

SANTA MONICA COMMUNITY COLLEGE DISTRICT

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

June 30, 2012

**SANTA
MONICA
COLLEGE**

The logo for Santa Monica College, featuring the words "SANTA MONICA COLLEGE" in a blue, serif font. The word "COLLEGE" is positioned below "MONICA" and has a decorative, wavy flourish extending from its base.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

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

June 30, 2012

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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, 2012, and have issued our report thereon dated December 12, 2012. 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, 2012. These statements are the responsibility of the District's management. Our responsibility is to express an opinion on these statements based on our audit.

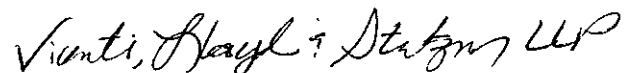
We conducted our audit of the Bond Building Fund in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America. Those 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, 2012, 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 12, 2012 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 12, 2012

SANTA MONICA COMMUNITY COLLEGE DISTRICT

**BALANCE SHEET
BOND BUILDING FUND
June 30, 2012**

| | <u>Measure U</u> | <u>Measure S</u> | <u>Measure AA</u> |
|--|--------------------------|--------------------------|--------------------------|
| <u>ASSETS</u> | | | |
| Cash in County Treasury | \$ 23,641,301 | \$ 59,116,846 | \$ 70,267,237 |
| Accounts Receivable: | | | |
| Interest Receivable | 45,713 | 114,297 | 137,874 |
| Prepaid Expenditures | | | 66,306 |
| TOTAL ASSETS | \$ 23,687,014 | \$ 59,231,143 | \$ 70,471,417 |
| <u>LIABILITIES AND FUND BALANCE</u> | | | |
| LIABILITIES | | | |
| Accounts Payable | \$ 3,674 | \$ 71,542 | \$ 1,717,816 |
| TOTAL LIABILITIES | 3,674 | 71,542 | 1,717,816 |
| FUND BALANCE | | | |
| Restricted | 23,683,340 | 59,159,601 | 68,753,601 |
| TOTAL FUND BALANCE | 23,683,340 | 59,159,601 | 68,753,601 |
| TOTAL LIABILITIES AND FUND BALANCE | \$ 23,687,014 | \$ 59,231,143 | \$ 70,471,417 |

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

For the Fiscal Year Ended June 30, 2012

| | Measure U | Measure S | Measure AA |
|---|------------------|------------------|-------------------|
| REVENUES | | | |
| Interest Income | \$ 222,174 | \$ 556,765 | \$ 738,606 |
| TOTAL REVENUES | 222,174 | 556,765 | 738,606 |
| EXPENDITURES | | | |
| Supplies and Materials | | 648 | 14,612 |
| Contracted Services and Other Expenses | 12,979 | 120,303 | 184,828 |
| Capital Outlay | 78,361 | 530,489 | 17,664,966 |
| TOTAL EXPENDITURES | 91,340 | 651,440 | 17,864,406 |
| Excess (Deficiency) of Revenues over Expenditures | 130,834 | (94,675) | (17,125,800) |
| Fund Balance at Beginning of Year | 23,552,506 | 59,254,276 | 85,879,401 |
| Fund Balance at End of Year | \$ 23,683,340 | \$ 59,159,601 | \$ 68,753,601 |

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, 2012**

| | <u>Budget *</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|--|------------------------|----------------------|---|
| REVENUES | | | |
| Interest Income | \$ 302,000 | \$ 222,174 | \$ (79,826) |
| TOTAL REVENUES | <u>302,000</u> | <u>222,174</u> | <u>(79,826)</u> |
| EXPENDITURES | | | |
| Supplies and Materials | 50,000 | | 50,000 |
| Contracted Services and Other Expenses | 519,500 | 12,979 | 506,521 |
| Capital Outlay | <u>23,285,005</u> | <u>78,361</u> | <u>23,206,644</u> |
| TOTAL EXPENDITURES | <u>23,854,505</u> | <u>91,340</u> | <u>23,763,165</u> |
| Net Change in Fund Balance | <u>\$ (23,552,505)</u> | 130,834 | <u>\$ 23,683,339</u> |
| Fund Balance at Beginning of Year | | <u>23,552,506</u> | |
| Fund Balance at End of Year | | <u>\$ 23,683,340</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, 2012**

| | <u>Budget *</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|--|------------------------|----------------------|---|
| REVENUES | | | |
| Interest Income | \$ 775,000 | \$ 556,765 | \$ (218,235) |
| TOTAL REVENUES | <u>775,000</u> | <u>556,765</u> | <u>(218,235)</u> |
| EXPENDITURES | | | |
| Supplies and Materials | 100,000 | 648 | 99,352 |
| Contracted Services and Other Expenses | 1,627,500 | 120,303 | 1,507,197 |
| Capital Outlay | <u>58,301,776</u> | <u>530,489</u> | <u>57,771,287</u> |
| TOTAL EXPENDITURES | <u>60,029,276</u> | <u>651,440</u> | <u>59,377,836</u> |
| Net Change in Fund Balance | <u>\$ (59,254,276)</u> | (94,675) | <u>\$ 59,159,601</u> |
| Fund Balance at Beginning of Year | | <u>59,254,276</u> | |
| Fund Balance at End of Year | | <u>\$ 59,159,601</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 AA
For the Fiscal Year Ended June 30, 2012**

| | Budget * | Actual | Variance Favorable (Unfavorable) |
|--|------------------------|----------------------|---|
| REVENUES | | | |
| Interest Income | \$ 1,100,000 | \$ 738,606 | \$ (361,394) |
| TOTAL REVENUES | <u>1,100,000</u> | <u>738,606</u> | <u>(361,394)</u> |
| EXPENDITURES | | | |
| Supplies and Materials | 100,000 | 14,612 | 85,388 |
| Contracted Services and Other Expenses | 2,337,500 | 184,828 | 2,152,672 |
| Capital Outlay | <u>84,541,901</u> | <u>17,664,966</u> | <u>66,876,935</u> |
| TOTAL EXPENDITURES | <u>86,979,401</u> | <u>17,864,406</u> | <u>69,114,995</u> |
| Net Change in Fund Balance | <u>\$ (85,879,401)</u> | <u>(17,125,800)</u> | <u>\$ 68,753,601</u> |
| Fund Balance at Beginning of Year | | <u>85,879,401</u> | |
| Fund Balance at End of Year | | <u>\$ 68,753,601</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, 2012**

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.

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).

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

BUDGET

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

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

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

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

FUND BALANCE CLASSIFICATION

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, 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.

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, 2012**

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, 2012, as provided by the pool sponsor, was \$23,670,416, \$59,189,649 and \$70,353,772 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, 2012**

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, 2012 is:

| <u>Date of Issue</u> | <u>Interest Rate %</u> | <u>Maturity Date</u> | <u>Amount of Original Issue</u> | <u>Outstanding July 1, 2011</u> | <u>Redeemed Current Year</u> | <u>Outstanding June 30, 2012</u> |
|----------------------|------------------------|----------------------|---------------------------------|---------------------------------|------------------------------|----------------------------------|
| 8/1/02 | 3.0 - 5.0 % | 8/1/2027 | \$ 25,000,000 | \$ 12,260,000 | \$ 650,000 | \$ 11,610,000 |
| 5/13/04 | 3.0 - 5.0 % | 5/1/2029 | 21,999,971 | 15,159,971 | 690,000 | 14,469,971 |
| 8/2/05 | 3.12 - 5.07 % | 8/1/2030 | 89,999,923 | 78,708,607 | 3,202,739 | 75,505,868 |
| 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>\$ 129,127,558</u> | <u>\$ 4,542,739</u> | <u>\$ 124,584,819</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> |
|--------------------|----------------------|---------------------|----------------------|
| 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> |

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

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

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, 2012 is \$1,350,017.

| <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 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, 2012 is \$17,230,446.

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

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

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 (COPs). The balance of the bonds refunded was \$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 new 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> |
|--------------------|----------------------|----------------------|--|-----------------------|
| 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 | 28,694,489 | 3,461,500 | 12,360,511 | 44,516,500 |
| | <u>\$ 75,505,868</u> | <u>\$ 20,479,000</u> | <u>\$ 55,974,132</u> | <u>\$ 151,959,000</u> |

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

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

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

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. 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 on the District's basic financial statements 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> |

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

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

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. 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 are included in long term debt on the District’s basic financial statements a June 30, 2012 is \$1,155,237.

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 | 5,675,324 | 6,974,676 | 12,650,000 |
| | <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, 2012**

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, 2011</u> | <u>Redeemed Current Year</u> | <u>Outstanding June 30, 2012</u> |
|----------------------|------------------------|----------------------|---------------------------------|---------------------------------|------------------------------|----------------------------------|
| 5/1/05 | 3.5 - 5.25 % | 5/1/2015 | \$ 58,000,000 | \$ 6,730,000 | \$ 1,555,000 | \$ 5,175,000 |
| 1/31/07 | 3.7 - 5.0 % | 8/1/2016 | 40,064,768 | 27,065,936 | 3,244,969 | 23,820,967 |
| 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>\$ 90,793,793</u> | <u>\$ 4,799,969</u> | <u>\$ 85,993,824</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> |
|--------------------|---------------------|-------------------|---------------------|
| 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>\$ 5,175,000</u> | <u>\$ 484,763</u> | <u>\$ 5,659,763</u> |

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

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

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 5.0% 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, 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 District's basic financial statements. The balance of the in-substance defeased debt as of June 30, 2012 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> |
|--------------------|----------------------|---------------------|--|----------------------|
| 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>\$ 23,820,967</u> | <u>\$ 3,574,250</u> | <u>\$ 10,134,033</u> | <u>\$ 37,529,250</u> |

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

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

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

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, 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> |

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, 2012**

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, 2011</u> | <u>Redeemed Current Year</u> | <u>Outstanding June 30, 2012</u> |
|----------------------|------------------------|----------------------|---------------------------------|---------------------------------|------------------------------|----------------------------------|
| 1/26/10 | 5.00% | 8/1/2023 | \$ 33,135,000 | \$ 33,135,000 | \$ 2,800,000 | \$ 30,335,000 |
| 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>\$ 2,800,000</u> | <u>\$ 97,200,000</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.

The Series A bonds include a premium which is recognized in the District basic financial statements.

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

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

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> |
|--------------------|----------------------|---------------------|----------------------|
| 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 | 6,435,000 | 327,625 | 6,762,625 |
| | <u>\$ 30,335,000</u> | <u>\$ 9,498,875</u> | <u>\$ 39,833,875</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> |
|--------------------|----------------------|----------------------|-----------------------|
| 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> |

NOTE 5 – PURCHASE COMMITMENTS:

As of June 30, 2012, the District was committed under various capital expenditure purchase agreements for bond projects totaling approximately \$2,867,000, \$3,740,000 and \$20,441,000 for Measure U, Measure S, and Measure AA, respectively.



**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, 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 of America.

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 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.

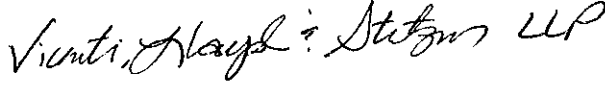
Our consideration of internal control over Bond Building Fund financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be 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 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, the 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 12, 2012

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

**SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2012**

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, 2012 and June 30, 2011.

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

**BOND PROJECT SUMMARY – MEASURE U
June 30, 2012**

The District has identified the following projects to be funded with proceeds from the Measure U general obligation bonds. The District incurred costs of \$142,555,123 through June 30, 2012 for these construction projects. Expenditures were as follows:

| Project Name | Project Budget | Total Project Costs Through June 30, 2011 | 2011-12 Actual Costs | Total Project Costs Through June 30, 2012 |
|---|-----------------------|---|-------------------------|---|
| 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 | 19,496,949 | 19,496,949 | | 19,496,949 |
| Replacement Liberal Arts - Liberal Arts North | 12,507,725 | 7,633,209 | | 7,633,209 |
| Student Services - Relocation of Music | 4,623,547 | 2,005,114 | 225 | 2,005,339 |
| Replacement Liberal Arts - Liberal Arts South | 16,733,220 | 6,108,150 | | 6,108,150 |
| Real Property Acquisition - Off-Site Parking | 18,969,509 | 18,969,509 | | 18,969,509 |
| Construction of North Quad Plaza | 11,388,463 | 11,388,463 | | 11,388,463 |
| Student Services Center | 53,525,435 | 2,082,330 | 48,442 | 2,130,772 |
| Replacement Math and Science Extension Building | 308,336 | 308,336 | | 308,336 |
| Technology and Infrastructure Improvements | 4,030,284 | 3,948,796 | 42,673 | 3,991,469 |
| 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 |
| Project Totals | \$ 212,800,237 | \$ 142,463,783 | \$ 91,340 | \$ 142,555,123 |

See Independent Auditor's Report.

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

**BOND PROJECT SUMMARY – MEASURE S
June 30, 2012**

The District has identified the following projects to be funded with proceeds from the Measure S general obligation bonds. The District incurred costs of \$84,599,940 through June 30, 2012 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, 2011 | 2011-12 Actual Costs | Total Project Costs Through June 30, 2012 |
|---|-----------------------|---|-------------------------|---|
| Retrofit of Field Space - Corsair Field | \$ 4,440,768 | \$ 4,372,535 | \$ | \$ 4,372,535 |
| Retrofit of Field Space - John Adams | 2,970,807 | 2,969,807 | | 2,969,807 |
| Performing Arts Complex | 40,603,541 | 37,610,571 | | 37,610,571 |
| Replacement Health/PE/Fitness Building | 40,200,333 | 790,589 | | 790,589 |
| Early Childhood Development Facility | 11,318,000 | 10,445 | 22,947 | 33,392 |
| Malibu Site Acquisition and Facility | 31,069,031 | 5,233,878 | 228,301 | 5,462,179 |
| Energy Efficiency Projects | 1,293,570 | 293,361 | | 293,361 |
| Satellite Campus Parking Facilities and Roadway Improvements | 4,875,000 | 3,820,983 | 2,289 | 3,823,272 |
| Parking Garage, Grounds and Equipment - Student Services | 53,143,653 | 14,762,911 | 342,190 | 15,105,101 |
| Grounds Improvements - Pico Promenade | 1,018,009 | 1,018,009 | | 1,018,009 |
| Facilities Master Planning | 750,000 | 708,583 | | 708,583 |
| Bond Related Expenses - Project Management | 662,764 | 119,314 | 55,713 | 175,027 |
| Bond Related Expenses - Architect | 50,000 | 45,597 | | 45,597 |
| Real Property Acquisition | 606,223 | 236,289 | | 236,289 |
| Project Totals | <u>193,001,699</u> | <u>71,992,872</u> | <u>651,440</u> | <u>72,644,312</u> |
| 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>\$ 83,948,500</u> | <u>\$ 651,440</u> | <u>\$ 84,599,940</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, 2012**

The District has identified the following projects to be funded with proceeds from the Measure AA general obligation bonds. The District incurred costs of \$33,700,724 through June 30, 2012 for these construction projects. Capital outlay and other financing expenditures were as follows:

| Project Name | Project Budget | Total Project Costs Through June 30, 2011 | 2011-12 Actual Costs | Total Project Costs Through June 30, 2012 |
|---|-----------------------|---|-------------------------|---|
| Utility Infrastructure and Technology | \$ 4,882,119 | \$ 66,148 | \$ 264,951 | \$ 331,099 |
| Infrastructure & Technology - Information Technology Relocation | 13,287,218 | 716,143 | 625,186 | 1,341,329 |
| Media and Technology Complex | 61,480,824 | 5,127,133 | 2,238,694 | 7,365,827 |
| Replacement Health/PE/Fitness/Dance Building with Central Plant | 40,200,333 | 2,019,034 | 1,961,901 | 3,980,935 |
| Drescher - Academic Modernization, Bookstore, Pico Promenade | 34,026,480 | | 5,082 | 5,082 |
| Replacement Math and Science Extension Building | 108,103,000 | | | - |
| Madison East Wing Seismic Upgrade | 12,292,000 | 629,426 | 1,106,691 | 1,736,117 |
| Renovation of Corsair Stadium | 2,315,898 | 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 | 449,402 | 582,640 |
| Facilities Master Planning | 1,650,000 | | | - |
| Environmental Performance Improvements | 4,150,136 | | 189 | 189 |
| Community Classroom & Facility Projects | 3,221,000 | 863,734 | 1,858,831 | 2,722,565 |
| Real Property Acquisition | 14,787,102 | 5,757,895 | 9,029,207 | 14,787,102 |
| Roadways, Walkways, Grounds, Parking Lots, and Garages | 400,000 | 251,153 | 149,402 | 400,555 |
| Infrastructure & Technology - Technology | 500,000 | 216,896 | 135,837 | 352,733 |
| Infrastructure & Technology - Utility | 200,000 | 20,219 | 7,533 | 27,752 |
| Emergency Lighting, Fire Alarm, and Security System | 300,000 | | 31,500 | 31,500 |
| Project Totals | \$ 380,397,093 | \$ 15,836,318 | \$ 17,864,406 | \$ 33,700,724 |

See Independent Auditor's Report