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**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

**NOTE 9 – BONDS PAYABLE: (continued)**

**Payments – Measure S**

The annual requirements to amortize Measure S bond payable, outstanding as of June 30, 2013, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Accreted Interest Component</u>	<u>Total</u>
2014	\$ 4,671,142	\$ 1,911,540	\$ 3,358,858	\$ 9,941,540
2015	6,470,000	1,899,599		8,369,599
2016	5,170,000	1,778,427		6,948,427
2017	7,400,000	1,687,930		9,087,930
2018	6,935,000	1,513,515		8,448,515
2019-2023	29,805,000	3,613,637		33,418,637
2024-2028	19,222,025		32,952,975	52,175,000
2029-2030	6,890,833		17,854,167	24,745,000
Total	<u>\$ 86,563,999</u>	<u>\$ 12,404,647</u>	<u>\$ 54,166,001</u>	<u>\$ 153,134,647</u>

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

**NOTE 9 – BONDS PAYABLE: (continued)**

**Payments – Measure AA**

The annual requirements to amortize Measure AA bond payable, outstanding as of June 30, 2013, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,510,000	\$ 5,668,545	\$ 7,178,545
2015	1,650,000	5,589,545	7,239,545
2016	1,800,000	5,503,295	7,303,295
2017	1,955,000	5,409,420	7,364,420
2018	2,120,000	5,307,545	7,427,545
2019-2023	13,435,000	24,694,100	38,129,100
2024-2028	21,260,000	20,114,288	41,374,288
2029-2033	32,260,000	11,401,406	43,661,406
2034-2035	16,680,000	1,148,357	17,828,357
Total	<u>\$ 92,670,000</u>	<u>\$ 84,836,501</u>	<u>\$ 177,506,501</u>

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

**NOTE 10 – LONG-TERM DEBT:**

A schedule of changes in long-term debt for the year ended June 30, 2013 is shown below:

	Balance June 30, 2012 *	Additions	Deletions	Balance June 30, 2013	Amount Due in One Year
Compensated absences	\$ 7,201,411	\$	\$ 224,311	\$ 6,977,100	\$ 878,082
Other post-employment health care benefits	25,719,205	5,502,645		31,221,850	
Capital Lease	6,021,989		270,230	5,751,759	297,991
Certificates of participation	22,182,925		1,432,084	20,750,841	1,375,000
General obligation bonds	326,242,144	145,647,043	132,848,913	339,040,274	14,853,586
Accreted interest	39,065,981	4,795,440	22,928,688	20,932,733	
<b>Total</b>	<b>\$ 426,433,655</b>	<b>\$ 155,945,128</b>	<b>\$ 157,704,226</b>	<b>\$ 424,674,557</b>	<b>\$ 17,404,659</b>

\* The beginning balances has been revised to reflect current year reclassifications under GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. See Note 15.

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

**NOTE 11 - EMPLOYEE RETIREMENT PLANS:**

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

## SANTA MONICA COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS

June 30, 2013

#### **NOTE 11 - EMPLOYEE RETIREMENT PLANS: (continued)**

##### **State Teachers' Retirement System (STRS)**

###### **Plan Description**

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

###### **Funding Policy**

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012-13 was 8.25% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

##### **Public Employees' Retirement System (PERS)**

###### **Plan Description**

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

SANTA MONICA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

**NOTE 11 - EMPLOYEE RETIREMENT PLANS: (continued)**

**Public Employees' Retirement System (PERS) (continued)**

**Funding Policy**

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The average required employer contribution for fiscal year 2012-13 was 11.417% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

**Contributions to STRS and PERS**

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

Year Ended <u>June 30,</u>	<u>STRS</u>		<u>PERS</u>	
	<u>Required Contribution</u>	<u>Percent Contributed</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2011	\$4,191,863	100%	\$3,667,954	100%
2012	4,297,418	100%	3,793,923	100%
2013	4,641,198	100%	3,911,626	100%



**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

**NOTE 12 – POST-EMPLOYMENT HEALTH CARE BENEFITS:**

**Plan Description and Funding Policy**

The District administers a single-employer defined benefit plan for retiree healthcare benefits. The District provides post-employment health care benefits, in accordance with District employment contracts, to all employees who retire from the District on or after attaining age 55 with at least 10 years of service. The District contributes 100% of the amount of premiums, for medical, dental and vision benefits, incurred by retirees and their dependents up to the age of 65. For all retirees above the age of 65, medical benefits are paid, not-to-exceed a maximum amount determined by the District, for life. 347 retirees meet those eligibility requirements. The plan is funded on a pay-as-you go basis with discretionary contributions made to an irrevocable trust as determined by the Board of Trustees. During the year, the District contributed \$2,667,748 to the plan. Benefit provisions are established through negotiations between the District and the bargaining Unions representing employees. Separate financial statements for the plan can be obtained from CalPERS.

**Annual OPEB Cost and Net OPEB Obligation**

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

Annual required contribution (ARC)	\$ 8,122,014
Interest on net OPEB obligation	1,285,960
Adjustment to annual required contribution	<u>(1,237,581)</u>
Annual OPEB cost (expense)	8,170,393
Contributions made	<u>(2,667,748)</u>
Change in net OPEB obligation	5,502,645
Net OPEB obligation - Beginning of Year	<u>25,719,205</u>
Net OPEB obligation - End of Year	<u><u>\$ 31,221,850</u></u>

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

**NOTE 12 – POST-EMPLOYMENT HEALTH CARE BENEFITS: (continued)**

**Annual OPEB Cost and Net OPEB Obligation (continued)**

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2011	\$8,715,693	26.9%	\$20,101,234
6/30/2012	\$8,150,725	31.1%	\$25,719,205
6/30/2013	\$8,170,393	32.7%	\$31,221,850

**Funding Status and Funding Progress**

As of June 30, 2011, the most recent actuarial valuation date, the plan was 2.0% funded. The actuarial accrued liability for benefits is \$88,692,776 and the unfunded actuarial accrued liability (UAAL) was \$86,905,288. The covered payroll (annual payroll of active employees covered by the plan) was \$66,394,945, and the ratio of the UAAL to the covered payroll was 130.4%.

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

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

**NOTE 12 – POST-EMPLOYMENT HEALTH CARE BENEFITS: (continued)**

**Actuarial Methods and Assumptions**

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

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

**NOTE 13 - JOINT POWERS AGREEMENT:**

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

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

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

**NOTE 13 - JOINT POWERS AGREEMENT: (continued)**

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

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

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

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

	ASCIP 6/30/2013 <u>(Unaudited)</u>	SCCCD-JPA 6/30/2013 <u>(Audited)</u>		SWACC 6/30/2013 <u>(Unaudited)</u>
		Workers'		
		<u>Compensation Insurance Fund</u>	<u>Retiree Health Insurance Fund</u>	
Total assets	\$295,931,235	\$ 16,779,471	\$ 26,259,407	\$ 52,337,870
Total liabilities	<u>161,186,476</u>	<u>916,375</u>	<u>-</u>	<u>21,094,905</u>
Retained earnings	<u>\$137,744,759</u>	<u>\$ 15,863,096</u>	<u>\$ 26,259,407</u>	<u>\$ 31,243,775</u>
Total revenues	\$201,182,650	\$ 7,794,899	\$ (2,839,647)	\$ 19,012,373
Total expenditures	<u>190,821,296</u>	<u>6,981,339</u>	<u>1,525</u>	<u>15,378,001</u>
Change in retained earnings	<u>\$ 10,361,354</u>	<u>\$ 813,560</u>	<u>\$ (2,841,172)</u>	<u>\$ 3,634,372</u>

SANTA MONICA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

**NOTE 14 – FUNCTIONAL EXPENSE:**

	Salaries	Benefits	Supplies, Materials, Utilities, Other Expenses and Services	Financial Aid	Depreciation	Total
Instructional Activities	\$ 51,057,159	\$ 15,611,033	\$ 1,113,079	\$	\$	\$ 67,781,271
Academic Support	10,639,109	3,662,043	1,179,816			15,480,969
Student Services	16,728,270	5,399,191	5,649,123			27,776,585
Operation & Maintenance of Plant	4,912,956	2,534,567	2,593,642			10,041,166
Institutional Support Services	13,055,111	7,290,483	5,786,276			26,131,870
Community Services & Economic Development	1,682,294	468,213	236,905			2,387,412
Ancillary Services & Auxiliary Operations	5,966,659	1,982,002	3,062,944			11,011,606
Physical Property & Related Acquisitions	216,907	80,312	13,056,159			13,353,378
Student Financial Aid			57,982	33,618,214		33,676,196
Depreciation Expense					12,117,309	12,117,309
	<u>\$ 104,258,465</u>	<u>\$ 37,027,845</u>	<u>\$ 32,735,928</u>	<u>\$ 33,618,214</u>	<u>\$ 12,117,309</u>	<u>\$ 219,757,761</u>

**NOTE 15 – RESTATEMENT TO BEGINNING NET POSITION:**

The beginning net position of the District has been increased by \$13,479,946 to record capitalized interest net of depreciation. In accordance with GASB Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, interest costs incurred on the District's general obligation bonds and certificates of participations during the period assets were under construction are considered part of the historical costs of acquiring the asset.

The beginning net position of the District has been decreased by \$2,063,687 to write-off the balance of capitalized fees in accordance with the implementation of GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*. The fees were prepaid general obligation bond issue costs that are now required to be expensed in the period incurred. In addition, deferred charges on the refunding of debt have been reclassified from a contra-liability account to a deferred outflow of resources. The amount at the June 30, 2012 was \$1,675,397.

The beginning net position of the District has been decreased by \$15,132,043; a detailed review of fixed assets to implement GASB 62 revealed that few capital assets were duplicated for acquisitions made in 1996 and 1999.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

**NOTE 16 – COMMITMENTS AND CONTINGENCIES:**

**A. State and Federal Allowances, Awards and Grants**

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

**B. Litigation**

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

**C. Purchase Commitments**

As of June 30, 2013, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$28 million. Projects will be funded through bond proceeds, State capital outlay funds and State scheduled maintenance allocations.

**NOTE 17 – GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE:**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2013, that have effective dates that may impact future financial presentations; however, the impact of the implementation of each of the statements below to the District's financial statements has not been assessed at this time.

**Governmental Accounting Standards Board Statement No. 67**

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

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

**NOTE 17 – GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS  
ISSUED, NOT YET EFFECTIVE: (continued)**

**Governmental Accounting Standards Board Statement No. 68**

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

**Governmental Accounting Standards Board Statement No. 69**

In January 2013, the GASB issued Statement No. 69 *Government Combinations and Disposals of Government Operations*. This statement provides guidance on the measurement of assets and liabilities in a government merger or when a government acquires another entity, or its operations, in exchange for significant consideration. This statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged.

**Governmental Accounting Standards Board Statement No. 70**

In April 2013, the GASB issued Statement No. 70 *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement requires a government to recognize a liability when qualitative factors and historical data indicate that more likely than not it will be required to make a payment on a nonexchange financial guarantee; the government that issued the guaranteed obligation would recognize a revenue to the extent of the reduction in its guaranteed liabilities.

**NOTE 18 – SUBSEQUENT EVENTS:**

In October 2013, the District was involved in an exchange of title of land with the City of Santa Monica. For the exchanged property on Exposition Boulevard (2.2 acre of property), the District received 2.2 acre parcel of land on Bundy Drive. The property will be used as additional property for the Santa Monica Airport site.

**REQUIRED SUPPLEMENTARY INFORMATION**



**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF POST-EMPLOYMENT HEALTH CARE BENEFITS FUNDING PROGRESS**

**For the Fiscal Year Ended June 30, 2013**

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

\* The District maintains investments in an irrevocable trust. The fair value of the trust assets as of June 30, 2013 is \$2,411,648.

See the accompanying notes to the required supplementary information.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Fiscal Year Ended June 30, 2013**

**NOTE 1 - PURPOSE OF SCHEDULE:**

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

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

## **SUPPLEMENTARY INFORMATION**

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**HISTORY AND ORGANIZATION**

**June 30, 2013**

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

**BOARD OF TRUSTEES**

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

**SENIOR ADMINISTRATION**

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

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended June 30, 2013**

	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures as of June 30, 2013
<b>Student Financial Aid Cluster</b>			
Direct from Department of Education:			
Financial Aid Administrative Allowances	84.000	N/A	\$ 119,435
Supplemental Education Opportunity Grant (SEOG)	84.007	N/A	573,279
Federal Work Study	84.033	N/A	554,802
Federal Direct Student Loan	84.268	N/A	2,231,290
Pell Grant	84.063	N/A	28,675,476
Total Student Financial Aid Cluster			32,154,282
<b>TRIO Cluster</b>			
Direct from Department of Education:			
Student Support Services	84.042	N/A	295,561
Upward Bound	84.047A	N/A	237,126
Total Trio Cluster			532,687
<b>Department of Commerce</b>			
Direct:			
Corporation for Public Broadcasting	11.000	N/A	1,354,411
Total Department of Commerce			1,354,411
<b>Department of Education</b>			
Direct:			
Hispanic - Serving Institution Program (H.S.I.):			
Science, Technology, Engineering and Mathematics (STEM)	84.031C	N/A	1,319,176
Supporting Student Success in Pre-Transfer Mathematics (Title V)	84.031S	N/A	99,234
Building Foundations for Academic Career Success (Title V)	84.031S	N/A	168,672
Fostering Global Citizenship through Interdisciplinary Campus-Wide Initiative	84.016A	N/A	12,606
Center of Excellence for Veteran Student Success	84.116G	N/A	133,455
Child Care Access Means Parents in School	84.335A	N/A	160,766
Asian American and Pacific Islander	84.382B	N/A	6,663
Subtotal Direct Programs			1,900,572
Passed through from California Community Colleges Chancellor's Office:			
Career & Technical Education:			
Perkins, Title IV	84.048	(1)	595,937
Career Technical Education Transitions	84.048A	(1)	49,389
Subtotal Passed Through Programs			645,326
Total Department of Education			2,545,898
<b>Department of Energy</b>			
Passed through from Stanford Transportation Group			
Photovoltaic (PV) Sales & Marketing Grant Program	81.087	(1)	4,040
Total Department of Energy			4,040

See the accompanying notes to the supplementary information.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For the Fiscal Year Ended June 30, 2013**

	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures as of June 30, 2013
<b>Department of Health and Human Services</b>			
Passed through from Los Rios Community College District:			
American Recovery and Reinvestment Act: Training for Health Information Technology	93.721	N/A	59,893
Passed through from Chancellor's Office of the California Community Colleges:			
Temporary Assistance for Needy Families (TANF)	93.558	(1)	58,647
Total Department of Health and Human Services			118,540
<b>Department of Labor</b>			
Direct:			
Community Based Job Training Grant - Jobs Through Recycling	17.269	N/A	1,777,990
Total Department of Labor			1,777,990
<b>National Aeronautics and Space Administration</b>			
Direct:			
Curriculum Improvement Partnership Award for Integration of Research	43.000	N/A	169,437
Total National Aeronautics and Space Administration			169,437
<b>Small Business Administration</b>			
Passed through from Long Beach Community College District:			
Small Business Development Center (SBDC)	59.037	(1)	305,515
Total Small Business Administration			305,515
<b>Total Federal Program Expenditures</b>			<b>\$ 38,962,800</b>
<b>Reconciliation to Federal Revenue</b>			
<b>Total Federal Program Expenditures</b>			\$ 38,962,800
Build America Bonds subsidy received but not subject to Single Audit Act			1,545,616
Total Federal Program Expenditures			<b>\$ 40,508,416</b>

Note: (1) Pass-through entity identifying number not readily available.  
 n/a Not Applicable

See the accompanying notes to the supplementary information.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF STATE FINANCIAL ASSISTANCE - GRANTS**  
**For the Fiscal Year Ended June 30, 2013**

	Program Revenues				Total Program Expenditures	
	Cash	Prior Year	Accounts	Unearned		
	Received	Deferred Revenue	Receivable	Revenue		
	Total					
Matriculation (Credit)	\$ 694,148	\$	\$	\$	\$ 694,148	\$ 694,148
Matriculation (Non Credit)	21,959				21,959	21,959
Extended Opportunity Program and Services (EOPS)	828,713				828,713	828,713
Cooperative Agencies Resources for Education (CARE)	58,207				58,207	58,207
Disabled Student Program and Services (DSPS)	1,180,832				1,180,832	1,180,832
Transfer and Articulation		2,868		2,868	-	-
Equal Employment Opportunity - Faculty and Staff Diversity	8,696	6,933		14,059	1,570	1,570
Nursing Grant	99,277	7,610	44,660		151,547	151,547
CalWORKS	206,231				206,231	206,231
Child Development Training - Yosemite	5,350				5,350	5,350
Small Business Development Center			31,905		31,905	31,905
Financial Aid Administration	809,859				809,859	809,859
Basic Skills Funding	420,248	517,272		595,865	341,655	341,655
Career Technical Education Common Collaborative CTE IV	(2,472)	147,552			145,080	145,080
Instructional Equipment and Library Materials	-	52,497		47,723	4,774	4,774
Scheduled Maintenance and Instructional Equipment - One-time		63,237		63,237	-	-
Clean Energy Workforce Program - Employment Training Panel	-		182,694		182,694	182,694
Career Technical Education Common Collaborative CTE V	34,800	263,481		88,658	209,623	209,623
California Teach Program/STEM	20,000				20,000	20,000
Career Technical Education Common Collaborative CTE VI	261,000			222,513	38,487	38,487
<b>Total State Programs</b>	<u>\$ 4,646,848</u>	<u>\$ 1,061,450</u>	<u>\$ 259,259</u>	<u>\$ 1,034,923</u>	<u>\$ 4,932,634</u>	<u>\$ 4,932,634</u>

See the accompanying notes to the supplementary information.

SANTA MONICA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURE FOR STATE GENERAL APPORTIONMENT  
 ANNUAL (ACTUAL) ATTENDANCE  
 For the Fiscal Year Ended June 30, 2013

	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Revised Data</u>
<b>A. Summer Intersession (Summer 2012 only)</b>			
1. Noncredit <sup>1</sup>	69.91		69.91
2. Credit	2,022.53		2,022.53
<b>B. Summer Intersession (Summer 2012 - Prior to July 1, 2013)</b>			
1. Noncredit <sup>1</sup>	N/A		N/A
2. Credit	N/A		N/A
<b>C. Primary Terms (Exclusive of Summer Intersession)</b>			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	12,748.35		12,748.35
(b) Daily Census Contact Hours	1,458.93		1,458.93
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit <sup>1</sup>	669.90		669.90
(b) Credit	43.22		43.22
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	2,787.94		2,787.94
(b) Daily Census Contact Hours	1,464.46		1,464.46
(c) Noncredit Independent Study/Distance Education Courses	N/A		N/A
<b>D. Total FTES</b>	<u>21,265.24</u>	<u>-</u>	<u>21,265.24</u>
<b>Supplemental Information (subset of above information)</b>			
E. In-Service Training Courses (FTES)	N/A		
H. Basic Skills courses and Immigrant Education			
(a) Noncredit <sup>1</sup>	38.78		
(b) Credit	2,089.89		
<u>CCFS 320 Addendum</u>			
CDCP Noncredit FTES	159.10		
<b>Centers FTES</b>			
(a) Noncredit	2.94		
(b) Credit	1,044.75		

<sup>1</sup> Including Career Development and College Preparation (CDCP) FTES  
 N/A - Workload Measure is not applicable

See the accompanying notes to the supplementary information.



**SANTA MONICA COMMUNITY COLLEGE DISTRICT**  
**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET**  
**REPORT WITH AUDITED FUND BALANCES**  
**For the Fiscal Year Ended June 30, 2013**

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

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

See the accompanying notes to the supplementary information.

SANTA MONICA COMMUNITY COLLEGE DISTRICT  
 RECONCILIATION OF 50 PERCENT LAW CALCULATION  
 For the Fiscal Year Ended June 30, 2013

	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<b><u>Academic Salaries</u></b>							
<b>Instructional Salaries</b>							
Contract or Regular	1100	\$ 24,175,683	\$	\$ 24,175,683	\$ 24,175,683	\$	\$ 24,175,683
Other	1300	24,640,695		24,640,695	24,640,695		24,640,695
<b>Total Instructional Salaries</b>		<b>48,816,378</b>		<b>48,816,378</b>	<b>48,816,378</b>		<b>48,816,378</b>
<b>Non-Instructional Salaries</b>							
Contract or Regular	1200			-	11,039,457		11,039,457
Other	1400			-	3,431,222		3,431,222
<b>Total Non-Instructional Salaries</b>					14,470,679		14,470,679
<b>Total Academic Salaries</b>		<b>48,816,378</b>	-	<b>48,816,378</b>	<b>63,287,057</b>	-	<b>63,287,057</b>
<b><u>Classified Salaries</u></b>							
<b>Non-Instructional Salaries</b>							
Regular Status	2100			-	21,371,833		21,371,833
Other	2300			-	1,736,303		1,736,303
<b>Total Non-Instructional Salaries</b>					23,108,136		23,108,136
<b>Instructional Aides</b>							
Regular Status	2200	2,753,151		2,753,151	2,753,151		2,753,151
Other	2400	314,616		314,616	314,616		314,616
<b>Total Instructional Aides</b>		<b>3,067,767</b>		<b>3,067,767</b>	<b>3,067,767</b>		<b>3,067,767</b>
<b>Total Classified Salaries</b>		<b>3,067,767</b>	-	<b>3,067,767</b>	<b>26,175,903</b>	-	<b>26,175,903</b>
<b>Employee Benefits</b>	3000	13,755,271		13,755,271	27,923,649		27,923,649
<b>Supplies and Materials</b>	4000			-	735,546		735,546
<b>Other Operating Expenses</b>	5000			-	13,131,743		13,131,743
<b>Equipment Replacement</b>	6420			-			-
<b>Total Expenditures Prior to Exclusions</b>		<b>65,639,416</b>	-	<b>65,639,416</b>	<b>131,253,898</b>	-	<b>131,253,898</b>

See the accompanying notes to the supplementary information.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**  
**RECONCILIATION OF 50 PERCENT LAW CALCULATION**  
**For the Fiscal Year Ended June 30, 2013**

	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<b><u>Exclusions</u></b>							
<b>Activities to Exclude</b>							
Instructional Staff–Retirees’ Benefits and Retirement Incentives	5900	1,026,928		1,026,928	1,026,928		1,026,928
Student Health Services Above Amount Collected	6441			-			-
Student Transportation	6491			-	676,670		676,670
Non-instructional Staff-Retirees’ Benefits and Retirement Incentives	6740			-	1,640,820		1,640,820
<b>Objects to Exclude</b>							
Rents and Leases	5060			-	1,471,223		1,471,223
Lottery Expenditures							
Academic Salaries	1000			-			-
Classified Salaries	2000			-			-
Employee Benefits	3000			-			-
Supplies and Materials	4000			-			-
Software	4100			-			-
Books, Magazines, & Periodicals	4200			-			-
Instructional Supplies & Materials	4300			-			-
Noninstructional, Supplies & Materials	4400			-	5,417		5,417
Total Supplies and Materials							
Other Operating Expenses and Services	5000			-	3,205,359		3,205,359
Capital Outlay	6000			-			-
Library Books	6300			-			-
Equipment	6400			-			-
Equipment - Additional	6410			-			-
Equipment - Replacement	6420			-			-
Total Equipment							
Total Capital Outlay							
Other Outgo	7000			-			-
<b>Total Exclusions</b>		<b>1,026,928</b>	<b>-</b>	<b>1,026,928</b>	<b>8,026,417</b>	<b>-</b>	<b>8,026,417</b>
<b>Total for ECS 84362, 50% Law</b>		<b>\$ 64,612,488</b>	<b>\$ -</b>	<b>\$ 64,612,488</b>	<b>\$ 123,227,481</b>	<b>\$ -</b>	<b>\$ 123,227,481</b>
<b>Percent of CEE (Instructional Salary Cost / Total CEE)</b>		<b>52.43%</b>	<b>0%</b>	<b>52.43%</b>	<b>100%</b>	<b>0%</b>	<b>100%</b>
<b>50% of Current Expense of Education</b>					<b>\$ 61,613,741</b>	<b>-</b>	<b>\$ 61,613,741</b>

See the accompanying notes to the supplementary information.



SANTA MONICA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND  
 For the Fiscal Year Ended June 30, 2013

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
<b>Revenue from Federal Sources</b>			
Higher Education Act	\$ 4,327,534	\$ 2,988,060	\$ (1,339,474)
Workforce Investment Act	2,567,549	1,777,990	(789,559)
Temporary Assistance for Needy Families (TANF)	58,647	58,647	-
Student Financial Aid	126,921	119,436	(7,485)
Career & Technical Education	645,326	645,326	-
Other Federal Revenue	2,678,049	1,893,296	(784,753)
<b>Revenue from State Sources</b>			
General Apportionments	75,405,949	59,848,756	(15,557,193)
Categorical Apportionments	7,107,915	5,744,970	(1,362,945)
Other State Revenues	4,441,056	4,686,797	245,741
<b>Revenue from Local Sources</b>			
Property Taxes	13,849,511	24,532,912	10,683,401
Interest and Investment Income	135,000	95,099	(39,901)
Student Fees and Charges	46,733,197	47,325,976	592,779
Other Local Revenue	5,758,255	8,006,451	2,248,196
<b>TOTAL REVENUES</b>	<u>163,834,909</u>	<u>157,723,716</u>	<u>(6,111,193)</u>
<b>EXPENDITURES</b>			
Academic Salaries	70,458,512	69,329,188	1,129,324
Classified Salaries	35,259,271	34,012,849	1,246,422
Employee Benefits	32,064,104	31,274,147	789,957
Supplies and Materials	1,910,682	1,311,149	599,533
Student Financial Aid	647,791	637,174	10,617
Other Operating Expenses & Services	25,702,314	21,916,134	3,786,180
Capital Outlay	2,383,581	1,517,292	866,289
<b>TOTAL EXPENDITURES</b>	<u>168,426,255</u>	<u>159,997,933</u>	<u>8,428,322</u>
Excess (deficiencies) of revenues over expenditures	<u>(4,591,346)</u>	<u>(2,274,217)</u>	<u>2,317,129</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Interfund Transfers In	135,934	122,670	(13,264)
Interfund Transfers Out	<u>(1,898,670)</u>	<u>(1,849,230)</u>	<u>49,440</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(1,762,736)</u>	<u>(1,726,560)</u>	<u>36,176</u>
Excess (deficiencies) of revenues over expenditures and other sources (uses)	<u>\$ (6,354,082)</u>	<u>(4,000,777)</u>	<u>\$ 2,353,305</u>
Fund balance, beginning of year		19,785,682	
Fund balance, end of year		<u>\$ 15,784,905</u>	

See the accompanying notes to the supplementary information.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE SUPPLEMENTARY INFORMATION  
 For the Fiscal Year Ended June 30, 2013**

**NOTE 1 - PURPOSE OF SCHEDULES:**

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

The audit of the Santa Monica Community College District for the year ended June 30, 2013 was conducted in accordance with OMB Circular A-133, which requires a disclosure of the financial activities of all federally funded programs. This Schedule of Federal Awards and the Schedule of State Financial Assistance are presented on the modified accrual basis of accounting.

**Subrecipients**

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

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Amount Provided to Subrecipients
U.S. Department of Education		
Asian American and Pacific Islanders	84.382B	
Santa Monica College Foundation		\$6,663
Supporting Student Success in Pre-Transfer Math (Title V)	84.031S	
El Camino College		98,932
Science, Technology, Engineering and Mathematics (STEM)	84.031C	
University of California Los Angeles		96,162
U.S. Department of Labor		
Community Based Job Training - Recycling	17.269	
California Resource Recovery Association		225,724
Recycling Organization of North America		13,487
Coast Community College District:		
Golden West College		236,453
South Orange County Community College District:		
Irvine Valley College		235,829
Workforce Investment Board :		
Pacific Asian Consortium in Employment		213,000
Jewish Vocational Services of Los Angeles		186,800
Orange County Workforce Investment Board		334,086
		\$ 1,647,136

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE SUPPLEMENTARY INFORMATION  
For the Fiscal Year Ended June 30, 2013**

**NOTE 1 - PURPOSE OF SCHEDULES: (continued)**

**B. Schedule of Workload Measure for State General Apportionment**

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

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

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

**D. Reconciliation of 50 Percent Law Calculation**

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

**E. Proposition 30 Education Protection Account Expenditure Report**

This schedule reports how funds received from the passage of Proposition 30 Education Protection Account were expended.

**F. Schedule of Budgetary Comparison for the General Fund**

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

## **OTHER INDEPENDENT AUDITOR'S REPORTS**



**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***

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

We have audited, 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, the basic financial statements of Santa Monica Community College District (the District) as of and for the year ended June 30, 2013 and have issued our report thereon dated December 17, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s 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 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. 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.

**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***

Compliance and Other Matters

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

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

VICENTI, LLOYD & STUTZMAN LLP  
Glendora, CA  
December 17, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited Santa Monica Community College District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY OMB CIRCULAR A-133**

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY OMB CIRCULAR A-133**

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

VICENTI, LLOYD & STUTZMAN LLP  
Glendora, CA  
December 17, 2013

## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

We have audited the Santa Monica Community College District's (the District) compliance with the types of compliance requirements described in the *2012-13 Contracted District Audit Manual*, published by the California Community Colleges Chancellor's Office for the year ended June 30, 2013. The District's State compliance requirements are identified below.

### Management's Responsibility

Management is responsible for compliance with the State laws and regulations as identified below.

### Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit of the types of compliance requirements referred to below.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2012-13 Contracted District Audit Manual*, published by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on state compliance. However, our audit does not provide a legal determination of the District's compliance.

## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

### Compliance Requirements Tested

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

Section 421	Salaries of Classroom Instructors
Section 423	Apportionment for Instructional Service Agreements/Contracts
Section 424	State General Apportionment Funding System
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Concurrent Enrollment of K-12 Students in Community College Credit Courses
Section 431	Gann Limit Calculation
Section 433	CalWORKS
Section 435	Open Enrollment
Section 437	Student Fees – Instructional and Other Materials
Section 438	Student Fees – Health Fees and Use of Health Fee Funds
Section 474	Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged Hours (TBA)
Section 490	Proposition 1D State Bond Funded Projects
Section 491	Proposition 30 Education Protection Account Funds

### Opinion on State Compliance

In our opinion, the Santa Monica Community College District complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2013.

### Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2012-13 Contracted District Audit Manual*, published by the California Community Colleges Chancellor's Office. Accordingly, this report is not suitable for any other purpose.

VICENTI, LLOYD & STUTZMAN LLP  
Glendora, CA  
December 17, 2013

## **FINDINGS AND QUESTIONED COSTS**



**SANTA MONICA COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**SUMMARY OF AUDITOR RESULTS**  
**June 30, 2013**

*Financial Statements*

Type of auditor's report issued: Unmodified

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

Noncompliance material to financial statements noted?        Yes   X   No

*Federal Awards*

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

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

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

*Identification of major programs tested*

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.000, 84.007, 84.033, 84.375, 84.268, 84.063 and 93.925	Student Financial Aid Cluster
11.000	Corporation of Public Broadcasting

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

Auditee qualified as low-risk auditee?   X   Yes        No

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2013**

There were no findings and questioned costs related to financial statements, federal awards or state awards for the year ended June 30, 2013.

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**June 30, 2013**

There were no prior year findings and questioned costs for the year ended June 30, 2012.

## **CONTINUING DISCLOSURE INFORMATION**

**SANTA MONICA COMMUNITY COLLEGE DISTRICT**  
**CONTINUING DISCLOSURE INFORMATION (UNAUDITED)**  
**June 30, 2013**

Assessed valuation for fiscal year 2012-13	\$38,020,590,546	(2)
Secured tax levies for fiscal year 2012-13	\$ 15,147,151	(1)
Secured tax delinquencies for fiscal year 2012-13	\$ 272,810	(1)
Secured tax collections for fiscal year 2012-13	\$ 14,874,341	(1)

**2012-13 Largest Local Secured Taxpayers**

<u>Property Owner</u>	<u>2012-13 Primary Land Use</u>	<u>% of Assessed Valuation</u>	<u>Total (3)</u>
1. CA Colorado Center LLC	Office Building	\$ 482,300,885	1.27%
2. Water Garden Realty Holding LLC	Office Building	467,430,172	1.23
3. Douglas Emmett LLC	Office Building	309,542,008	0.81
4. Macerich Santa Monica Place LLC	Shopping Center	292,856,391	0.77
5. SC Enterprises SMBP LLC	Office Building	265,000,000	0.70
6. CREP 2700 Holdings LLC	Office Building	178,600,000	0.47
7. Ocean Avenue LLC	Hotel	148,961,721	0.39
8. LUI2 La Lantana LP	Office Building	143,104,537	0.38
9. New Santa Monica Beach Hotel LLC	Hotel	140,417,417	0.37
10. Equity Office Properties Trust	Office Building	124,990,000	0.33
11. Rand Corp.	Office Building	123,550,287	0.32
12. Shores Barrington LLC	Apartments	111,984,574	0.29
13. Blue Devils Owner LLC	Hotel	108,324,000	0.28
14. CLPF Arboretum	Office Building	107,711,742	0.28
15. 1299 Ocean LLC	Office Building	96,600,000	0.25
16. Kilroy Realty LP	Office Building	85,442,437	0.22
17. Hines 26 <sup>th</sup> Street LLC	Industrial	78,431,236	0.21
18. DKR Malibu Village LLC	Shopping Center	77,000,000	0.20
19. ASN Santa Monica LLC	Hotel	76,203,960	0.20
20. Tishman Speyer Archstone Smith Santa Monica	Commercial	<u>75,644,951</u>	<u>0.20</u>
		\$3,494,096,318	9.19%

- (1) Information obtained from the Los Angeles County Auditor-Controller's Office.
- (2) Information obtained from California Municipal Statistics, Inc.
- (3) % of total assessed valuation for fiscal year 2012-13 of \$38,020,590,546.