

SANTA MONICA COMMUNITY COLLEGE DISTRICT

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

June 30, 2010

SANTA MONICA COMMUNITY COLLEGE DISTRICT

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FINANCIAL AUDIT**

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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, 2010, and have issued our report thereon dated December 15, 2010. 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, 2010. 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, 2010, 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 15, 2010 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 15, 2010

SANTA MONICA COMMUNITY COLLEGE DISTRICT

**BALANCE SHEET
BOND BUILDING FUND
June 30, 2010**

	Measure U	Measure S	Measure AA
<u>ASSETS</u>			
Cash in County Treasury	\$ 22,511,368	\$ 59,910,621	\$ 96,181,926
Accounts Receivable:			
Interest Receivable	76,333	203,451	328,606
TOTAL ASSETS	\$ 22,587,701	\$ 60,114,072	\$ 96,510,532
<u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES			
Accounts Payable	\$ 61,137	\$ 1,019,120	\$ 898,779
TOTAL LIABILITIES	61,137	1,019,120	898,779
FUND BALANCE			
Designated for Special Purposes	22,526,564	59,094,952	95,611,753
TOTAL FUND BALANCE	22,526,564	59,094,952	95,611,753
TOTAL LIABILITIES AND FUND BALANCE	\$ 22,587,701	\$ 60,114,072	\$ 96,510,532

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, 2010

	Measure U	Measure S	Measure AA
REVENUES			
Interest Income	\$ 225,792	\$ 902,706	\$ 512,487
TOTAL REVENUES	225,792	902,706	512,487
EXPENDITURES			
Supplies and Materials	1,390	3,801	
Contracted Services and Other Expenses	222,200	966,224	21,235
Capital Outlay	689,290	8,356,224	4,879,499
TOTAL EXPENDITURES	912,880	9,326,249	4,900,734
Deficiency of Revenues over Expenditures	(687,088)	(8,423,543)	(4,388,247)
OTHER FINANCING SOURCES			
Proceeds from Sale of Bonds	10,998,992	-	100,000,000
TOTAL OTHER FINANCING SOURCES	10,998,992	-	100,000,000
Excess (Deficiency) of Revenues over Expenditures and Other Financing Sources	10,311,904	(8,423,543)	95,611,753
Fund Balance at Beginning of Year	12,214,660	67,518,495	-
Fund Balance at End of Year	\$ 22,526,564	\$ 59,094,952	\$ 95,611,753

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, 2010

	Budget *	Actual	Variance Favorable (Unfavorable)
REVENUES			
Interest Income	\$ 250,000	\$ 225,792	\$ (24,208)
TOTAL REVENUES	<u>250,000</u>	<u>225,792</u>	<u>(24,208)</u>
EXPENDITURES			
Supplies and Materials	50,000	1,390	48,610
Contracted Services and Other Expenses	763,253	222,200	541,053
Capital Outlay	<u>22,651,407</u>	<u>689,290</u>	<u>21,962,117</u>
TOTAL EXPENDITURES	<u>23,464,660</u>	<u>912,880</u>	<u>22,551,780</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(23,214,660)</u>	<u>(687,088)</u>	<u>22,527,572</u>
OTHER FINANCING SOURCES			
Proceeds from Sale of Bonds	<u>11,000,000</u>	<u>10,998,992</u>	<u>(1,008)</u>
TOTAL OTHER FINANCING SOURCES	<u>11,000,000</u>	<u>10,998,992</u>	<u>(1,008)</u>
Excess (Deficiency) of Revenues over Expenditures and Other Financing Sources	<u>\$ (12,214,660)</u>	<u>10,311,904</u>	<u>\$ 22,526,564</u>
Fund Balance at Beginning of Year		<u>12,214,660</u>	
Fund Balance at End of Year		<u>\$ 22,526,564</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, 2010**

	Budget *	Actual	Variance Favorable (Unfavorable)
REVENUES			
Interest Income	\$ 470,000	\$ 902,706	\$ 432,706
TOTAL REVENUES	<u>470,000</u>	<u>902,706</u>	<u>432,706</u>
EXPENDITURES			
Supplies and Materials	20,000	3,801	16,199
Contracted Services and Other Expenses	1,214,500	966,224	248,276
Capital Outlay	<u>66,753,995</u>	<u>8,356,224</u>	<u>58,397,771</u>
TOTAL EXPENDITURES	<u>67,988,495</u>	<u>9,326,249</u>	<u>58,662,246</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(67,518,495)</u>	<u>(8,423,543)</u>	<u>59,094,952</u>
OTHER FINANCING SOURCES			
Proceeds from Sale of Bonds	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures and Other Financing Sources	<u>\$ (67,518,495)</u>	<u>(8,423,543)</u>	<u>\$ 59,094,952</u>
Fund Balance at Beginning of Year		<u>67,518,495</u>	
Fund Balance at End of Year		<u>\$ 59,094,952</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, 2010**

	Budget *	Actual	Variance Favorable (Unfavorable)
REVENUES			
Interest Income	\$ _____	\$ 512,487	\$ 512,487
TOTAL REVENUES	-	512,487	512,487
EXPENDITURES			
Contracted Services and Other Expenses	1,866,907	21,235	1,845,672
Capital Outlay	98,133,093	4,879,499	93,253,594
TOTAL EXPENDITURES	100,000,000	4,900,734	95,099,266
Excess (Deficiency) of Revenues over Expenditures	(100,000,000)	(4,388,247)	95,611,753
OTHER FINANCING SOURCES			
Proceeds from Sale of Bonds	100,000,000	100,000,000	-
TOTAL OTHER FINANCING SOURCES	100,000,000	100,000,000	-
Excess of Revenues over Expenditures and Other Financing Sources	\$ _____ -	95,611,753	\$ 95,611,753
Fund Balance at Beginning of Year		-	
Fund Balance at End of Year		\$ 95,611,753	

* 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, 2010**

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 Changes in Fund Balance is a statement of financial activities of the Bond Building Fund related to the current reporting period. Expenditures of the various funds frequently include amounts for land, buildings, equipment, retirement of indebtedness, transfers to other funds, etc. Consequently, these statements do not purport to present the result 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, 2010**

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

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.

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, 2010, as provided by the pool sponsor, was \$22,562,180, \$60,045,851 and \$96,130,422 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010**

NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

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

NOTE 4 – BONDED DEBT:

Measure U

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

The Measure U outstanding related bonded debt for the Santa Monica Community College District at June 30, 2010 is:

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2009</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2010</u>
8/1/02	3.0 - 5.0 %	8/1/2027	\$ 25,000,000	\$ 13,560,000	\$	\$ 650,000	\$ 12,910,000
5/13/04	3.0 - 5.0 %	5/1/2029	21,999,971	16,444,971		630,000	15,814,971
8/2/05	3.12 - 5.07 %	8/1/2030	89,999,923	84,680,419		2,909,292	81,771,127
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	10,998,992		10,998,992		10,998,992
			<u>\$ 159,998,873</u>	<u>\$ 126,685,377</u>	<u>\$ 10,998,992</u>	<u>\$ 4,189,292</u>	<u>\$ 133,495,077</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>
2011	\$ 650,000	\$ 606,263	\$ 1,256,263
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
2016-2020	3,400,000	2,075,138	5,475,138
2021-2025	3,760,000	1,224,475	4,984,475
2026-2028	2,500,000	258,812	2,758,812
	<u>\$ 12,910,000</u>	<u>\$ 6,328,115</u>	<u>\$ 19,238,115</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010**

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, 2010 is \$1,164,690.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Accreted Interest Component</u>	<u>Total</u>
2011	\$ 655,000	\$ 772,600	\$	\$ 1,427,600
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
2016-2020	4,610,000	2,528,788		7,138,788
2021-2025	5,890,000	1,252,250		7,142,250
2026-2029	1,684,971	68,000	3,950,029	5,703,000
	<u>\$ 15,814,971</u>	<u>\$ 7,367,038</u>	<u>\$ 3,950,029</u>	<u>\$ 27,132,038</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, 2010 is \$12,336,020.

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010**

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 difference between the reacquisition price and the net carrying amount of the COP 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>
2011	\$ 3,062,520	\$ 1,134,500	\$ 652,371	\$ 4,849,391
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
2016-2020	15,521,676	5,672,500	11,699,404	32,893,580
2021-2025	15,162,356	5,672,500	19,777,391	40,612,247
2026-2030	11,883,025	5,417,875	20,058,048	37,358,948
2031	22,690,000	312,625		23,002,625
	<u>\$ 81,771,127</u>	<u>\$ 22,748,000</u>	<u>\$ 57,000,132</u>	<u>\$ 161,519,259</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, 2010**

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, 2010 is \$2,023,462.

Debt service requirements on these bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Accreted Interest Component</u>	<u>Total</u>
2011	\$	\$	\$
2012			
2013			
2014			
2015			
2016-2020	5,183,221	2,821,779	8,005,000
2021-2025	3,442,861	3,482,139	6,925,000
2026-2030	2,680,222	4,219,778	6,900,000
2031-2032	693,683	2,071,317	2,765,000
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, 2010**

NOTE 4 – BONDED DEBT: (continued)

Measure U (continued)

5. On January 26, 2010, the District issued 2010 Series E bonds totaling \$10,998,992 of capital appreciation bonds. The bonds were issued with maturity dates from August 1, 2016 through August 1, 2027. Prior to the applicable maturity date, each bond will accrete interest on the principal component. Due to the timing of the issuance, accreted interest was not accrued during 2009-10 year.

Debt service requirements on these bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$	\$	\$
2012			
2013			
2014			
2015			
2016-2020	3,310,003	1,429,997	4,740,000
2021-2025	5,319,686	5,035,314	10,355,000
2026-2027	2,369,303	3,420,697	5,790,000
Total	<u>\$ 10,998,992</u>	<u>\$ 9,886,008</u>	<u>\$ 20,885,000</u>

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, 2009</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2010</u>
5/1/05	3.5 - 5.25 %	5/1/2015	\$ 58,000,000	\$ 9,680,000	\$	\$ 1,450,000	\$ 8,230,000
1/31/07	3.7 - 4.13 %	8/1/2016	40,064,768	34,700,681		4,055,455	30,645,226
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>\$ 101,378,538</u>	<u>\$ -</u>	<u>\$ 5,505,455</u>	<u>\$ 95,873,083</u>

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

**NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

NOTE 4 – BONDED DEBT: (continued)

Measure S (continued)

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>
2011	\$ 1,500,000	\$ 383,137	\$ 1,883,137
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	<u>1,815,000</u>	<u>72,600</u>	<u>1,887,600</u>
	<u>\$ 8,230,000</u>	<u>\$ 1,198,537</u>	<u>\$ 9,428,537</u>

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, 2010 is \$8,103,982.

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 2009-10 year on the District's basic financial statements. The balance of the in-substance defeased debt as of June 30, 2010 is approximately \$40,065,000.

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

**NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

NOTE 4 – BONDED DEBT: (continued)

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>
2011	\$ 3,579,290	\$ 783,000	\$ 1,935,710	\$ 6,298,000
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
2016-2017	15,660,000	1,225,250		16,885,250
	<u>\$ 30,645,226</u>	<u>\$ 5,140,250</u>	<u>\$ 14,489,774</u>	<u>\$ 50,275,250</u>

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

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. Accredited interest accrued and included in long term debt on the District's basic financial statement at June 30, 2010 is \$1,351,743.

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

**NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

NOTE 4 – BONDED DEBT: (continued)

Measure S (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>
2011	\$	\$ 1,592,688	\$	\$ 1,592,688
2012		1,592,688		1,592,688
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
2016-2020	13,755,000	6,607,167		20,362,167
2021-2025	24,353,806	1,353,713	11,141,194	36,848,713
2026-2030	18,159,051		39,665,949	57,825,000
	<u>\$ 56,997,857</u>	<u>\$ 15,885,394</u>	<u>\$ 50,807,143</u>	<u>\$ 123,690,394</u>

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

Measure AA

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

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2009</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2010</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>\$ -</u>	<u>\$ 100,000,000</u>	<u>\$ -</u>	<u>\$ 100,000,000</u>

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

**NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

NOTE 4 – BONDED DEBT: (continued)

Measure AA (continued)

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 \$66,685,000 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.

Debt service requirements for Series A Bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$	\$ 1,221,853	\$ 1,221,853
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>\$ 12,700,956</u>	<u>\$ 45,835,956</u>

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

**NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

NOTE 4 – BONDED DEBT: (continued)

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>
2011	\$	\$ 3,256,833	\$ 3,256,833
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
2016-2020		22,080,225	22,080,225
2021-2025	3,920,000	21,967,956	25,887,956
2026-2030	25,440,000	17,148,241	42,588,241
2031-2035	37,505,000	6,712,614	44,217,614
	<u>\$ 66,865,000</u>	<u>\$ 89,878,860</u>	<u>\$ 156,743,860</u>

NOTE 5 – PURCHASE COMMITMENTS:

As of June 30, 2010, the District was committed under various capital expenditure purchase agreements for bond projects totaling approximately \$4,179,800, \$1,921,900 and \$10,759,400 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, 2010. 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.

**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**

Internal Control Over Financial Reporting (continued)

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.

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 15, 2010

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

**SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2010**

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, 2009 and June 30, 2010.

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

**BOND PROJECT SUMMARY – MEASURE U
June 30, 2010**

The District has identified the following projects to be funded with proceeds from the Measure U general obligation bonds. The District incurred costs of \$143,187,644 through June 30, 2010 for these construction projects. Expenditures were as follows:

Project Name	Project Budget	Total Project Costs Through June 30, 2009	2009-10 Actual Costs	Total Project Costs Through June 30, 2010
Real Property Acquisition - BAE Site	\$ 30,280,878	\$ 30,280,878	\$	\$ 30,280,878
Real Property Acquisition - Emeritus College	8,909,940	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	19,499,266	19,496,949		19,496,949
Replacement Liberal Arts - Liberal Arts North	6,352,752	8,467,686	286	8,467,972
Student Services - Relocation of Music	2,006,934	2,004,434		2,004,434
Replacement Liberal Arts - Liberal Arts South	6,108,150	6,012,808	95,342	6,108,150
Real Property Acquisition - Off-Site Parking	18,969,509	18,969,509		18,969,509
Construction of North Quad Plaza	11,380,361	11,374,147	3,833	11,377,980
Student Services Center	20,809,481	1,785,885	254,701	2,040,586
Replacement Math and Science Extension Building	308,336	308,336		308,336
Technology and Infrastructure Improvements	4,042,284	3,332,083	558,718	3,890,801
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	\$ 160,000,000	\$ 142,274,764	\$ 912,880	\$ 143,187,644

See Independent Auditors' Report.

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

**BOND PROJECT SUMMARY – MEASURE S
June 30, 2010**

The District has identified the following projects to be funded with proceeds from the Measure S general obligation bonds. The District incurred costs of \$83,331,008 through June 30, 2010 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, 2009	2009-10 Actual Costs	Total Project Costs Through June 30, 2010
Retrofit of Field Space - Corsair Field	\$ 4,373,238	\$ 4,298,888	\$ 73,350	\$ 4,372,238
Retrofit of Field Space - John Adams	2,970,807	2,969,769	38	2,969,807
Performing Arts Complex	37,672,305	37,539,538	69,003	37,608,541
Replacement Health/PE/Fitness Building	4,598,771	167,189	605,787	772,976
Early Childhood Development Facility	7,000,000	9,200		9,200
Malibu Site Acquisition and Facility	25,000,000	5,230,992		5,230,992
Energy Efficiency Projects	1,293,570	118,410	355,294	473,704
Satellite Campus Parking Facilities and Roadway Improvements	4,876,424	3,226,014	546,775	3,772,789
Parking Garage, Grounds and Equipment - Student Services	52,690,653	7,817,455	6,541,719	14,359,174
Grounds Improvements - Pico Promenade	1,018,009	1,017,145	864	1,018,009
Facilities Master Planning	750,000		658,143	658,143
Bond Related Expenses - Project Management	600,000	47,534	4,451	51,985
Bond Related Expenses - Architect	50,000		45,597	45,597
Real Property Acquisition	606,223		32,225	32,225
Project Totals	143,500,000	62,442,134	8,933,246	71,375,380
2007 Series C Refunding Bond *	11,562,625	11,562,625		11,562,625
Arbitrage Expense			393,003	393,003
Totals	<u>\$ 155,062,625</u>	<u>\$ 74,004,759</u>	<u>\$ 9,326,249</u>	<u>\$ 83,331,008</u>

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

See Independent Auditors' Report.

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

**BOND PROJECT SUMMARY – MEASURE AA
June 30, 2010**

The district has identified the following projects to be funded with proceeds from the Measure AA general obligation bonds. The District incurred costs of \$4,900,734 through June 30, 2010 for these construction projects. Capital outlay and other financing expenditures were as follows:

Project Name	Project Budget	2009-10 Actual Costs	Total Project Costs Through June 30, 2010
Utility Infrastructure and Technology	\$ 4,882,119	\$ 48,500	\$ 48,500
Infrastructure & Technology - Information Technology Relocation	13,287,218	148,800	148,800
Media and Technology Complex	57,700,824	2,321,599	2,321,599
Replacement Health/PE/Fitness/Dance Building with Central Plant	35,384,240	328,056	328,056
Drescher - Academic Modernization, Bookstore, Pico Promenade	34,026,480		
Replacement Math and Science Extension Building	68,259,000		
Madison East Wing Seismic Upgrade	12,292,000	81,630	81,630
Renovation of Corsair Stadium	11,203,000		
Career Opportunity and Advancement Center (Bundy Campus)	29,384,000		
Malibu Education Improvements	6,069,031		
Business and Facilities Infrastructure	6,140,952		
Facilities Master Planning	1,650,000		
Environmental Performance Improvements	5,150,136		
Community Classroom & Facility Projects	3,221,000	135	135
Real Property Acquisition	6,000,000	1,748,667	1,748,667
Roadways, Walkways, Grounds, Parking Lots, and Garages	350,000	223,347	223,347
Project Totals	\$ 295,000,000	\$ 4,900,734	\$ 4,900,734

See Independent Auditors' Report