

**SANTA MONICA
COMMUNITY COLLEGE DISTRICT**

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

JUNE 30, 2018

**SANTA MONICA
COMMUNITY COLLEGE DISTRICT**

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

JUNE 30, 2018

**SANTA MONICA COMMUNITY COLLEGE DISTRICT
MEASURE U, MEASURE S, MEASURE AA, AND MEASURE V
GENERAL OBLIGATION BONDS**

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JUNE 30, 2018**

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FINANCIAL SECTION



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

INDEPENDENT AUDITOR'S REPORT

Board of Trustees and
Citizens' Oversight Committee
Santa Monica Community College District
Santa Monica, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Santa Monica Community College District's (the District), Measure U, Measure S, Measure AA, and Measure V General Obligation Bond Funds, as of and for the year ended June 30, 2018, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measure U, Measure S, Measure AA, and Measure V General Obligation Bond Funds of the District at June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the District's Measure U, Measure S, Measure AA, and Measure V General Obligation Bond Fund's financial statements. The accompanying unaudited supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying unaudited supplementary information has not been subjected to the auditing procedures applied in the audit of the District's Measure U, Measure S, Measure AA, and Measure V General Obligation Bond Fund's financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure U, Measure S, Measure AA, and Measure V General Obligation Bond Funds, and are not intended to present fairly the financial position and changes in financial position of the District in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2018, on our consideration of the District's Measure U, Measure S, Measure AA, and Measure V General Obligation Bond Funds internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's Measure U, Measure S, Measure AA, and Measure V General Obligation Bond Funds internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's Measure U, Measure S, Measure AA, and Measure V General Obligation Bond Funds internal control over financial reporting and compliance.



Rancho Cucamonga, California
December 12, 2018

**SANTA MONICA COMMUNITY COLLEGE DISTRICT
 MEASURE U, MEASURE S, MEASURE AA, AND MEASURE V
 GENERAL OBLIGATION BONDS**

**BALANCE SHEETS
 JUNE 30, 2018**

	Measure S	Measure AA	Measure V	Total
ASSETS				
Cash in banks	\$ -	\$ 188,567	\$ -	\$ 188,567
Investments	24,970,946	43,960,678	178,132,152	247,063,776
Accounts receivable	204,695	2,170,325	676,109	3,051,129
Total Assets	\$ 25,175,641	\$ 46,319,570	\$ 178,808,261	\$ 250,303,472
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ 1,487,348	\$ 32,784,340	\$ 1,211,591	\$ 35,483,279
FUND BALANCE				
Restricted for capital projects	23,688,293	13,535,230	177,596,670	214,820,193
Total Liabilities and Fund Balance	\$ 25,175,641	\$ 46,319,570	\$ 178,808,261	\$ 250,303,472

The accompanying notes are an integral part of these financial statements.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT
 MEASURE U, MEASURE S, MEASURE AA, AND MEASURE V
 GENERAL OBLIGATION BONDS**

**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE
 FOR THE YEAR ENDED JUNE 30, 2018**

	Measure U	Measure S	Measure AA	Measure V	Total
REVENUES					
Interest income	\$ 40,666	\$ 711,874	\$ 843,310	\$ 676,109	\$ 2,271,959
EXPENDITURES					
Supplies and materials	-	294	40,519	-	40,813
Services and operating expenditures	-	41,852	222,418	741,277	1,005,547
Capital outlay	9,416,955	30,537,691	53,265,109	2,788,162	96,007,917
Total Expenditures	9,416,955	30,579,837	53,528,046	3,529,439	97,054,277
DEFICIENCY OF REVENUES OVER EXPENDITURES					
	(9,376,289)	(29,867,963)	(52,684,736)	(2,853,330)	(94,782,318)
OTHER FINANCING SOURCES					
Other sources - proceeds from bond issuance	-	-	-	180,450,000	180,450,000
CHANGE IN FUND BALANCE					
	(9,376,289)	(29,867,963)	(52,684,736)	177,596,670	85,667,682
FUND BALANCE - BEGINNING OF YEAR	9,376,289	53,556,256	66,219,966	-	129,152,511
FUND BALANCE - END OF YEAR	\$ -	\$ 23,688,293	\$ 13,535,230	\$ 177,596,670	\$ 214,820,193

The accompanying notes are an integral part of these financial statements.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT
MEASURE U, MEASURE S, MEASURE AA, AND MEASURE V
GENERAL OBLIGATION BONDS**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Measure U, Measure S, Measure AA, and Measure V General Obligation Bond Funds conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA). The District's Measure U, Measure S, Measure AA, and Measure V General Obligation Bond Funds accounts for the financial transaction in accordance with the policies and procedures of the California Community Colleges Budget and Accounting Manual.

Financial Reporting Entity

The financial statements include only the Measure U, Measure S, Measure AA, and Measure V General Obligation Bond Funds of the District used to account for Measure U, Measure S, Measure AA, and Measure V projects. These Funds were established to account for the expenditures of general obligation bonds issued under Measure U, Measure S, Measure AA, and Measure V. These financial statements are not intended to present fairly the financial position and changes in financial position of the District in compliance with accounting principles generally accepted in the United States of America.

Fund Accounting

The operations of the Measure U, Measure S, Measure AA, and Measure V General Obligation Bond Funds are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Basis of Accounting

The Measure U, Measure S, Measure AA, and Measure V General Obligation Bond Funds is accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheets. The statements of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. These fund financial statements do not include the adoption of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as the District was not required to adopt GASB Statement No. 54 under the reporting requirements of GASB Statement No. 35.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT
MEASURE U, MEASURE S, MEASURE AA, AND MEASURE V
GENERAL OBLIGATION BONDS**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's Board of Trustees adopts an operating budget no later than July 1 in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances lapse at June 30.

Fund Balance

As of June 30, 2018, the fund balances of Measure U, Measure S, Measure AA, and Measure V General Obligation Bonds were classified as follows:

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be restricted cash on hand, demand deposits, and short-term restricted investments with original maturities of three months or less from the date of acquisition.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT
MEASURE U, MEASURE S, MEASURE AA, AND MEASURE V
GENERAL OBLIGATION BONDS**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 - INVESTMENTS

Policies and Practices

The District is authorized under *California Government Code* to make direct investments in local agency bonds, notes, or warrants within the State: U.S. Treasury instrument; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security, and collateralized mortgage obligations.

Investment in County Treasury

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statement at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT
MEASURE U, MEASURE S, MEASURE AA, AND MEASURE V
GENERAL OBLIGATION BONDS**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Los Angeles County Investment Pool. The District maintains Measure S, Measure AA, and Measure V General Obligation Bonds investments of \$247,063,776 with the Los Angeles County Investment Pool, with an average maturity of 609 days.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the Los Angeles County Investment Pool is not required to be rated, nor has been rated as of June 30, 2018.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT
MEASURE U, MEASURE S, MEASURE AA, AND MEASURE V
GENERAL OBLIGATION BONDS**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Los Angeles County Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The District's fair value measurements are as follows at June 30, 2018:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Uncategorized</u>
Los Angeles County Investment Pool	<u>\$ 243,754,215</u>	<u>\$ 243,754,215</u>

All assets have been valued using a market approach, with quoted market prices.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018, consisted of the following:

	<u>Measure S</u>	<u>Measure AA</u>	<u>Measure V</u>	<u>Total</u>
Interest	\$ 204,695	\$ 228,799	\$ 676,109	\$ 1,109,603
KCRW	-	1,941,526	-	1,941,526
	<u>\$ 204,695</u>	<u>\$ 2,170,325</u>	<u>\$ 676,109</u>	<u>\$ 3,051,129</u>

**SANTA MONICA COMMUNITY COLLEGE DISTRICT
MEASURE U, MEASURE S, MEASURE AA, AND MEASURE V
GENERAL OBLIGATION BONDS**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2018, consisted of the following:

	Measure S	Measure AA	Measure V	Total
Legal settlements	\$ -	\$ 16,114,282	\$ -	\$ 16,114,282
Capital outlay	1,487,348	16,670,058	1,211,591	19,368,997
	<u>\$ 1,487,348</u>	<u>\$ 32,784,340</u>	<u>\$ 1,211,591</u>	<u>\$ 35,483,279</u>

NOTE 6 - FUND BALANCE

Fund balance is composed of the following element:

	Measure S	Measure AA	Measure V	Total
Restricted				
Capital projects	<u>\$ 23,688,293</u>	<u>\$ 13,535,230</u>	<u>\$ 177,596,670</u>	<u>\$ 214,820,193</u>

NOTE 7 - CONSTRUCTION COMMITMENTS

As of June 30, 2018, the District was committed under various capital expenditure agreements for bond projects as following:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
Childcare (ECLS)	\$ 25,858,331	September 2020
Malibu Campus	838,920	March 2022
Health, PE, Fitness, Dance, Cent. Plant	295,763	March 2019
Security and Fire Alarm Upgrade	174,835	September 2018
AET Campus and Parking	3,525,422	December 2018
Math and Science Building	3,601,029	September 2022
Campus Door Remediation	6,740	September 2018
Air Conditioning	412,662	June 2019
Student Services	21,943,423	June 2019
	<u>\$ 56,657,125</u>	

**SANTA MONICA COMMUNITY COLLEGE DISTRICT
MEASURE U, MEASURE S, MEASURE AA, AND MEASURE V
GENERAL OBLIGATION BONDS**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the Measure U, Measure S, Measure AA, and Measure V General Obligation Bond Funds at June 30, 2018.

INDEPENDENT AUDITOR'S REPORT



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

Board of Trustees and
Citizens' Oversight Committee
Santa Monica Community College District
Santa Monica, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the Santa Monica Community College District (the District) Measure U, Measure S, Measure AA, and Measure V General Obligation Bond Funds, as of and for the year ended June 30, 2018, and the related notes of the financial statements, and have issued our report thereon dated December 12, 2018.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure U, Measure S, Measure AA, and Measure V General Obligation Bond Funds, are not intended to present fairly the financial position and changes in financial position of the District in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Measure U, Measure S, Measure AA, and Measure V General Obligation Bond Funds internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Measure U, Measure S, Measure AA, and Measure V General Obligation Bond Funds internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rancho Cucamonga, California
December 12, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**SANTA MONICA COMMUNITY COLLEGE DISTRICT
MEASURE U, MEASURE S, MEASURE AA, AND MEASURE V
GENERAL OBLIGATION BONDS**

**FINANCIAL STATEMENT FINDINGS
JUNE 30, 2018**

None reported.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT
MEASURE U, MEASURE S, MEASURE AA, AND MEASURE V
GENERAL OBLIGATION BONDS**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2018**

There were no audit findings reported in the prior year's Financial Statement Findings.

UNAUDITED SUPPLEMENTARY INFORMATION

**SANTA MONICA COMMUNITY COLLEGE DISTRICT
MEASURE U, MEASURE S, MEASURE AA, AND MEASURE V
GENERAL OBLIGATION BONDS**

**BOND PROJECT SUMMARY - MEASURE U (UNAUDITED)
JUNE 30, 2018**

The District has identified the following projects to be funded with proceeds from the Measure U general obligation bonds. The District incurred costs of \$9,416,955 through June 30, 2018 for these construction projects and related costs. Expenditures were as follows:

Project Name	Project Budget	Interest Budget	Total Budget	Total Project Costs Through June 30, 2017	2017-2018 Actual Costs	Total Project Costs Through June 30, 2018
Real Property Acquisition - BAE Site	\$ 30,280,878	\$ -	\$ 30,280,878	\$ 30,280,878	\$ -	\$ 30,280,878
Real Property Acquisition - Emeritus College	8,909,940	-	8,909,940	8,909,940	-	8,909,940
Real Property Acquisition - 1738 Pearl Street	749,208	-	749,208	749,208	-	749,208
North Quad Plaza - Relocation of PE Building	2,797,033	-	2,797,033	2,797,033	-	2,797,033
Temporary Facilities - Math Village	1,458,690	-	1,458,690	1,458,690	-	1,458,690
Site Improvements - Bundy Campus	4,170,264	-	4,170,264	4,170,264	-	4,170,264
Site Improvements - Bundy West Building	19,709,741	-	19,709,741	19,709,741	-	19,709,741
Renovation of Main Stage Theater	19,544,314	-	19,544,314	19,544,314	-	19,544,314
Replacement Liberal Arts - Liberal Arts North	6,011,584	-	6,011,584	6,011,584	-	6,011,584
Student Services - Relocation of Music	2,011,371	-	2,011,371	2,011,371	-	2,011,371
Replacement Liberal Arts - Liberal Arts South	6,108,150	-	6,108,150	6,108,150	-	6,108,150
Real Property Acquisition - Off-Site Parking	18,969,509	-	18,969,509	18,969,509	-	18,969,509
Construction of North Quad Plaza	11,388,463	-	11,388,463	11,388,463	-	11,388,463
Student Services Center	21,131,135	7,054,856	28,185,991	18,769,035	9,416,955	28,185,990
Replacement Math and Science Extension Building	308,336	-	308,336	308,336	-	308,336
Technology and Infrastructure Improvements	4,003,084	-	4,003,084	4,003,084	-	4,003,084
Modernization of Restrooms	17,501	-	17,501	17,501	-	17,501
Facilities Master Planning	2,110,430	-	2,110,430	2,110,430	-	2,110,430
Literacy Center - 14th and Pico	319,242	-	319,242	319,242	-	319,242
Unissuable Bond	1,127	-	1,127	-	-	-
Project Totals	\$ 160,000,000	\$ 7,054,856	\$ 167,054,856	\$ 157,636,773	\$ 9,416,955	\$ 167,053,728

See Independent Auditor's Report.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT
MEASURE U, MEASURE S, MEASURE AA, AND MEASURE V
GENERAL OBLIGATION BONDS**

**BOND PROJECT SUMMARY - MEASURE S (UNAUDITED)
JUNE 30, 2018**

The District has identified the following projects to be funded with proceeds from the Measure S general obligation bonds. The District incurred costs of \$30,579,837 through June 30, 2018 for these construction projects and related costs. Expenditures were as follows:

Project Name	Project Budget	Interest Budget	Total Budget	Total Project Costs Through June 30, 2017	2017-2018 Actual Costs	Total Project Costs Through June 30, 2018
Retrofit of Field Space - Corsair Field	\$ 4,372,535	\$ -	\$ 4,372,535	\$ 4,372,535	\$ -	\$ 4,372,535
Retrofit of Field Space - John Adams	2,969,807	-	2,969,807	2,969,807	-	2,969,807
Performing Arts Complex	37,697,625	-	37,697,625	37,697,625	-	37,697,625
Replacement Health/PE/Fitness Building	11,603,383	-	11,603,383	11,603,411	-	11,603,411
Early Childhood Development Facility	8,858,578	-	8,858,578	1,119,864	1,127,247	2,247,111
Malibu Site Acquisition and Facility	25,000,000	-	25,000,000	7,585,402	2,838,036	10,423,438
Energy Efficiency Projects	293,361	-	293,361	293,361	-	293,361
Satellite Campus Parking Facilities and Roadway Improvements	3,891,747	-	3,891,747	3,891,747	-	3,891,747
Parking Garage, Grounds and Equipment - Student Services	45,595,322	9,433,526	55,028,848	27,737,831	26,579,043	54,316,874
Grounds Improvements - Pico Promenade	1,018,009	-	1,018,009	1,018,009	-	1,018,009
Facilities Master Planning	716,428	-	716,428	716,428	-	716,428
Bond Related Expenses - Project Management	609,282	-	609,282	384,863	35,511	420,374
Real Property Acquisition	45,597	-	45,597	45,597	-	45,597
Signage Safety/Information	706,713	-	706,713	706,713	-	706,713
Cost of Issuance	119,470	-	119,470	254,749	-	254,749
Management Reserve	-	1,599,382	1,599,382	-	-	-
Unissuable Bond	2,143	-	2,143	-	-	-
Project Totals	143,500,000	11,032,908	154,532,908	100,397,942	30,579,837	130,977,779
Arbitrage Expense	-	-	-	420,007	-	420,007
Totals	\$ 143,500,000	\$ 11,032,908	\$ 154,532,908	\$ 100,817,949	\$ 30,579,837	\$ 131,397,786

See Independent Auditor's Report.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT
MEASURE U, MEASURE S, MEASURE AA, AND MEASURE V
GENERAL OBLIGATION BONDS**

**BOND PROJECT SUMMARY - MEASURE AA (UNAUDITED)
JUNE 30, 2018**

The District has identified the following projects to be funded with proceeds from the Measure AA general obligation bonds. The District incurred costs of \$53,528,046 through June 30, 2018 for these construction projects and related costs. Expenditures were as follows:

Project Name	Project Budget	Interest Budget	Total Budget	Total Project Costs Through June 30, 2017	2017-2018 Actual Costs	Total Project Costs Through June 30, 2018
Utility Infrastructure and Technology	\$ 11,206,164	\$ -	\$ 11,206,164	\$ 10,127,475	\$ 623,886	\$ 10,751,361
Infrastructure and Technology - Information Technology Relocation	23,140,771	-	23,140,771	23,160,569	(19,798)	23,140,771
Media and Technology Complex	123,714,322	-	123,714,322	92,991,548	29,722,773	122,714,321
Replacement Health/PE/Fitness/Dance Building with Central Plant	46,459,800	-	46,459,800	38,335,136	7,443,535	45,778,671
Drescher - Academic Modernization, Bookstore, Pico Promenade	5,082	-	5,082	5,082	-	5,082
Replacement Math and Science Extension Building	2,244,008	-	2,244,008	5,750	2,093,128	2,098,878
Madison East Wing Seismic Upgrade	30,143,816	-	30,143,816	26,022,094	4,119,259	30,141,353
Renovation of Corsair Stadium	35,299	-	35,299	35,299	-	35,299
Business and Facilities Improvements	1,968,124	-	1,968,124	1,968,124	-	1,968,124
Facilities Master Planning	833,427	-	833,427	452,564	380,863	833,427
Environmental Performance Improvements	3,016,773	-	3,016,773	3,016,773	-	3,016,773
Community Classroom and Facility Projects	3,162,183	-	3,162,183	3,162,183	-	3,162,183
Real Property Acquisition	24,859,475	-	24,859,475	19,816,128	4,822,259	24,638,387
Roadways, Walkways, Grounds, Parking Lots and Garages	2,130,670	-	2,130,670	2,130,670	-	2,130,670
Infrastructure and Technology - Technology	2,434,417	-	2,434,417	2,434,417	-	2,434,417
Infrastructure and Technology - Utility	27,753	-	27,753	27,753	-	27,753
Emergency Lighting, Fire Alarm, and Security System	11,520,794	-	11,520,794	10,118,285	1,176,515	11,294,800
Student Services	6,870,490	5,192,948	12,063,438	-	3,165,626	3,165,626
Cost of Issuance	498,026	-	498,026	388,762	-	388,762
Management Reserve	724,435	1,182,375	1,906,810	-	-	-
Unissuable Bond	4,171	-	4,171	-	-	-
Project Totals	\$ 295,000,000	\$ 6,375,323	\$ 301,375,323	\$ 234,198,612	\$ 53,528,046	\$ 287,726,658

See Independent Auditor's Report.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT
MEASURE U, MEASURE S, MEASURE AA, AND MEASURE V
GENERAL OBLIGATION BONDS**

**BOND PROJECT SUMMARY - MEASURE V (UNAUDITED)
JUNE 30, 2018**

The District has identified the following projects to be funded with proceeds from the Measure V general obligation bonds. The District incurred costs of \$3,529,439 through June 30, 2018 for these construction projects and related costs. Expenditures were as follows:

Project Name	Project Budget	Interest Budget	Total Budget	2017-2018 Actual Costs	Total Project Costs Through June 30, 2018
Replacement Math and Science Extension Building	\$ 82,317,992	\$ -	\$ 82,317,992	\$ 2,210,263	\$ 2,210,263
Student Services	33,624,909	-	33,624,909	55,202	55,202
Malibu Center	25,000,000	-	25,000,000	-	-
Early Childhood Development/Childcare	15,405,517	-	15,405,517	-	-
Art Building Replacement	24,000,000	-	24,000,000	183	183
Business Building Renovation	12,547,000	-	12,547,000	-	-
Air Conditioning	10,777,654	-	10,777,654	422,330	422,330
Americans with Disabilities Act Improvements	4,000,000	-	4,000,000	-	-
Master Planning	450,000	-	450,000	-	-
Dresher Hall Modernization	13,000,000	-	13,000,000	-	-
Outdoor Classroom	10,000,000	-	10,000,000	100,000	100,000
Santa Monica-Malibu Unified School District Site Improvements	20,000,000	-	20,000,000	-	-
City of Santa Monica	20,000,000	-	20,000,000	-	-
Classrooms Relocation	4,900,000	-	4,900,000	-	-
Projects To Be Determined	39,876,928	-	39,876,928	-	-
Other Bond Related Expenses	300,000	-	300,000	184	184
Cost of Issuance	800,000	-	800,000	741,277	741,277
Management Reserve	28,000,000	676,109	28,676,109	-	-
Project Totals	<u>\$ 345,000,000</u>	<u>\$ 676,109</u>	<u>\$ 345,676,109</u>	<u>\$ 3,529,439</u>	<u>\$ 3,529,439</u>

See Independent Auditor's Report.

**SANTA MONICA
COMMUNITY COLLEGE DISTRICT**

**MEASURE U, MEASURE S,
MEASURE AA, AND MEASURE V
GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT**

JUNE 30, 2018

**SANTA MONICA COMMUNITY COLLEGE DISTRICT
MEASURE U, MEASURE S, MEASURE AA, AND MEASURE V
GENERAL OBLIGATION BONDS**

**PERFORMANCE AUDIT
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JUNE 30, 2018**

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VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

Board of Trustees and
Citizens' Oversight Committee
Santa Monica Community College District
Santa Monica, California

We were engaged to conduct a performance audit of the Santa Monica Community College District's (the District) Measure U, Measure S, Measure AA, and Measure V General Obligation Bond Funds for the year ended June 30, 2018.

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

Our audit was limited to the objectives listed within the report which includes determining the District's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the District's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

The results of our tests indicated that the District's Measure U, Measure S, Measure AA, and Measure V General Obligation Bond Funds are in compliance with Proposition 39 as outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution.

Rancho Cucamonga, California
December 12, 2018

**SANTA MONICA COMMUNITY COLLEGE DISTRICT
MEASURE U, MEASURE S, MEASURE AA, AND MEASURE V
GENERAL OBLIGATION BONDS**

JUNE 30, 2018

AUTHORITY FOR ISSUANCE

The general obligation bonds associated with Measure U, Measure S, Measure AA, and Measure V were issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California *Education Code*, and other applicable provisions of law.

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

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

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

In November 2016, a general obligation bond proposition (Measure V) of the District was approved by the voters of the District. Measure V authorized the District to issue up to \$165 million of general obligation bonds to finance various capital projects, and related costs, as specified in the bond measure provisions.

PURPOSE OF ISSUANCE

The net proceeds of the Bonds issued under Measure U, Measure S, Measure AA, and Measure V will be used for the purposes specified in the District bond proposition submitted at each Election, which include the financing of the construction and modernization of certain District property and facilities, the acquisition of equipment and to pay the costs of issuance associated with the Bonds. The proceeds from the Bonds are to be used for projects such as modernization of college technology, upgrading and modernization of college infrastructure, including classrooms and labs, and building new teaching and learning spaces. All projects to be funded under the Measure U, Measure S, Measure AA, and Measure V General Obligation Bonds must be included in the Board of Trustees' approved Facilities Master Plan, which details the scope of work to be done for each project.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT
MEASURE U, MEASURE S, MEASURE AA, AND MEASURE V
GENERAL OBLIGATION BONDS**

JUNE 30, 2018

AUTHORITY FOR THE AUDIT

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, community college districts, or county offices of education, "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities", upon approval by 55 percent of the electorate. In addition to reducing the approval threshold from two-thirds to 55 percent, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in *Education Code* Sections 15278-15282:

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.
2. The community college district must list the specific school facilities projects to be funded in the ballot measure, and must certify that the governing board has evaluated safety, class size reduction and information technology needs in developing the project list.
3. Requires the community college district to appoint a citizens' oversight committee.
4. Requires the community college district to conduct an annual independent financial audit and performance audit in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.
5. Requires the community college district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

OBJECTIVES OF THE AUDIT

1. Determine whether expenditures charged to the Measure U, Measure S, Measure AA, and Measure V General Obligation Bond Funds have been made in accordance with the bond project list approved by the voters through the approval of Measure U, Measure S, Measure AA, and Measure V.
2. Determine whether salary transactions, charged to the Measure U, Measure S, Measure AA, and Measure V General Obligation Bond Funds were in support of Measure U, Measure S, Measure AA, and Measure V and not for District general administration or operations.

SCOPE OF THE AUDIT

The scope of our performance audit covered the period of July 1, 2017 to June 30, 2018. The population of expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2018, were not reviewed or included within the scope of our audit or in this report.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT
MEASURE U, MEASURE S, MEASURE AA, AND MEASURE V
GENERAL OBLIGATION BONDS**

JUNE 30, 2018

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the period July 1 2017 through June 30, 2018, for the Measure U, Measure S, Measure AA, and Measure V General Obligation Bond Funds. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and Measure U, Measure S, Measure AA, and Measure V as to the approved bond projects list. We performed the following procedures:

1. We selected a sample of expenditures for the period starting July 1, 2017 and ending June 30, 2018, and reviewed supporting documentation to ensure that such funds were properly expended on the specific projects listed in the ballot text.
2. Our sample included transactions totaling \$79,315,067. This represents 82 percent of the total expenditures of \$97,054,277.

Fund	Dollar Value of Transactions Tested	Total Project Expenditures	Percentage of Total Expenditures
Measure U	\$ 7,593,468	\$ 9,416,955	81%
Measure S	17,356,942	30,579,837	57%
Measure AA	51,244,429	53,528,046	96%
Measure V	3,120,228	3,529,439	88%
Total	\$ 79,315,067	\$ 97,054,277	82%

3. Based on our testing, we verified that funds from the Measure U, Measure S, Measure AA, and Measure V General Obligation Bond Funds were expended for the construction, renovation, furnishing and equipping of District facilities constituting authorized bond projects.

CONCLUSION

The results of our tests indicated that, in all significant respects, the Santa Monica Community College District has properly accounted for the expenditures held in the Measure U, Measure S, Measure AA, and Measure V General Obligation Bond Funds and that such expenditures were made for authorized Bond projects. There were no salaries of administrators charged to Measure U, Measure S, Measure AA, and Measure V General Obligation Bond Funds for District general administration or operations.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT
MEASURE U, MEASURE S, MEASURE AA, AND MEASURE V
GENERAL OBLIGATION BONDS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018**

None reported.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT
MEASURE U, MEASURE S, MEASURE AA, AND MEASURE V
GENERAL OBLIGATION BONDS**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2018**

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.