and amortized to interest expense over 192 months; the life of the old debt on the District's basic financial statements.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Accreted Interest Component</u>	<u>Total</u>
2012	\$ 3,202,739	\$ 1,134,500	\$ 856,285	\$ 5,193,524
2013	3,314,689	1,134,500	1,088,885	5,538,074
2014	3,417,542	1,134,500	1,345,439	5,897,481
2015	3,516,580	1,134,500	1,522,309	6,173,389
2016	3,163,803	1,134,500	1,728,149	6,026,452
2017-2021	15,429,518	5,672,500	13,239,872	34,341,890
2022-2026	15,047,857	5,672,500	21,574,506	42,294,863
2027-2031	31,615,879	4,596,000	14,992,316	51,204,195
	<u>\$ 78,708,607</u>	<u>\$ 21,613,500</u>	<u>\$ 56,347,761</u>	<u>\$ 156,669,868</u>

The bonds include a premium which is recognized in the District's basic financial statements.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT  
BOND BUILDING FUND**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2011**

**NOTE 4 – BONDED DEBT: (continued)**

**Measure U (continued)**

4. On January 31, 2007, the District issued 2007 Series A bonds totaling \$11,999,987 of capital appreciation bonds. 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 on the District's basic financial statements at June 30, 2011 is \$2,669,899.

Debt service requirements on these bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Accreted Interest Component</u>	<u>Total</u>
2012	\$	\$	\$
2013			
2014			
2015			
2016	1,734,128	730,872	2,465,000
2017-2021	4,207,921	2,717,079	6,925,000
2122-2026	3,274,673	3,645,327	6,920,000
2027-2031	2,550,419	4,349,581	6,900,000
2032	232,846	1,152,154	1,385,000
Total	<u>\$ 11,999,987</u>	<u>\$ 12,595,013</u>	<u>\$ 24,595,000</u>



**SANTA MONICA COMMUNITY COLLEGE DISTRICT  
BOND BUILDING FUND**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2011**

**NOTE 4 – BONDED DEBT: (continued)**

**Measure U (continued)**

5. On January 26, 2010, the District issued 2010 Series E bonds totaling \$10,998,993 of capital appreciation bonds. 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 are included in long term debt on the District’s basic financial statements at June 30, 2011 is \$555,763.

Debt service requirements on these bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Accreted Interest Component</u>	<u>Total</u>
2012	\$	\$	\$
2013			
2014			
2015			
2016			
2017-2021	4,292,627	2,092,373	6,385,000
2022-2026	5,508,012	5,966,988	11,475,000
2027	1,198,354	1,826,646	3,025,000
	<u>\$ 10,998,993</u>	<u>\$ 9,886,007</u>	<u>\$ 20,885,000</u>

**SANTA MONICA COMMUNITY COLLEGE DISTRICT  
BOND BUILDING FUND**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2011**

**NOTE 4 – BONDED DEBT: (continued)**

**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, excluding the issuance of refunding bonds. Proceeds from the sale of the bonds were used to finance the construction, acquisition, furnishing and equipping of District facilities.

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2010</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2011</u>
5/1/05	3.5 - 5.25 %	5/1/2015	\$ 58,000,000	\$ 8,230,000	\$	\$ 1,500,000	\$ 6,730,000
1/31/07	3.7 - 4.13 %	8/1/2016	40,064,768	30,645,226		3,579,290	27,065,936
2/17/09	1.77 - 4.39%	8/1/2029	56,997,857	56,997,857			56,997,857
			<u>\$ 155,062,625</u>	<u>\$ 95,873,083</u>	<u>\$ -</u>	<u>\$ 5,079,290</u>	<u>\$ 90,793,793</u>

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 semi-annually 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>
2012	\$ 1,555,000	\$ 330,637	\$ 1,885,637
2013	1,635,000	249,000	1,884,000
2014	1,725,000	163,163	1,888,163
2015	1,815,000	72,600	1,887,600
	<u>\$ 6,730,000</u>	<u>\$ 815,400</u>	<u>\$ 7,545,400</u>

**SANTA MONICA COMMUNITY COLLEGE DISTRICT  
BOND BUILDING FUND**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2011**

**NOTE 4 – BONDED DEBT: (continued)**

**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 rates range from 3.7% to 5% payable semi-annually 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 on the District's basic financial statements at June 30, 2011 is \$8,506,336.

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 District's basic financial statements. The balance of the bonds refunded was \$573,930 less than the amount paid into the escrow account. This amount is recorded as a deferred charge on the District's basic financial statements and amortized to interest expense over 114 months; the life of the new debt. Amortization of \$60,414 was recognized during the 2010-11 year on the District's basic financial statements. The balance of the in-substance defeased debt as of June 30, 2011 is approximately \$40,065,000.

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>
2012	\$ 3,244,969	\$ 783,000	\$ 2,420,031	\$ 6,448,000
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	8,845,000	442,250		9,287,250
	<u>\$ 27,065,936</u>	<u>\$ 4,357,250</u>	<u>\$ 12,554,064</u>	<u>\$ 43,977,250</u>

The refunding bonds include a premium which is recognized in the District's basic financial statements.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT  
BOND BUILDING FUND**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2011**

**NOTE 4 – BONDED DEBT: (continued)**

**Measure S (continued)**

3. On February 17, 2009, the District issued Series C bonds for \$30,885,000 of current interest bonds. Interest rates range from 1.77% to 4.39% payable semi-annually 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 on the District's basic financial statement at June 30, 2011 is \$3,102,625.

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>
2012	\$	\$ 1,592,688	\$	\$ 1,592,688
2013	130,000	1,589,762		1,719,762
2014	240,000	1,581,438		1,821,438
2015	360,000	1,567,938		1,927,938
2016	645,000	1,545,325		2,190,325
2017-2021	18,060,000	5,792,905		23,852,905
2022-2026	23,271,154	622,650	17,763,846	41,657,650
2027-2030	14,291,703		33,043,297	47,335,000
	<u>\$ 56,997,857</u>	<u>\$ 14,292,706</u>	<u>\$ 50,807,143</u>	<u>\$ 122,097,706</u>

The bonds include a premium which is recognized in the District's basic financial statements.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT  
BOND BUILDING FUND**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2011**

**NOTE 4 – BONDED DEBT: (continued)**

**Measure AA**

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

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2010</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2011</u>
1/26/10	5.00%	8/1/2023	\$ 33,135,000	\$ 33,135,000	\$	\$	\$ 33,135,000
1/26/10	5.73%-5.88%	8/1/2034	66,865,000	66,865,000			66,865,000
			<u>\$ 100,000,000</u>	<u>\$ 100,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,000,000</u>

1. 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 5.73% to 5.88% 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 makes the District eligible for a cash subsidy payment from the United States Treasury equal to 35% of the interest payable on the Series A-1 Bonds. The District will deposit the cash subsidy payments with the County to be credited to the Debt Service Fund for the Series A-1 Bonds. Cash subsidy payments are expected to be received contemporaneously with each interest payment date.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT  
BOND BUILDING FUND**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2011**

**NOTE 4 – BONDED DEBT: (continued)**

**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>
2012	\$ 2,800,000	\$ 1,980,228	\$ 4,780,228
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
2016-2020	10,650,000	4,415,000	15,065,000
2021-2024	11,995,000	1,254,375	13,249,375
	<u>\$ 33,135,000</u>	<u>\$ 11,479,103</u>	<u>\$ 44,614,103</u>

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>
2012	\$	\$ 5,464,856	\$ 5,464,856
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
2017-2021		22,080,225	22,080,225
2022-2026	8,200,000	21,617,629	29,817,629
2027-2031	27,585,000	15,398,512	42,983,512
2032-2035	31,080,000	4,396,625	35,476,625
	<u>\$ 66,865,000</u>	<u>\$ 86,622,027</u>	<u>\$ 153,487,027</u>

**SANTA MONICA COMMUNITY COLLEGE DISTRICT  
BOND BUILDING FUND**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2011**

**NOTE 5 – PURCHASE COMMITMENTS:**

As of June 30, 2011, the District was committed under various capital expenditure purchase agreements for bond projects totaling approximately \$2,813,500, \$3,122,000 and \$11,123,600 for Measure U, Measure S, and Measure AA, respectively.

**NOTE 6 – SUBSEQUENT EVENT:**

The District purchased land and a building in the amount of \$9,000,000 using proceeds in the Measure AA Bond Building Fund on November 22, 2011.



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

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

We have audited the Balance Sheet, Statement of Revenues, Expenditures and Changes in Fund Balance and Statements of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual for the Bond Building Fund of the Santa Monica Community College District (the District) as of and for the year ended June 30, 2011. 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 of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Santa Monica Community College District's internal control over the Bond Building Fund financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the fund 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 Bond Building Fund 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 material weaknesses, 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 Bond Building Fund financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 of the Bond Building Fund 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 the Board, Citizens' Oversight Committee and management. It is not intended to be and should not be used by anyone other than these specified parties.



VICENTI, LLOYD & STUTZMAN LLP

December 14, 2011

**SANTA MONICA COMMUNITY COLLEGE DISTRICT  
BOND BUILDING FUND**

**SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2011**

There were no findings related to the financial audit of the Bond Building Funds (Measure U, Measure S and Measure AA) for the fiscal years ended June 30, 2010 and June 30, 2011.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT  
BOND BUILDING FUND**

**BOND PROJECT SUMMARY – MEASURE U  
June 30, 2011**

The District has identified the following projects to be funded with proceeds from the Measure U general obligation bonds. The District incurred costs of \$142,463,783 through June 30, 2011 for these construction projects. Expenditures were as follows:

Project Name	Project Budget	Total Project Costs Through June 30, 2010	2010-11 Actual Costs	Total Project Costs Through June 30, 2011
Real Property Acquisition - BAE Site	\$ 30,280,878	\$ 30,280,878	\$	\$ 30,280,878
Real Property Acquisition - Emeritus College	9,603,782	8,909,940		8,909,940
Real Property Acquisition - 1738 Pearl Street	749,208	749,208		749,208
North Quad Plaza - Relocation of PE Building	2,797,033	2,797,033		2,797,033
Temporary Facilities - Math Village	1,458,690	1,458,690		1,458,690
Site Improvements - Bundy Campus	4,170,264	4,170,264		4,170,264
Site Improvements - Bundy West Building	19,709,741	19,709,741		19,709,741
Renovation of Main Stage Theater	19,497,949	19,496,949		19,496,949
Replacement Liberal Arts - Liberal Arts North	12,507,725	8,467,972	(834,763)	7,633,209
Student Services - Relocation of Music	4,623,547	2,004,434	680	2,005,114
Replacement Liberal Arts - Liberal Arts South	16,733,220	6,108,150		6,108,150
Real Property Acquisition - Off-Site Parking	18,969,509	18,969,509		18,969,509
Construction of North Quad Plaza	11,388,463	11,377,980	10,483	11,388,463
Student Services Center	53,521,913	2,040,586	41,744	2,082,330
Replacement Math and Science Extension Building	308,336	308,336		308,336
Technology and Infrastructure Improvements	4,030,284	3,890,801	57,995	3,948,796
Modernization of Restrooms	17,501	17,501		17,501
Facilities Master Planning	2,110,430	2,110,430		2,110,430
Literacy Center - 14th and Pico	319,242	319,242		319,242
<b>Project Totals</b>	<b>\$ 212,797,715</b>	<b>\$ 143,187,644</b>	<b>\$ (723,861)</b>	<b>\$ 142,463,783</b>

Negative expense in the current year is the result of an excess amount of \$834,763 received from the Federal Emergency Management Agency (FEMA) for claims submitted related to the 1994 Northridge earthquake. The excess amount was transferred to the Measure U Bond Building Fund to reimburse for prior expenses paid out of this fund.

See Independent Auditor's Report.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT  
BOND BUILDING FUND**

**BOND PROJECT SUMMARY – MEASURE S  
June 30, 2011**

The District has identified the following projects to be funded with proceeds from the Measure S general obligation bonds. The District incurred costs of \$83,948,500 through June 30, 2011 for these construction projects and related costs. Capital outlay and other financing expenditures were as follows:

Project Name	Project Budget	Total Project Costs Through June 30, 2010	2010-11 Actual Costs	Total Project Costs Through June 30, 2011
Retrofit of Field Space - Corsair Field	\$ 4,440,768	\$ 4,372,238	\$ 297	\$ 4,372,535
Retrofit of Field Space - John Adams	2,970,807	2,969,807		2,969,807
Performing Arts Complex	40,603,541	37,608,541	2,030	37,610,571
Replacement Health/PE/Fitness Building	40,200,333	772,976	17,613	790,589
Early Childhood Development Facility	11,318,000	9,200	1,245	10,445
Malibu Site Acquisition and Facility	31,069,031	5,230,992	2,886	5,233,878
Energy Efficiency Projects	1,293,570	473,704	(180,343)	293,361
Satellite Campus Parking Facilities and Roadway Improvements	4,875,000	3,772,789	48,194	3,820,983
Parking Garage, Grounds and Equipment - Student Services	53,143,653	14,359,174	403,737	14,762,911
Grounds Improvements - Pico Promenade	1,018,009	1,018,009		1,018,009
Facilities Master Planning	750,000	658,143	50,440	708,583
Bond Related Expenses - Project Management	662,764	51,985	67,329	119,314
Bond Related Expenses - Architect	50,000	45,597		45,597
Real Property Acquisition	606,223	32,225	204,064	236,289
Project Totals	193,001,699	71,375,380	617,492	71,992,872
2007 Series C Refunding Bond *	11,562,625	11,562,625		11,562,625
Arbitrage Expense		393,003		393,003
Totals	<u>\$ 204,564,324</u>	<u>\$ 83,331,008</u>	<u>\$ 617,492</u>	<u>\$ 83,948,500</u>

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

See Independent Auditor's Report.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT  
BOND BUILDING FUND**

**BOND PROJECT SUMMARY – MEASURE AA  
June 30, 2011**

The District has identified the following projects to be funded with proceeds from the Measure AA general obligation bonds. The District incurred costs of \$15,836,318 through June 30, 2011 for these construction projects. Capital outlay and other financing expenditures were as follows:

Project Name	Project Budget	Total Project Costs Through June 30, 2010	2010-11 Actual Costs	Total Project Costs Through June 30, 2011
Utility Infrastructure and Technology	\$ 4,882,119	\$ 48,500	\$ 17,648	\$ 66,148
Infrastructure & Technology - Information Technology Relocation	13,287,218	148,800	567,343	716,143
Media and Technology Complex	61,480,824	2,321,599	2,805,534	5,127,133
Replacement Health/PE/Fitness/Dance Building with Central Plant	40,200,333	328,056	1,690,978	2,019,034
Drescher - Academic Modernization, Bookstore, Pico Promenade	34,026,480			-
Replacement Math and Science Extension Building	108,103,000			-
Madison East Wing Seismic Upgrade	12,292,000	81,630	547,796	629,426
Renovation of Corsair Stadium	11,203,000		35,299	35,299
Career Opportunity and Advancement Center (Bundy Campus)	41,391,000			-
Malibu Education Improvements	31,069,031			-
Business and Facilities Infrastructure	6,140,952		133,238	133,238
Facilities Master Planning	1,650,000			-
Environmental Performance Improvements	4,150,136			-
Community Classroom & Facility Projects	3,221,000	135	863,599	863,734
Real Property Acquisition	6,000,000	1,748,667	4,009,228	5,757,895
Roadways, Walkways, Grounds, Parking Lots, and Garages	350,000	223,347	27,806	251,153
Infrastructure & Technology - Technology	500,000		216,896	216,896
Infrastructure & Technology - Utility	500,000		20,219	20,219
<b>Project Totals</b>	<b>\$ 380,447,093</b>	<b>\$ 4,900,734</b>	<b>\$ 10,935,584</b>	<b>\$ 15,836,318</b>

See Independent Auditor's Report