Financial and Performance Audits
General Obligation Bond Funds (Measure S, Measure AA, and Measure V)
June 30, 2021

Santa Monica Community College District

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Financial Audit
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Santa Monica Community College District

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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) General Obligation Bond Funds (Measure S, Measure AA, and Measure V), as of and for the year ended June 30, 2021, 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 statements 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 from 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 fraud or error. 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 policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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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 financial position of the General Obligation Bond Funds (Measure S, Measure AA, and Measure V) of the District as of June 30, 2021, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the General Obligation Bond Funds specific to Measure S, Measure AA, and Measure V are intended to present the financial position and the changes in financial position attributable to the transactions of those Funds. They do not purport to, and do not, present fairly the financial position of the District as of June 30, 2021, and the changes in financial position for the year then ended 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 13, 2021, on our consideration of the District's General Obligation Bond Funds (Measure S, Measure AA, and Measure V) 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 General Obligation Bond Funds (Measure S, Measure AA, and Measure V) 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 General Obligation Bond Funds (Measure S, Measure AA, and Measure V) internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
December 13, 2021

	Measure S	Measure AA	Measure V	Total
Assets				
Investments	$ 2,836,062	$ 5,075,445	$ 107,669,743	$ 115,581,250
Accounts receivable	17,760	10,981	230,322	259,063
Prepaid expenditures	-	-	14,667	14,667
Total assets	$ 2,853,822	$ 5,086,426	$ 107,914,732	$ 115,854,980
Liabilities and Fund Balance				
Liabilities				
Accounts payable	$ 47,101	$ 253,392	$ 8,930,569	$ 9,231,062
Fund Balance				
Restricted for capital projects	2,806,721	4,833,034	98,984,163	106,623,918
Total liabilites and fund balance	$ 2,853,822	$ 5,086,426	$ 107,914,732	$ 115,854,980

	Measure S	Measure AA	Measure V	Total
Revenues				
Investment income	$ 35,166	$ (501)	$ 81,905	$ 116,570
Expenditures				
Supplies and materials	-	-	5,332	5,332
Services and operating expenditures	-	100,053	108,520	208,573
Capital outlay	6,888,404	25,976	37,431,451	44,345,831
Total expenditures	6,888,404	126,029	37,545,303	44,559,736
Net Change in Fund Balance	(6,853,238)	(126,530)	(37,463,398)	(44,443,166)
Fund Balance - Beginning	9,659,959	4,959,564	136,447,561	151,067,084
Fund Balance - Ending	$ 2,806,721	$ 4,833,034	$ 98,984,163	$ 106,623,918

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Santa Monica Community College District's General Obligation Bond Funds (Measure S, Measure AA, and Measure V) 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 General Obligation Bond Funds (Measure S, Measure AA, and Measure V) 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 General Obligation Bond Funds (Measure S, Measure AA, and Measure V) of the District used to account for Measure S, Measure AA, and Measure V projects. These Funds were established to account for the expenditures of general obligation bonds issued under Measure S, Measure AA, and Measure V. These financial statements are not intended to present fairly the financial position and results of operations of the District in compliance with accounting principles generally accepted in the United States of America.

Fund Accounting

The operations of the General Obligation Bond Funds (Measure S, Measure AA, and Measure V) 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 General Obligation Bond Funds (Measure S, Measure AA, and Measure V) are 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.

Prepaid Expenditures

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures in the financial statements. The cost of prepaid expenditures is recorded as an expense when consumed rather than when purchased.

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, 2021, the fund balances of the General Obligation Bond Funds (Measure S, Measure AA, and Measure V) are 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.

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 during the reporting period. Actual results could differ from those estimates and those difference could be material.

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

In accordance with the *Budget and Accounting Manual*, the District maintains substantially all of its cash in the County Treasury as part of the common investment pool. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the accompanying 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. The District's investment in the County Treasury is measured at fair value on a recurring basis, which is determined by the fair value per share of the underlying portfolio determined by the program sponsor. Positions in this investment pool is not required to be categorized within the fair value hierarchy.

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 General Obligation Bond Funds (Measure S, Measure AA, and Measure V) investments of $115,581,250 with the Los Angeles County Investment Pool, with an average maturity of 1,045 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, 2021.

Note 3 - Accounts Receivable

Accounts receivable at June 30, 2021, consisted of the following:

	Measure S	Measure AA	Measure V	Total
Interest	$ 17,760	$ 10,981	$ 230,322	$ 259,063

Note 4 - Commitments and Contingencies

As of June 30, 2021, the General Obligation Bond Funds (Measure S, Measure AA, and Measure V) had approximately $109.9 million in commitments with respect to unfinished projects.

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 District’s General Obligation Bond Funds (Measure S, Measure AA, and Measure V) at June 30, 2021.

Independent Auditor's Report
General Obligation Bond Funds (Measure S, Measure AA, and Measure V)
June 30, 2021

Santa Monica Community College District

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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 financial statements of Santa Monica Community College District's (the District) General Obligation Bond Funds (Measure S, Measure AA, and Measure V), as of and for the year ended June 30, 2021, and the related notes of the financial statements, and have issued our report thereon dated December 13, 2021.

Emphasis of Matter
As discussed in Note 1, the financial statements of the General Obligation Bond Funds specific to Measure S, Measure AA, and Measure V are intended to present the financial position and the changes in financial position attributable to the transactions of those Funds. They do not purport to, and do not, present fairly the financial position of the District as of June 30, 2021, and the changes in financial position for the year then ended 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 General Obligation Bond Funds (Measure S, Measure AA, and Measure V) internal control over financial reporting (internal control) as a basis for designing 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 General Obligation Bond Funds (Measure S, Measure AA, and Measure V) internal control. Accordingly, we do not express an opinion on the effectiveness of District's General Obligation Bond Funds (Measure S, Measure AA, and Measure V) 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 District's General Obligation Bond Funds (Measure S, Measure AA, and Measure V) 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 General Obligation Bond Funds (Measure S, Measure AA, and Measure V) financial statements are free from 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 financial statements. 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 District's General Obligation Bond Funds (Measure S, Measure AA, and Measure V) internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's General Obligation Bond Funds (Measure S, Measure AA, and Measure V) internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
December 13, 2021

None reported.

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

Performance Audit
General Obligation Bond Funds (Measure S, Measure AA, and Measure V)
June 30, 2021

Santa Monica
Community College District

CPAs & BUSINESS ADVISORS

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) General Obligation Bond Funds (Measure S, Measure AA, and Measure V) for the year ended June 30, 2021.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and 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 XIIIA, 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 XIIIA, Section 1(b)(3)(C) of the California Constitution, but not for the purpose of expressing an opinion of the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The results of our tests indicated that the District expended General Obligation Bond Funds (Measure S, Measure AA , Measure V) funds only for the specific projects approved by the voters, in accordance with Proposition 39 and outlined in Article XIIIA, Section 1(b)(3)(C) of the California Constitution.

This report is intended solely for the information and use of the District, and is not intended to be and should not be used by anyone other than this specified party.

Eide Bailly LLP

Rancho Cucamonga, California
December 13, 2021

Authority for Issuance

The general obligation bonds associated with 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 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 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 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.

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% of the electorate. In addition to reducing the approval threshold from two-thirds to 55%, 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 XIIIA, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other district 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 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 General Obligation Bond Funds (Measure S, Measure AA, and Measure V) have been made in accordance with the bond project list approved by the voters through the approval of Measure S, Measure AA, and Measure V.

2. Determine whether salary transactions, if any, charged to the General Obligation Bond Funds (Measure S, Measure AA, and Measure V) were in support of 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, 2020 to June 30, 2021. 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, 2021, were not reviewed or included within the scope of our audit or in this report.

Methodology

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2021, for the General Obligation Bond Funds (Measure S, Measure AA, and Measure V). Within the fiscal year audited, we obtained the actual invoices, purchase orders, and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIIIA, Section 1(b)(3)(C) of the California Constitution and Measure S, Measure AA, and Measure V as to the approved bond projects list. We performed the following procedures:

1. We identified expenditures and projects charged to the general obligation bond proceeds by obtaining the general ledger and project listing.

2. We selected a sample of expenditures using the following criteria:
    a. We considered all expenditures recorded in all object codes.
    b. We considered all expenditures recorded in all projects that were funded from July 1, 2020 through June 30, 2021 from Measure S, Measure AA, and Measure V bond proceeds.
    c. We selected a sample of expenditures using professional judgement, based on risk assessment and consideration of coverage of all object codes and projects for period starting July 1, 2020 and ending June 30, 2021.

3. Our sample included transactions totaling $40,025,050. This represents 90% of the total expenditures of $44,559,736.

Fund	Dollar Value of Transactions Tested	Total Project Expenditures	Percentage of Total Expenditures
Measure S	$ 5,929,978	$ 6,888,404	86%
Measure AA	79,266	126,029	63%
Measure V	34,015,806	37,545,303	91%
Total	$ 40,025,050	$ 44,559,736	90%

4. We reviewed the actual invoices and other supporting documentation to determine that:
    a. Expenditures were supported by invoices with evidence of proper approval and documentation of receipting goods or services.
    b. Expenditures were supported by proper bid documentation, as applicable.
    c. Expenditures were expended in accordance with voter-approved bond project list.
    d. Bond proceeds were not used for salaries of administrators or other operating expenses of the District.

5. We determined that the District has met the compliance requirements of Measure S, Measure AA, and Measure V if the following conditions were met:
    a. Supporting documents for expenditures were aligned with the voter-approved bond projects list.
    b. Expenditures were not used for salaries of administrators or other operating expenses of the District.

Conclusion

The results of our tests indicated that, in all significant respects, Santa Monica Community College District has properly accounted for the expenditures held in the General Obligation Bond Funds (Measure S, Measure AA, and Measure V) and that such expenditures were made for authorized Bond projects.

None reported.

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