



Financial Statements
June 30, 2021

Santa Monica Community College District

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Independent Auditor's Report

Board of Trustees
Santa Monica Community College District
Santa Monica, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the remaining fund information of Santa Monica Community College District (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic 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 opinions 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 the 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.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the remaining fund information of the District as of June 30, 2021 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 2 and Note 13 to the financial statements, the District adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which resulted in a restatement of net position (deficit) as of July 1, 2020. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 20 and other required supplementary schedules on pages 73 through 78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information including the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The Schedule of Expenditures of Federal Awards and other supplementary information listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with

auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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 internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 13, 2021



INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of the Santa Monica Community College District (the "District") for the year ended June 30, 2021. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section.

The Santa Monica Community College District's financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statements No. 34 and 35 using the Business Type Activity (BTA) model. The California Community College Chancellor's Office (CCCCO), through its Fiscal Standards and Accountability Committee, recommended that all community college districts use the reporting standards under the BTA model. To comply with the recommendation of the Chancellor's Office and to report in a manner consistent with other California community college districts, the District has adopted the BTA reporting model for its financial statements.

Prior year data is presented in Management's Discussion and Analysis to afford a comparative analysis of data.

Santa Monica Community College District is the preeminent educational, cultural, and economic development institution in the City of Santa Monica. The District offers programs of the highest quality for residents of Santa Monica, Malibu, and any students who continue with their higher education studies. The District offers programs of remediation and reentry; provides exemplary 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 service programs of personal interest.

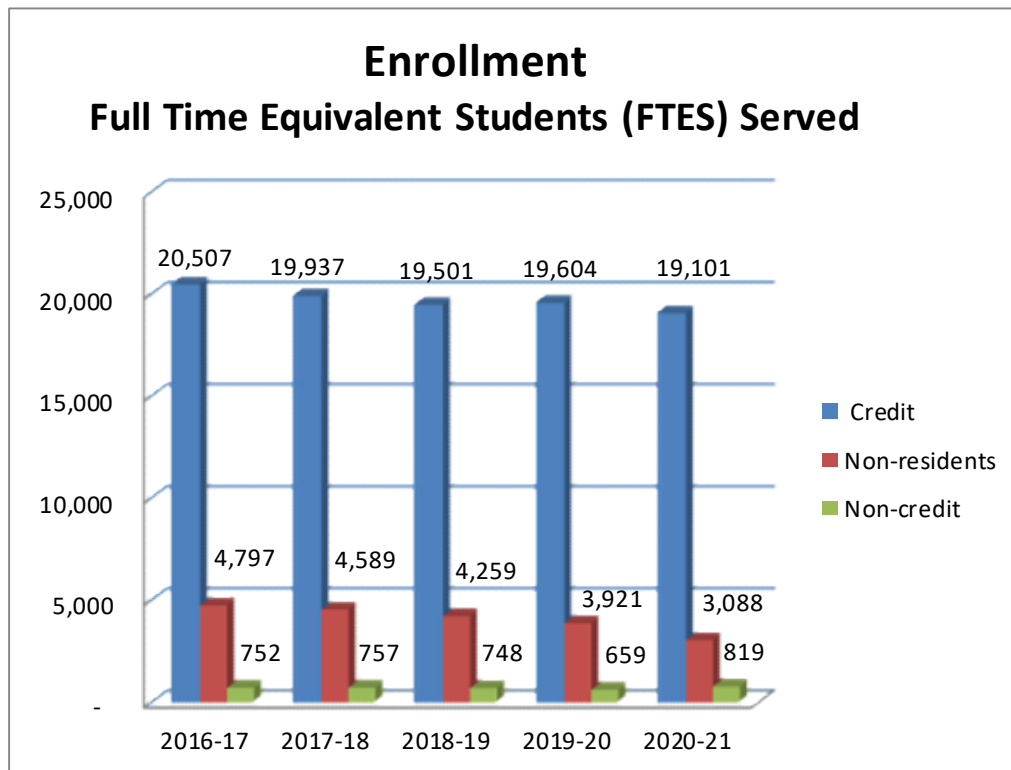
The District continues to experience low enrollment in fiscal year 2020-21 as a result of the emergence of COVID-19. The pandemic has created numerous challenges for the District including an economic recession, a closure of international borders and the necessity of transitioning to a completely remote learning modality. These are just a few of the items that affected the District's financial activities.

SELECTED HIGHLIGHTS

- The District's primary funding sources are State Apportionment, received from the State of California, and fees generated by serving non-resident students. The primary of both of these funding sources is how many Full-Time Equivalent Students (FTES) the District serves.

During 2020-2021, total FTES reported decreased from 24,184 in the prior year to 23,008 (approximately 4.86%).

For the 2019-2020 fiscal year, the California Community College Chancellor's Office, with the intent to prevent funding disruptions due to the pandemic, allowed Districts to report FTES based on the number of students in attendance prior to the emergence of coronavirus. The following table reflects FTES levels using this emergency attendance methodology for reporting FTES.



- In 2018-2019, the State adopted the Student-Centered Funding Formula (SCFF), the methodology the State will use to allocate funding to community college districts moving forward. The SCFF calculates funding based on three main factors: Base Allocation (enrollment), Supplemental Allocation (number of low-income students served measured by financial aid distribution), and student success (number of student success outcomes achieved). The SCFF contains a hold-harmless provision which states that, through 2021-2022, districts will be funded at either the amount calculated under SCFF or at an amount calculated at the 2017-2018 funding level, plus COLA, whichever is greater. In the 2020-2021 State Budget Act the hold-harmless period was extended through 2023-2024. The 2021-2022 State Budget Act further extended the hold-harmless period through 2024-25. For 2021-2022, the District projects that it will continue to be funded under the hold-harmless provision.

- As reported to the State Chancellor's Office on the Annual Financial and Budget Report (CCFS-311), the District ended the 2020-2021 fiscal year with an Unrestricted General Fund balance of \$35,483,750 or 19.47 percent of total expenditures and transfers. This represents a \$14,144,661 increase in fund balance from the prior year.
- During 2020-2021, the District made significant progress on the following major capital construction projects: Malibu Campus Facility; Campus-wide Air Conditioning Upgrade; Math and Science Classroom Addition; Early Childhood Development and Childcare Facility; and Art Complex.
- In December of 2020, the District completed a \$201.5 million GO Bond Refunding. During that process, Standard & Poor's reaffirmed the District's "AA+ Stable" rating and Moody's modified the rating to "Aa2 Stable". The credit strengths noted by the rating agencies include very strong income and property wealth indicators within the District, a broad and diverse tax base, a modest reserve position and a responsive management team. These strong credit ratings help the District achieve the lowest cost of borrowing when issuing debt, which directly translates into savings for the local taxpayers.

STATEMENT OF NET POSITION

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the District as of the end of the fiscal year and is prepared using the accrual basis of accounting, which is similar to the accounting basis used by most private-sector organizations. The Statement of Net Position is a point-of-time financial statement whose purpose is to present to the readers a fiscal snapshot of the District.

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the District. Readers are also able to determine how much the District owes vendors and employees. Finally, the Statement of Net Position provides a picture of the net position and their availability for expenditure by the District.

The difference between total assets and deferred outflows of resources, and total liabilities and deferred inflows of resources (net position) is one indicator of the current financial condition of the District; the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less accumulated depreciation.

The Net Position is divided into three major categories. The first category, net investment in capital assets, which is the equity amount in property, plant and equipment owned by the District. The second category, restricted net position, which is equity that must be spent for purposes as determined by external entities and/or donors that have placed time or purpose restrictions on the use. The final category, unrestricted net position, which is available to the District for any lawful purpose of the District.

Santa Monica Community College District
Management's Discussion and Analysis
June 30, 2021

The Statement of Net Position as of June 30, 2021 and June 30, 2020 are summarized below:

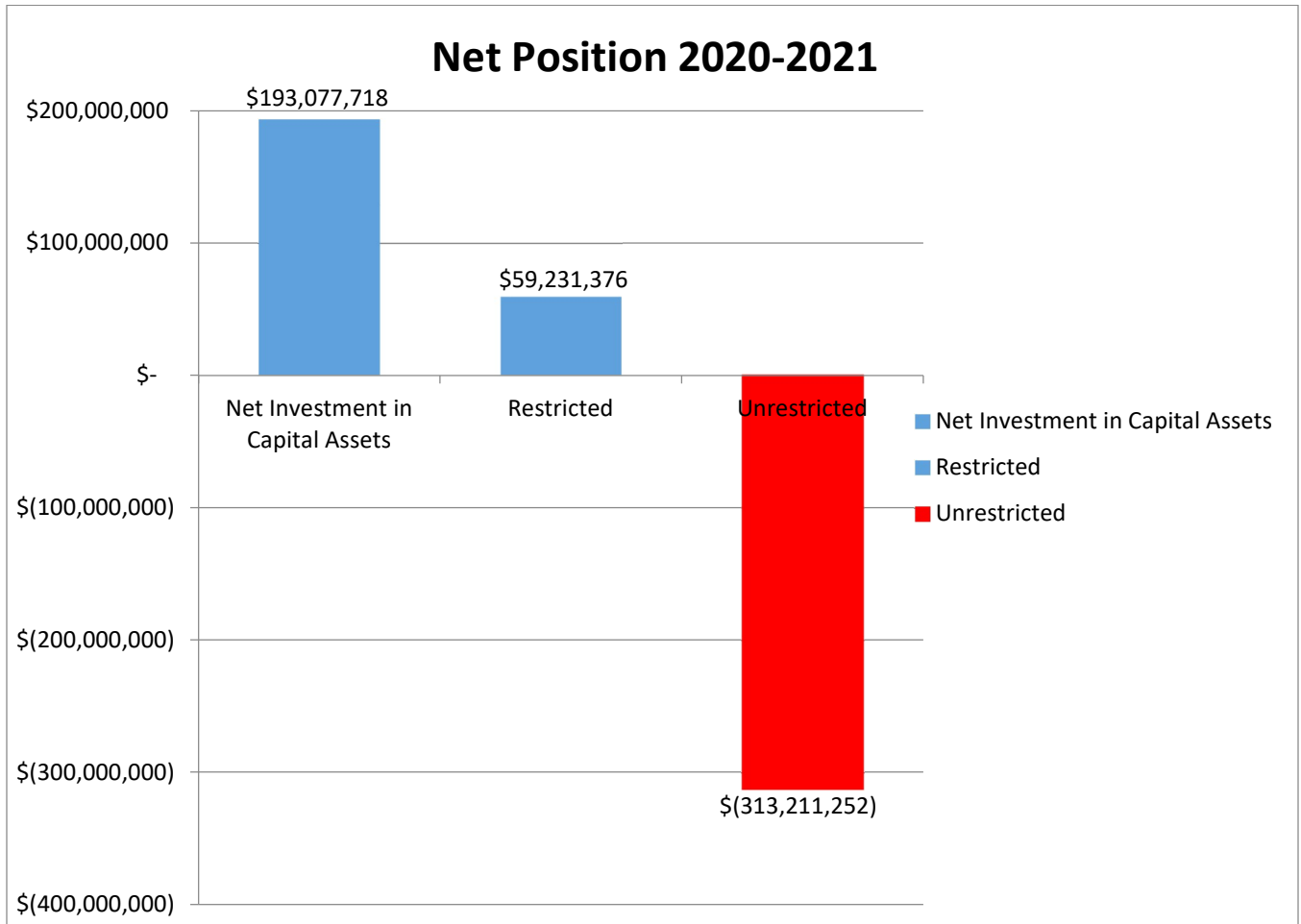
	2021	2020, as restated	Change
Assets			
Cash and investments	\$ 244,514,919	\$ 349,431,417	\$ (104,916,498)
Receivables, net	50,294,127	28,537,075	21,757,052
Other current assets	3,546,195	3,613,611	(67,416)
Capital assets, net	693,729,781	670,890,967	22,838,814
Total assets	<u>992,085,022</u>	<u>1,052,473,070</u>	<u>(60,388,048)</u>
Deferred Outflows of Resources	<u>139,028,684</u>	<u>88,028,118</u>	<u>51,000,566</u>
Liabilities			
Accounts payable and accrued liabilities	79,398,969	62,204,495	17,194,474
Current portion of long-term liabilities	34,375,203	36,312,816	(1,937,613)
Noncurrent portion of long-term liabilities	<u>1,060,732,296</u>	<u>1,070,021,831</u>	<u>(9,289,535)</u>
Total liabilities	<u>1,174,506,468</u>	<u>1,168,539,142</u>	<u>5,967,326</u>
Deferred Inflows of Resources	<u>17,509,396</u>	<u>26,489,884</u>	<u>(8,980,488)</u>
Net Position (Deficit)			
Net investment in capital assets	193,077,718	174,269,151	18,808,567
Restricted	59,231,376	131,038,436	(71,807,060)
Unrestricted deficit	<u>(313,211,252)</u>	<u>(359,835,425)</u>	<u>46,624,173</u>
Total net position (deficit)	<u>\$ (60,902,158)</u>	<u>\$ (54,527,838)</u>	<u>\$ (6,374,320)</u>

- Approximately 87% of the cash and cash equivalent balance is deposited with or in the process of being transferred to, the Los Angeles County Investment Pool. The remaining balance consists of deposits with various financial institutions.
- Cash and investments decreased due primarily to spending down bond monies and decreases in the Bond Interest and Redemption fund.
- Accounts receivable (net) increased due to \$16,200,163 in lost revenue recognized during year end closing that was backfilled with Higher Education Emergency Relief Fund (HEERF).
- Capital assets, net of accumulated depreciation increased due to the capital construction and planning activity associated with the following major projects: Malibu Site Acquisition and Facility, Early Childhood Development and Childcare Facility, Student Services Building; and Math and Science Classroom Addition. Refer to the "Capital Asset" and "Long-term Liabilities" portion of the Management Discussion and Analysis for further details.

- Deferred outflows of resources related to Other Postemployment Benefits (OPEB) decreased primarily due changes of assumptions for the District's net OPEB liability.
- Accounts payable and accrued liabilities increased primarily due to the recognition of the Tax and Revenue Anticipation Notes obtained in 2020-2021.
- Current portion of long-term liabilities decreased due to current year's general obligation bonds debt services payment due and the one-time Supplemental Early Retirement Plan (SERP) offered for the full time and part time faculty on June 2, 2020.
- In 2014-2015, the District implemented GASB Statements No. 68 and No. 71, which were issued with the "primary objective to improve accounting and financial reporting by State and local governments for pensions." The statement requires the District to reflect on the financial statements its proportional share of the Statewide pension funds' unfunded liability, CalSTRS and CalPERS, by recording deferred outflows of resources, net pension liability, and deferred inflows of resources. Deferred outflows of resources represent contributions made during the fiscal year that are removed from expenses and are recorded as deferred outflows of resources. This amount will be recognized as a reduction of the net pension liability in the subsequent year. The liability of employers and non-employers contributing to employees for benefits provided through a defined benefit pension plan is recorded as net pension obligation. Deferred inflows of resources represent an acquisition of net assets by the District that is applicable to a future reporting period. The deferred inflows of resources result from the difference between the estimated and actual return on pension plan investments. This amount is deferred and amortized over five years.

Net Pension Liability is categorized as follows:

Santa Monica College Net Pension Liability	
Pension Fund	Net Liability
CalSTRS	\$122,311,981
CalPERS	\$91,930,297
CalPERS Safety	\$4,919,902
Total	\$219,162,180



STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION

Net position as presented on the Statement of Net Position is based on the activities presented in the Statement of Revenues, Expenses and Change in Net Position. The purpose of this statement is to present the operating and non-operating revenues earned (whether received or not) by the District, the operating and non-operating expenses incurred (whether paid or not) by the District, and any other revenues, expenses, gains and/or losses earned or incurred by the District. Thus, this Statement represents the net results of the District's operations. Generally, operating revenues are earned for providing goods and services to the various customers and constituencies of the District. Operating expenses are those expenses incurred to acquire or produce the goods and services to fulfill the mission of the District. Non-operating revenues are those received or pledged for which goods and services are not provided. For example, State appropriations are non-operating because they are provided by the legislature to the District without the legislature directly receiving commensurate goods and services for those revenues.

A comparison between fiscal years 2020-2021 and 2019-2020 is provided on the following page.

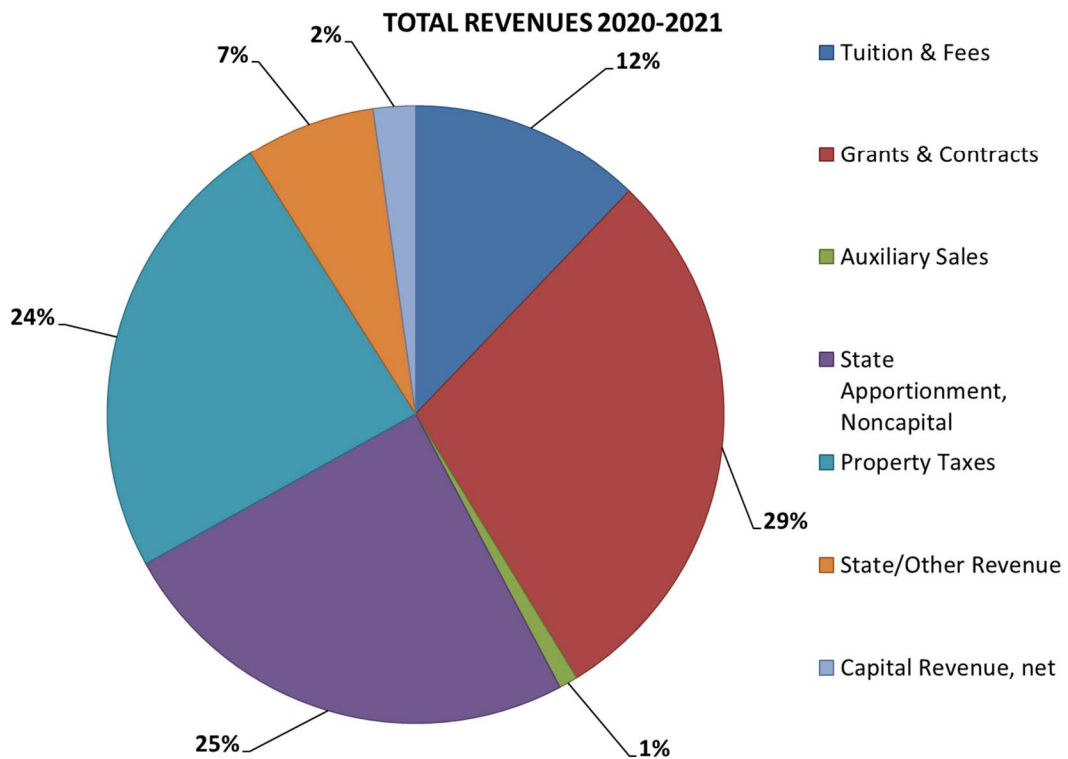
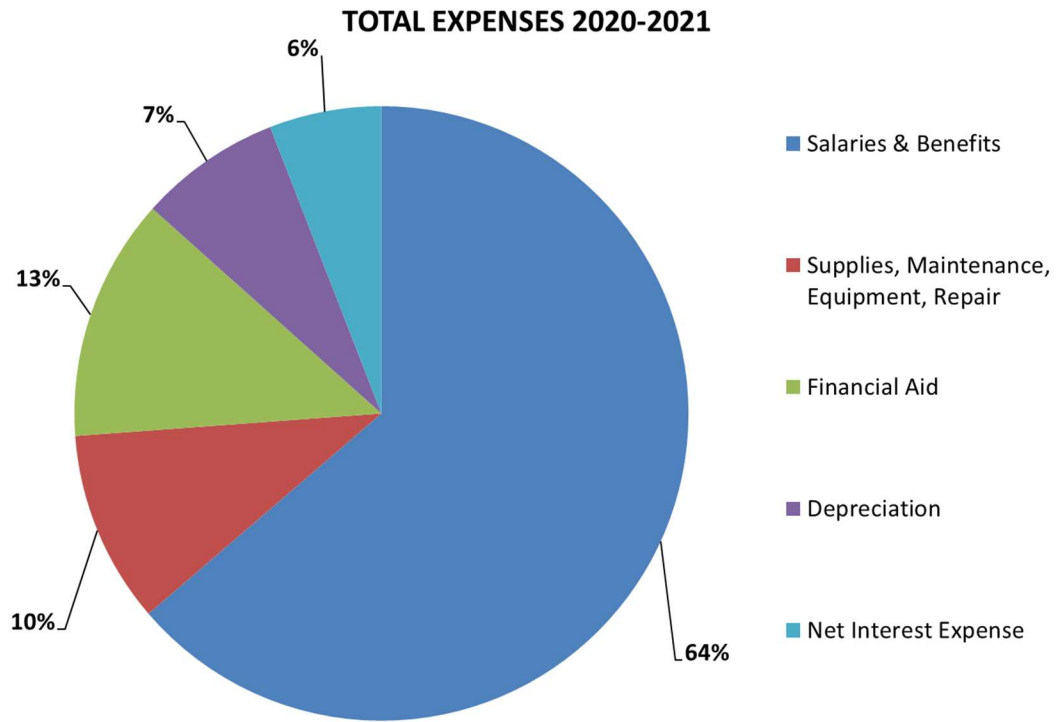
Santa Monica Community College District
Management's Discussion and Analysis
June 30, 2021

The Statement of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2021 and June 30, 2020 are summarized below:

	2021	2020, as restated	Change
Operating Revenues			
Tuition and fees, net	\$ 43,944,713	\$ 53,554,413	\$ (9,609,700)
Grants and contracts, noncapital	59,833,976	41,231,449	18,602,527
Auxiliary sales and charges	1,612,578	3,818,053	(2,205,475)
Total operating revenues	<u>105,391,267</u>	<u>98,603,915</u>	<u>6,787,352</u>
Operating Expenses			
Salaries and benefits	231,269,636	227,206,831	4,062,805
Supplies, services, equipment, and maintenance	36,763,883	49,898,808	(13,134,925)
Student financial aid	46,392,478	44,067,174	2,325,304
Depreciation	27,199,685	23,566,625	3,633,060
Total operating expenses	<u>341,625,682</u>	<u>344,739,438</u>	<u>(3,113,756)</u>
Loss on operations	<u>(236,234,415)</u>	<u>(246,135,523)</u>	<u>9,901,108</u>
Nonoperating Revenues (Expenses)			
State apportionments, noncapital	87,001,125	95,602,452	(8,601,327)
Property taxes	86,757,988	80,186,732	6,571,256
Student financial aid grants	45,059,784	42,498,707	2,561,077
State revenues	13,345,189	5,822,788	7,522,401
Net interest expense	(21,410,689)	(24,351,089)	2,940,400
Other nonoperating revenues	11,140,640	8,307,494	2,833,146
Total nonoperating revenue (expenses)	<u>221,894,037</u>	<u>208,067,084</u>	<u>13,826,953</u>
Other Revenues and Losses			
State and local capital income, and loss on disposal of capital assets	<u>7,966,058</u>	<u>4,510,341</u>	<u>3,455,717</u>
Change in net position (deficit)	<u>\$ (6,374,320)</u>	<u>\$ (33,558,098)</u>	<u>\$ 27,183,778</u>

- Tuition and fees declined primarily due to the decline in nonresident tuition.
- Total operating revenues increased primarily due to receipt of the Higher Education Emergency Relief Fund (HEERF), which backfilled lost revenues due to the COVID-19 pandemic in the amount of \$16,200,163 an increase in federal grants and contracts.
- In 2020-2021 the members of the Santa Monica Faculty Association (SMCFA) received a 1.5% salary increase, effective Fall 2020. This compensation increase coupled with an increase in the employer contribution rates for pension benefits resulted in an increase in salary and benefits expenditures.

- Planned budget reductions in supplies and contracts coupled with one-time savings due to moving to an online modality for the year resulted in decrease in expenditures.
- The Student-Centered Funding Formula Calculated revenue is a workload calculation funded by property taxes, the Education Protection Account (EPA) funding, enrollment fees, and apportionment. If property taxes, EPA funding or enrollment fees decline, the apportionment increases to cover the shortage if State funding is available. The inverse is also true, so any increase in tax receipts, EPA or enrollment fees would lower the apportionment. State apportionments decreased in 2020-2021 due to a shift in the formula coupled with a deficit factor of 0.61%.



STATEMENT OF FUNCTIONAL EXPENSE

Operating expenses are reported by natural classification in the Statement of Revenues, Expenses and Changes in Net Position. A schedule of expenses by function is shown below:

	Salaries	Employee Benefits	Supplies, Material, and Other Expenses and Services	Student Financial Aid	Depreciation	Total
Instructional activities	\$ 64,168,428	\$42,102,805	\$ 821,555	\$ -	\$ -	\$107,092,788
Academic support	15,936,226	9,369,034	313,489	-	-	25,618,749
Student services	23,886,697	14,785,250	3,340,043	160,538	-	42,172,528
Plant operations and maintenance	6,422,285	5,610,812	1,997,129	-	-	14,030,226
Instructional support services	17,650,514	20,918,363	3,674,322	-	-	42,243,199
Community services and economic development	969,825	678,605	33,697	-	-	1,682,127
Ancillary services and auxiliary operations	4,600,572	3,523,464	3,671,644	-	-	11,795,680
Student aid	-	-	-	46,231,940	-	46,231,940
Physical property and related acquisitions	357,722	289,034	22,849,500	-	-	23,496,256
Other outgo	-	-	62,504	-	-	62,504
Unallocated depreciation	-	-	-	-	27,199,685	27,199,685
Total	\$133,992,269	\$97,277,367	\$ 36,763,883	\$46,392,478	\$27,199,685	\$341,625,682

STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides information about cash receipts and cash payments during the fiscal year. This statement also helps users assess the District's ability to generate positive cash flows, meet obligations as they come due and the need for external financing.

The Statement of Cash Flows is divided into five parts. The first part reflects operating cash flows and shows the net cash used by the operating activities of the District. The second part details cash received for non-operating, non-investing and non-capital financing purposes. The third part shows cash flows from capital and related financing activities. This part reflects the cash used for the acquisition and construction of capital and related items. The fourth part provides information from investing activities and the amount of interest received. The last section reconciles the net cash used by operating activities to the operating loss reflected on the Statement of Revenues, Expenses and Change in Net Position located on page 22 of the financial statements.

	2021	2020, as restated	Change
Net Cash Flows from			
Operating activities	\$ (197,102,694)	\$ (204,368,555)	\$ 7,265,861
Noncapital financing activities	216,879,014	173,637,625	43,241,389
Capital financing activities	(125,022,037)	(33,242,748)	(91,779,289)
Investing activities	67,982,651	5,743,637	62,239,014
Net Increase (Decrease) in Cash	(37,263,066)	(58,230,041)	20,966,975
Cash, Beginning of Year	281,777,985	340,008,026	(58,230,041)
Cash, End of Year	\$ 244,514,919	\$ 281,777,985	\$ (37,263,066)

- Cash receipts from operating activities are from student tuition, Federal, State, and Local grants and contracts, and auxiliary operation sales. Uses of cash from operating activities consist of payments to employees, vendors and students.
- Non-capital financing activities represent cash receipts from State apportionment, property taxes, State taxes, other State revenue and grants and gifts for other than capital purposes.
- Cash flows from capital and related financing activities represents local revenue for capital purposes, tax revenue for payment of capital debt, purchase of capital assets and principal and interest payments on capital debt.
- Cash from investing activities includes interest earnings through the Los Angeles County Investment Pool and other investment activity. The increase during the 2020-21 year is due to the sale of the investments related to the 2018 Crossover Bonds. The investments were liquidated in August 2020 to defease the Series A-1 bonds.

DISTRICT'S FIDUCIARY RESPONSIBILITY

The District is the trustee or fiduciary for certain amounts held in trust for retiree OPEB benefits. The District's fiduciary activities are reported in a separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. These activities are excluded from the District's other financial statements because the District cannot use these assets to finance operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Capital Assets

As of June 30, 2021, the District has governmental capital assets of \$901.5 million, consisting of land, buildings and building improvements, construction in progress, vehicles, office and instructional equipment, with an accumulated depreciation of \$207.8 million for net governmental capital assets of \$693.7 million. Net additions to capital assets in 2020-2021 consisted mainly of site improvements and construction in progress as a result of the passage of Measure S, Measure AA, and Measure V. The following major projects added significantly to the capital assets of the District in the form of site improvements and construction in process: Malibu Site Acquisition and Facility; Early Childhood Development and Childcare Facility; Student Services Building; and Math and Science Classroom Addition. It is important to recognize that all valuations are based on historical cost as required by generally accepted accounting principles (GAAP). For example, the 38 acres of the main campus would have a significantly greater value today than is reflected in the capital asset listing below.

Note 6 in the financial statements provides additional information on capital assets. A summary of capital assets is presented below.

	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
Land and construction in progress	\$ 252,631,740	\$ 51,811,799	\$(158,123,034)	\$ 146,320,505
Buildings and improvements	570,450,511	155,730,927	(3,475,972)	722,705,466
Furniture and equipment	31,739,441	784,846	(63,958)	32,460,329
Subtotal	854,821,692	208,327,572	(161,662,964)	901,486,300
Accumulated depreciation	(183,930,725)	(27,199,685)	3,373,891	(207,756,519)
Total	<u>\$ 670,890,967</u>	<u>\$ 181,127,887</u>	<u>\$(158,289,073)</u>	<u>\$ 693,729,781</u>

Long-Term Liabilities

At June 30, 2021, the District had approximately \$1.1 billion in long-term liabilities: \$13.4 million from compensated absences/load banking, \$6.4 million from the supplemental employee retirement plan, \$177.1 million from GASB Statement No. 75, other postemployment healthcare benefit liability, \$679.0 million from General Obligation Bonds, and \$219.2 million from GASB Statements No. 68 and No. 71, pension liability.

The General Obligation Bonds were issued to fund various projects related to construction, purchase and renovation of instructional facilities, laboratories, centers, administrative facilities and parking structures. Debt payments on the bonds will be funded through property tax receipts collected over the term of the bonds.

Notes 8, 9, and 11 in the financial statements provides additional information on long-term liabilities. A summary of long-term liabilities is presented below.

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
General obligation bonds	\$ 749,422,003	\$ 207,563,742	\$(277,963,848)	\$ 679,021,897
Certificates of participation	8,621,253	-	(8,621,253)	-
Aggregate net OPEB liability	134,274,719	48,229,892	(5,380,314)	177,124,297
Aggregate net pension liability	192,476,966	26,685,214	-	219,162,180
Other long-term liabilities	21,539,706	4,913,387	(6,653,968)	19,799,125
Total long-term liabilities	<u>\$1,106,334,647</u>	<u>\$ 287,392,235</u>	<u>\$(298,619,383)</u>	<u>\$1,095,107,499</u>
Amount due within one year				<u>\$ 34,375,203</u>

BUDGET FOR THE FUTURE – UNRESTRICTED GENERAL FUND – 2021-2022

In this section, the District highlights some of the major budgetary assumptions presented in the 2021-2022 Adopted Budget to assist the reader in understanding the long-term fiscal stability of the Institution.

Overview

For 2021-2022, the District is projecting a revenue decrease from the prior year actual of approximately <0.51%> or <\$996,769>. Expenditures are projected to increase 6.5% or \$11,834,935. The net effect of the projected changes in revenue and expenditures will result in a projected structural deficit of <\$30,196,095> and projected operating surplus, including one-time items of \$1,312,957, resulting in a projected ending Unrestricted General Fund Balance of \$36,796,707 including designated reserves, or 18.95% of total expenditures and transfers.

Significant Changes to the Student-Centered Funding Formula

In 2018-2019, the State adopted the Student-Centered Funding Formula (SCFF), the methodology the State will use to allocate funding to community college districts. The formula calculates funding based on three main factors: Base Allocation (enrollment), Supplemental Allocation (number of low-income students served measured by financial aid distribution) and Student Success (number of student success outcomes achieved). The original SCFF legislation contained a hold harmless provision which stated that through the 2021-2022 fiscal year districts will be funded at either the amount calculated under SCFF or at an amount calculated at the 2017-2018 funding level, plus COLA, whichever is greater. To assist Districts in adjusting to the SCFF the 2021-2022 Budget Act extended the hold harmless period through 2024-2025.

New Initiatives/Projects

The Adopted Budget includes the following Action Plans that were developed by the District Planning and Advisory Council (DPAC) and approved by the Superintendent/President:

- Reduce Racial Equity Gaps and Increase Completion of Academic and Career Paths: \$44,707 (one-time) to be funded by Award and Innovation in Higher Education.

Purpose/Goal of Action Plan: Close gaps in educational outcomes and provide educational and career opportunities and pathways through a critical review of practices for developing, approving and assessing Program Learning Outcomes (PLOs) and course level Student Learning outcomes (SLOs).

- Reduce Racial Equity Gaps in Course Success for Largest Gateway Courses: \$1,402,535 (one-time) to be funded by Student Equity Achievement Program and Guided Pathways.

Purpose/Goal of Action Plan: Reduce racial equity gaps in course success for the largest gateway courses by implementing professional development program in equity minded teaching practices and curricular development.

- Reduce Racial Equity Gaps and Increase Success in AB705 Mathematics Courses: \$192,330 (on-going) to be funded by Unrestricted General Fund.

Purpose/Goal of Action Plan: Reduce racial equity gaps in AB 705 Math courses by providing support services to help students be successful on their Mathematics paths at SMC and when they move on to a 4-year institution.

- Reduce Racial Equity Gaps and Increase Success in AB705 English Courses: \$142,896 (on-going) to be funded by Unrestricted General Fund.

Purpose/Goal of Action Plan: Reduce racial equity gaps in AB 705 English courses by providing support services to help students be successful on their English paths at SMC and when they move on to a 4-year institution.

- Starfish GPS Early Alert System: \$93,034 (on-going) to be funded by Student Equity Achievement Program.

Purpose/Goal of Action Plan: Increase persistence, retention and completion among racially minoritized students using SMC Gateway to Persistence and Success (GPS) technology tool.

- SMC Online Education: \$65,000 (one-time) to be funded by the Unrestricted General Fund and \$61,415 (one-time) to be funded by Student Equity and Achievement Program.

Purpose/Goal of Action Plan: Increase the number of online degree and certificate completions by African American and Latinx students.

- Areas of Interest Counseling (at Scale) and Student Care Teams: \$492,998 (on-going) to be funded by Student Equity and Achievement Program and Title V Navigating Pathways to Success.

Purpose/Goal of Action Plan: (a) Implement counseling and support staff clusters for all Areas of Interest (AOI) (at Scale) (b) Student Care Teams – reduce racial equity gaps in persistence, retention and completion through the implementation of a “case management approach” for racially minoritized students.

- Human Resource Staffing Plan: \$125,000 (one-time) to be funded by Unrestricted General Fund.

Purpose/Goal of Action Plan: Research and assess costs associated with developing a Human Resources staff plan which supports student success by achieving benchmark levels of full-time faculty, classified staff and administrators.

Major Assumptions

The District's number one concern is to protect the health and safety of our campus community. With the vaccine mandate, Santa Monica College will resume approximately 15% of class sections on-ground in Fall 2021 and plan to open more classes during Spring 2022, subject to public health protocols and conditions. Support services and activities will also gradually open during the academic year.

The major revenue assumptions include the calculation of apportionment under the new Student-Centered Funding Formula, totaling to \$143,278,322 or 73% of the District's operating revenue. This includes a 5.07% Cost of Living allowance increase from 2019-2020 of \$6,985,928, net of the deficit factor of <\$1,497,113>. The adopted budget also assumed a non-repetition of prior year adjustment of <\$709,695>, a lower amount of HEERF backfill of lost revenues <\$2,286,099> and a decrease in non-resident tuition of <\$3,356,638> as a result of a projected enrollment decline of non-resident students. The net effect of all changes in revenues has resulted in a projected decrease in total revenues of <\$996,769> or <0.51%> from the prior-year unaudited actuals.

The major expenditure assumptions include projected increases related to salary step and longevity (\$1,153,054), vacancy list (\$755,730), current employee and retiree health and welfare benefits (\$1,770,648). Increases in supplies, services, capital and transfer expenditures (\$4,659,768) mainly caused by the gradual return to on-ground classes and non-repetition of savings achieved in 2020-2021 generated by being in remote modality. Non-repetition of savings in 2020-2021 from freezing salaries and imposing furloughs (\$2,426,631) and non-repetition of one-time vacation payout paid to employees who retired or resigned in 2020-2021 of <\$1,121,733>. The net effect of all changes in expenditures has resulted in a projected increase in total expenditures of approximately \$11,834,935 or 6.5% compared with prior year unaudited actuals. The breakdown of expenditures is as follows: 90.3% on salaries and benefits, 9.1% on contracts and services, 0.5% on supplies, and 0.1% on transfers/financial aid.

The net effect of the projected changes in revenue and expenditures will result in a projected structural deficit of <\$30,196,095> and projected operating surplus, including one-time items of \$1,312,957, resulting in a projected ending Unrestricted General Fund Balance of \$36,796,707 including designated reserves, or 18.95% of total expenditures and transfers.

Closing

In light of the changes and challenges at both the local and State level, the District needs to be mindful of keeping its reserves at a level that is financially sound in 2021-2022 and for future years. In order to explore new and innovative ideas that can help to ensure a fiscally sound reserve, while maintaining the Board budgeting principles, the District is actively engaged in the budget planning through a shared governance process. This process, along with the District's enrollment management and revenue generating efforts, should allow the District to maintain a fund balance that is financially sound.

CONTACT THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Christopher M. Bonvenuto, Vice President of Business and Administration via phone by calling (310) 434-4000 or by email at businessservices@smc.edu.

Santa Monica Community College District

Statement of Net Position

June 30, 2021

Assets	
Cash and cash equivalents	\$ 31,216,552
Investments	213,298,367
Accounts receivable	49,927,953
Student receivables, net	366,174
Prepaid expenses	2,772,446
Inventories	773,749
Capital assets	
Nondepreciable capital assets	146,320,505
Depreciable capital assets, net of depreciation	547,409,276
Total capital assets	<u>693,729,781</u>
Total assets	<u>992,085,022</u>
Deferred Outflows of Resources	
Deferred outflows of resources related to debt refunding	29,427,532
Deferred outflows of resources related to OPEB	60,215,897
Deferred outflows of resources related to pensions	49,385,255
Total deferred outflows of resources	<u>139,028,684</u>
Liabilities	
Accounts payable	25,303,772
Tax and revenue anticipation notes payable	23,515,000
Accrued interest payable	8,192,357
Unearned revenue	22,387,840
Long-term liabilities	
Long-term liabilities other than OPEB and pensions, due within one year	34,375,203
Long-term liabilities other than OPEB and pensions, due in more than one year	664,445,819
Aggregate net other postemployment benefits (OPEB) liability	177,124,297
Aggregate net pension liability	219,162,180
Total liabilities	<u>1,174,506,468</u>
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	119,616
Deferred inflows of resources related to pensions	17,389,780
Total deferred inflows of resources	<u>17,509,396</u>
Net Position (Deficit)	
Net investment in capital assets	193,077,718
Restricted for	
Debt service	39,337,352
Capital projects	6,556,703
Educational programs	9,950,497
Other activities	3,386,824
Unrestricted deficit	<u>(313,211,252)</u>
Total Net Position (Deficit)	<u>\$ (60,902,158)</u>

Santa Monica Community College District
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2021

Operating Revenues	
Tuition and fees	\$ 57,637,372
Less: Scholarship discounts and allowances	(13,692,659)
Net tuition and fees	<u>43,944,713</u>
Grants and contracts, noncapital	
Federal	32,756,417
State	26,763,256
Local	314,303
Total grants and contracts, noncapital	<u>59,833,976</u>
Auxiliary enterprise sales and charges	
Bookstore	1,612,578
Total operating revenues	<u>105,391,267</u>
Operating Expenses	
Salaries	133,992,269
Employee benefits	97,277,367
Supplies, materials, and other operating expenses and services	32,882,787
Student financial aid	46,392,478
Equipment, maintenance, and repairs	3,881,096
Depreciation	27,199,685
Total operating expenses	<u>341,625,682</u>
Operating Loss	<u>(236,234,415)</u>
Nonoperating Revenues (Expenses)	
State apportionments, noncapital	87,001,125
Local property taxes, levied for general purposes	38,579,091
Taxes levied for other specific purposes	48,178,897
Federal and State financial aid grants	45,059,784
State taxes and other revenues	13,345,189
Investment income	24,096
Interest expense on capital related debt	(22,084,952)
Investment income on capital asset-related debt, net	650,167
Other nonoperating revenue	11,140,640
Total nonoperating revenues (expenses)	<u>221,894,037</u>
Loss Before Other Revenues and Losses	<u>(14,340,378)</u>
Other Revenues and (Losses)	
State revenues, capital	5,082,860
Local revenues, capital	3,049,237
Loss on disposal of capital assets	(166,039)
Total other revenues and losses	<u>7,966,058</u>
Change In Net Position (Deficit)	(6,374,320)
Net Position (Deficit), Beginning of Year, as Restated	<u>(54,527,838)</u>
Net Position (Deficit), End of Year	<u>\$ (60,902,158)</u>

Santa Monica Community College District

Statement of Cash Flows

Year Ended June 30, 2021

Cash Flows from Operating Activities	
Tuition and fees	\$ 43,871,055
Federal, state, and local grants and contracts, noncapital	36,603,565
Auxiliary sales	1,612,578
Payments to or on behalf of employees	(195,381,762)
Payments to vendors for supplies and services	(37,415,652)
Payments to students for scholarships and grants	(46,392,478)
Net cash flows from operating activities	<u>(197,102,694)</u>
Cash Flows from Noncapital Financing Activities	
State apportionments	86,205,549
Federal and state financial aid grants	45,059,784
Property taxes - nondebt related	38,579,091
State taxes and other apportionments	12,101,725
Issuance of tax revenue anticipation notes	23,515,000
Other nonoperating	11,417,865
Net cash flows from noncapital financing activities	<u>216,879,014</u>
Cash Flows from Capital Financing Activities	
Purchase of capital assets	(50,309,016)
Proceeds from sale of capital debt	201,495,000
State revenue, capital	5,692,389
Local revenue, capital	3,049,237
Property taxes - related to capital debt	48,178,897
Principal paid on capital debt	(285,498,024)
Interest paid on capital debt	(48,280,687)
Interest received on capital asset-related debt	650,167
Net cash flows from capital financing activities	<u>(125,022,037)</u>
Cash Flows from Investing Activities	
Proceeds from sales and maturities of investments	67,653,432
Interest received from investments	329,219
Net cash flows from investing activities	<u>67,982,651</u>
Change In Cash and Cash Equivalents	(37,263,066)
Cash and Cash Equivalents, Beginning of Year, as Restated	<u>281,777,985</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 244,514,919</u></u>

Santa Monica Community College District

Statement of Cash Flows

Year Ended June 30, 2021

Reconciliation of Net Operating Loss to Net Cash Flows from Operating Activities	
Operating Loss	<u>\$ (236,234,415)</u>
Adjustments to reconcile operating loss to net cash flows from operating activities	
Depreciation expense	27,199,685
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources	
Accounts receivable	(25,453,826)
Student receivables, net	404,515
Inventories	265,262
Prepaid expenses	(197,846)
Deferred outflows of resources related to OPEB	(25,945,167)
Deferred outflows of resources related to pensions	(1,212,097)
Accounts payable	(551,535)
Unearned revenue	1,745,242
Compensated absences	2,024,090
Load banking	255,248
Supplemental early retirement plan	43,846
Aggregate net OPEB liability	42,849,578
Aggregate net pension liability	26,685,214
Deferred inflows of resources related to OPEB	(130,790)
Deferred inflows of resources related to pensions	<u>(8,849,698)</u>
Total adjustments	<u>39,131,721</u>
Net cash flows from operating activities	<u><u>\$ (197,102,694)</u></u>
Cash and Cash Equivalents Consist of the Following:	
Cash in banks	\$ 31,216,552
Cash in county treasury	<u>213,298,367</u>
Total cash and cash equivalents	<u><u>\$ 244,514,919</u></u>
Noncash Transactions	
Recognition of deferred outflows of resources related to debt refunding	\$ 26,239,584
Amortization of deferred outflows of resources related to debt refunding	\$ 2,396,282
Amortization of debt premiums	\$ 5,150,842
Accretion of interest on capital appreciation bonds	\$ 6,068,742

Santa Monica Community College District
Fiduciary Funds - Statement of Net Position
June 30, 2021

	<u>Retiree OPEB Trust</u>
Assets	
Investments	<u>\$ 9,907,907</u>
Net Position	
Restricted for postemployment benefits other than pensions	<u>\$ 9,907,907</u>

Santa Monica Community College District
 Fiduciary Funds - Statement of Changes in Net Position
 Year Ended June 30, 2021

	Retiree OPEB Trust
Additions	
District contributions	\$ 5,287,086
Investment income	2,140,183
	7,427,269
Deductions	
Benefit payments	5,287,086
Administrative expenses	7,575
	5,294,661
Change in Net Position	2,132,608
Net Position - Beginning of Year, as Restated	7,775,299
Net Position - End of Year	\$ 9,907,907

Note 1 - Organization

Santa Monica Community College District (the District) was established in 1929 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering educational services to residents of the surrounding area. The District operates under a locally elected seven-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operates one college and several locations within Los Angeles County. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61. The District is classified as a Public Educational Institution under Internal Revenue Code Section 115 and is, therefore, exempt from Federal taxes.

Financial Reporting Entity

The District has adopted accounting policies to determine whether certain organizations, for which the District is financially accountable, should be reported as component units based on the nature and significance of their relationship with the District, as defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board (GASB). The District identified no component units that met the criteria listed above.

Based upon the application of the criteria listed above, the following three potential component units have been excluded from the District's reporting entity:

- Santa Monica College Foundation - The Foundation is a separate not-for-profit corporation created for the benefit of the District and its students and organized for educational purposes. The Board of Directors are elected by their own Board and independent of any District Board of Trustee's appointments. The Board is responsible for approving its own budget, accounting and finance related activities.
- KCRW Foundation - The Foundation is a separate not-for-profit corporation which has an affiliation in the District's KCRW-FM radio station. The Board of Directors are elected by their own Board and independent of any District Board of Trustee's appointments. The Board is responsible for approving its own budget, accounting and finance related activities.
- Madison Project Foundation - The Foundation is a separate not-for-profit corporation incorporated for the purpose of programming, presenting, and producing for the general public performances and productions for Madison Theatre. The Board of Directors are elected by their own Board and independent of any District Board of Trustee's appointments. The Board is responsible for approving its own budget, accounting and financial related activities.

Separate financial statements for the three foundations can be obtained through the District.

Note 2 - Summary of Significant Accounting Policies**Basis of Accounting**

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB. This presentation provides a comprehensive government-wide perspective of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, activities, and cash flows and replaces the fund group perspective previously required. Fiduciary activities are excluded from the primary the primary government financial statements. The District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as promulgated by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when a liability has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Non-exchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, Federal and State financial aid grants, entitlements, and donations. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor's Office and includes reporting of full-time equivalent students (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated. Revenue from Federal and State financial aid grants are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements may include time and/or purpose requirements.

Expenses are recorded on the accrual basis as they are incurred, when goods are received, or services are rendered.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the Statement of Cash Flows.

Investments

Investments are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value, including money market investments and participating interest-earning investment contracts with original maturities greater than one year, are stated at cost or amortized cost.

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.

Accounts Receivable

Accounts receivables include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. The allowance was estimated at \$451,434 for the year ended June 30, 2021.

Prepaid Expenses

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

Inventories

Inventories consist primarily of bookstore merchandise. Inventories are stated at cost, utilizing the weighted average method lower of cost or market. The cost is recorded as an expense as the inventory is consumed rather than when purchased.

Capital Assets and Depreciation

Capital assets are long-lived assets of the District as a whole and include land, construction in progress, buildings, building and land improvements, and equipment. The District maintains an initial unit cost capitalization threshold of \$5,000 or more and an estimated useful life greater than one year. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure. Donated capital assets are recorded at acquisition value at the date of donation. Improvements to buildings and land that significantly increase the value or extend the useful life of the asset are capitalized; the costs of routine maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an operating expense in the year in which the expense was incurred. Major outlays for capital improvements are capitalized as construction in progress as the projects are constructed.

Depreciation of capital assets is computed and recorded utilizing the straight-line method with half-year conventions. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 50 years; improvements, 20 years; equipment, 10 years; vehicles, 8 years; and technology 5 years.

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2021.

Compensated Absences and Load Banking

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. The current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignation and retirements that occur prior to year-end that have not been paid within the fund from which the employees who have accumulated the leave are paid. The District also participates in "load banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period. The liability for these benefits is reported on the government-wide financial statements.

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, retirement credit for unused sick leave is applicable to all classified members who retire after January 1, 1999. At retirement, each member will receive 0.004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

Debt Premiums

Debt premiums are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. All other bond issuance costs are expensed when incurred.

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. The District reports deferred outflows of resources related to debt refunding, for OPEB related items, and for pension related items. The deferred outflows of resources related to debt refunding resulted from the difference between the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred amounts related to OPEB and pension related items are associated with differences between expected and actual earnings on plan investments, changes of assumptions, and other OPEB and pension related changes.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for OPEB and pension related items.

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value. The aggregate net pension liability attributable to the governmental activities will be paid by the fund in which the employee worked.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows / inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and the CalSTRS Medicare Premium Payment (MPP) Program, and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the District Plan and MPP. For this purpose, the District Plan and MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The aggregate net OPEB liability is funded through payments for benefits and is reported within the fund the employees' salaries are charged.

Unearned Revenue

Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized. Unearned revenue is primarily composed of (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met.

Tax and Revenue Anticipation Notes

The Tax and Revenue Anticipation Notes are current liabilities outstanding at June 30, 2021, and were issued as short-term obligations to provide cash flow needs. This liability is offset with future cash deposits from State general apportionment funding, which will be set aside at the County Treasury to repay the notes.

Noncurrent Liabilities

Noncurrent liabilities include bonds and notes payable, compensated absences, load banking, supplemental early retirement plan, capital lease obligations, aggregate net OPEB liability, and aggregate net pension liability with maturities greater than one year.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position related to net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$59,231,376 of restricted net position, and the fiduciary funds financial statements report \$9,907,907 of restricted net position.

Operating and Nonoperating Revenues and Expenses

Classification of Revenues - The District has classified its revenues as either operating or nonoperating. Certain significant revenue streams relied upon for operation are classified as nonoperating as defined by GASB. Classifications are as follows:

- **Operating revenues** - Operating revenues include activities that have the characteristics of exchange transactions such as tuition and fees, net of scholarship discounts and allowances, Federal, State, and local grants and contracts, and sales and services of auxiliary enterprises.
- **Nonoperating revenues** - Nonoperating revenues include activities that have the characteristics of nonexchange transactions such as State apportionments, property taxes, investment income, and other revenue sources defined by GASB.

Classification of Expenses - Nearly all of the District's expenses are from exchange transactions and are classified as either operating or nonoperating according to the following criteria:

- **Operating expenses** - Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses, and student financial aid.
- **Nonoperating expenses** - Nonoperating expenses include interest expense and other expenses not directly related to the services of the District.

State Apportionments

Certain current year apportionments from the State are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year. When known and measurable, these recalculations and corrections are accrued in the year in which the FTES are generated.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. The County Assessor is responsible for assessment of all taxable real property. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Los Angeles bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

The voters of the District passed a General Obligation Bond in 2002, 2004, 2008, and 2016 for the acquisition, construction, and remodeling of certain District property. As a result of the passage of the Bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are assessed, billed, and collected as noted above and remitted to the District when collected.

Scholarship Discounts and Allowances

Tuition and fee revenue is reported net of scholarship discounts and allowances. Fee waivers approved by the California Community College Board of Governors are included within the scholarship, discounts, and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf.

Financial Assistance Programs

The District participates in federally funded Pell Grants, Supplemental Educational Opportunity Grants (SEOG), and Federal Work-Study programs, as well as other programs funded by the Federal government and State of California. Financial aid provided to the student in the form of cash is reported as an operating expense in the Statement of Revenues, Expenses, and Changes in Net Position. Federal financial assistance programs are audited in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Estimates

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates, and those difference could be material.

Interfund Activity

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the primary government and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process.

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the primary government and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances transferred between the primary government and the fiduciary funds are not eliminated in the consolidation process.

Change in Accounting Principles**Implementation of GASB Statement No. 84**

As of July 1, 2020, the District adopted GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhance the value provided by the information reported in financial statements for assessing government accountability and stewardship. The impact to the District resulted in a reclassification of the District's other trust and agency funds from fiduciary to governmental. The effect of the implementation of this standard on beginning net position (deficit) is disclosed in Note 13.

New Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements for this Statement are effective for the reporting periods beginning after June 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

Note 3 - Deposits and 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 instruments; 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 deposits substantially all receipts and collections of monies with their County Treasurer. The fair value of the District's investment in the pool is reported in the accompanying financial statements 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.

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

Authorized Under Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

Summary of Deposits and Investments

Deposits and investments of as of June 30, 2021, consist of the following:

	Primary Government	Fiduciary Funds
Cash on hand and in banks	\$ 23,874,444	\$ -
Cash in revolving	25,000	-
Cash with fiscal agent	7,317,108	-
Investments	<u>213,298,367</u>	<u>9,907,907</u>
Total deposits and investments	<u>\$ 244,514,919</u>	<u>\$ 9,907,907</u>

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 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 primarily investing in the Los Angeles County Investment Pool and mutual funds evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Investment Type	Fair Value	Weighted Average Maturity in Days	Credit Rating
Mutual funds	\$ 9,907,907	No maturity	Not rated
Los Angeles County investment pool	<u>213,298,367</u>	1,045	Not rated
Total	<u>\$ 223,206,274</u>		

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 investments in the Los Angeles County Investment Pool and Mutual funds are not required to be rated, nor have they been rated as of June 30, 2021.

Custodial Credit Risk

Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California *Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2021, the District's bank balance of approximately \$23.6 million was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. As of June 30, 2021, the District's investment balance of approximately \$9.9 million was exposed to custodial credit risk because it was uninsured, unregistered and held by the brokerage firm which is also the counterparty for these securities. The District does not have a policy limiting the amount of securities that can be held by counterparties.

Note 4 - 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.

The District's fair value measurements are as follows at June 30, 2021:

Investment Type	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Mutual funds	\$ 9,907,907	\$ 9,907,907	\$ -	\$ -

All assets have been valued using a market approach, which uses prices and other relevant information generated by market transactions involving identical or comparable assets or group of assets.

Note 5 - Accounts Receivable

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

	<u>Primary Government</u>
Federal Government	
Categorical aid	\$ 19,483,645
State Government	
Apportionment	12,300,989
Categorical aid	12,537,312
Lottery	1,243,464
Other state sources	2,750,765
Local Sources	
Interest	336,947
Other local sources	1,274,831
	<u>\$ 49,927,953</u>
Student receivables	\$ 817,608
Less: allowance for bad debt	(451,434)
	<u>\$ 366,174</u>

Note 6 - Capital Assets

Capital asset activity for the District for the year ended June 30, 2021, was as follows:

	Balance, Beginning of Year	Additions	Deductions	Balance, End of Year
Capital Assets Not Being Depreciated				
Land	\$ 71,217,761	\$ -	\$ -	\$ 71,217,761
Construction in progress	181,413,979	51,811,799	(158,123,034)	75,102,744
Total capital assets not being depreciated	<u>252,631,740</u>	<u>51,811,799</u>	<u>(158,123,034)</u>	<u>146,320,505</u>
Capital Assets Being Depreciated				
Buildings and improvements	570,450,511	155,730,927	(3,475,972)	722,705,466
Furniture and equipment	31,739,441	784,846	(63,958)	32,460,329
Total capital assets being depreciated	<u>602,189,952</u>	<u>156,515,773</u>	<u>(3,539,930)</u>	<u>755,165,795</u>
Total capital assets	<u>854,821,692</u>	<u>208,327,572</u>	<u>(161,662,964)</u>	<u>901,486,300</u>
Less Accumulated Depreciation				
Buildings and improvements	(158,967,790)	(25,649,759)	3,309,933	(181,307,616)
Furniture and equipment	(24,962,935)	(1,549,926)	63,958	(26,448,903)
Total accumulated depreciation	<u>(183,930,725)</u>	<u>(27,199,685)</u>	<u>3,373,891</u>	<u>(207,756,519)</u>
Net capital assets	<u>\$ 670,890,967</u>	<u>\$ 181,127,887</u>	<u>\$(158,289,073)</u>	<u>\$ 693,729,781</u>

Note 7 - Tax and Revenue Anticipation Notes (TRANS)

At June 30, 2021, the District had outstanding Tax and Revenue Anticipation Notes (TRANS) in the amount of \$23,515,000, which mature on December 31, 2021. The notes were issued bearing interest at 0.22% and 0.20%. The notes were issued to supplement cash flows and will be repaid from future general apportionment revenues.

	Balance, Beginning of Year	Additions	Deductions	Balance, End of Year
2021 0.22% TRANS	\$ -	\$ 18,810,000	\$ -	\$ 18,810,000
2021 0.20% TRANS	-	4,705,000	-	4,705,000
Total	<u>\$ -</u>	<u>\$ 23,515,000</u>	<u>\$ -</u>	<u>\$ 23,515,000</u>

Note 8 - Long-Term Liabilities Other than OPEB and Pensions

Summary

The changes in the District's long-term liabilities other than OPEB and pensions during the year ended June 30, 2021 consisted of the following:

	Balance, Beginning of Year	Additions	Deductions	Balance, End of Year	Due in One Year
General obligation bonds	\$ 710,565,702	\$ 207,563,742	\$ (273,104,259)	\$ 645,025,185	\$ 31,785,000
Bond premium	38,856,301	-	(4,859,589)	33,996,712	-
Certificates of participation (COP)	8,330,000	-	(8,330,000)	-	-
COP premium	291,253	-	(291,253)	-	-
Capital leases	4,063,765	-	(4,063,765)	-	-
Compensated absences	7,974,663	2,024,090	-	9,998,753	-
Load banking	3,127,708	255,248	-	3,382,956	-
Supplemental employee retirement plan	6,373,570	2,634,049	(2,590,203)	6,417,416	2,590,203
Total	<u>\$ 779,582,962</u>	<u>\$ 212,477,129</u>	<u>\$ (293,239,069)</u>	<u>\$ 698,821,022</u>	<u>\$ 34,375,203</u>

Description of Long-Term Liabilities

Payments on the general obligation bonds are made by the bond interest and redemption fund with local property tax revenues. The compensated absences, load banking, and supplemental employee retirement plan liabilities will be paid by the fund for which the employee worked.

Remaining Outstanding Bonded Debt

Measure U

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

Series B 2004 bonds were issued on May 13, 2004 for \$21,675,000 of current interest bonds and \$324,971 of capital appreciation bonds. Interest rates range from 3.00% to 5.00% payable semiannually on May 1 and November 1. The bonds were issued with maturity dates from May 1, 2006 through May 1, 2029. Prior to the applicable maturity date, each bond will accrete interest on the principal component. The principal balance outstanding at June 30, 2021 was \$2,839,033.

Series A 2007 bonds were issued on January 31, 2007 for \$11,999,987 of capital appreciation bonds. Interest rates range from 4.20% to 4.74% payable semiannually on August 1 and February 1. The bonds were issued with maturity dates from August 1, 2015 through August 1, 2031. Prior to the applicable maturity date, each bond will accrete interest on the principal component. The principal balance outstanding at June 30, 2021 was \$11,412,733.

Series E 2010 bonds were issued on January 26, 2010 for \$10,998,993 of capital appreciation bonds. Interest rates range from 3.92% to 5.70% payable semiannually on August 1 and February 1. The bonds were issued with maturity dates from August 1, 2016 through August 1, 2026. Prior to the applicable maturity date, each bond will accrete interest on the principal component. The principal balance outstanding at June 30, 2021 was \$12,152,756.

Refunding Series A 2013 bonds were issued on June 5, 2013 for \$108,405,000 of current interest bonds. The bonds were issued to effect an advance refunding of a portion of the District's outstanding general obligation bonds. Interest rates range from 2.00% to 5.00% payable semiannually on August 1 and February 1. The bonds were issued with maturity dates from August 1, 2013 through August 1, 2030. The principal balance outstanding at June 30, 2021 was \$33,965,000.

Measure S

On November 2, 2004, at an election held within the boundaries of the District, the voters' authorized bonds to be sold in the amount of \$135,000,000. Proceeds from the sale of the bonds were used to finance the construction, acquisition, furnishing and equipping of District facilities.

Series C 2009 bonds were issued on March 24, 2009 for \$30,885,000 of current interest bonds and \$26,112,857 capital appreciation bonds. Interest rate ranges from 4.50% to 6.60% payable semiannually on August 1 and February 1. The Bonds were issued with maturity dates from August 1, 2012 through August 1, 2029. Prior to the applicable maturity date, each bond will accrete interest on the principal component. The principal balance outstanding at June 30, 2021 was \$54,216,653.

Series D 2017 were issued on March 30, 2017 for \$9,600,000 of current interest bonds with an interest rate of 4.00% payable semiannually on August 1 and February 1. The bonds were issued with maturity dates from August 1, 2020 through August 1, 2021. The principal balance outstanding at June 30, 2021 was \$4,370,000.

Series D-1 2017 were issued on March 30, 2017 for \$10,400,000 of federally taxable current interest bonds. Interest rates range from 1.38% to 1.96% payable semiannually on August 1 and February 1. The bonds were issued with maturity dates from August 1, 2018 through August 1, 2020. The Series D-1 2017 Bonds were paid in full as of June 30, 2021.

Measure AA

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

Series A and A-1 2010 bonds were issued on January 26, 2010 in the amount of \$100,000,000. These bonds consisted of \$33,135,000 tax-exempt Series A bonds and \$66,865,000 in federally taxable Build America Bonds Series A-1. Interest rates for Series A is 5.00% and for Series A-1 range from 5.73% to 5.88% payable semiannually on February 1 and August 1. The Series A Bonds were issued with maturity dates from August 1, 2011 through August 1, 2020 and the Series A-1 Bond mature from August 1, 2024 through August 1, 2034. The Build America Bonds program was created by the American Recovery and Reinvestment Act to assist State and local governments in financing capital projects at lower borrowing costs and to stimulate the economy and create jobs. The Series A and Series A-1 Bonds were paid in full as of June 30, 2021.

Series B 2014 bonds were issued on October 30, 2014 for \$121,100,000 of current interest bonds and \$23,895,829 capital appreciation bonds. Interest rates range from 1.00% to 5.00% payable semiannually on August 1 and February 1. The bonds were issued with maturity dates from August 1, 2015 through August 1, 2044. The principal balance outstanding at June 30, 2021 was \$17,174,010.

Series C 2017 bonds were issued on March 30, 2017 for \$45,000,000 of current interest bonds. Interest rates range from 3.65% to 5.00% payable semiannually on August 1 and February 1. The bonds were issued with maturity dates from August 1, 2026 through August 1, 2037. The principal balance outstanding at June 30, 2021 was \$45,000,000.

Series C-1 2017 bonds were issued on March 30, 2017 for \$5,000,000 of federally taxable current interest bonds. Interest rates range from 1.38% to 3.21% payable semiannually on August 1 and February 1. The bonds were issued with maturity dates from August 1, 2018 through August 1, 2026. The principal balance outstanding at June 30, 2021 was \$1,455,000.

Refunding Series A 2017 bonds were issued on March 30, 2017 for \$25,395,000 of current interest bonds. The bonds were issued to effect an advance refunding of a portion of the District's outstanding general obligation bonds. The interest rates range from 2.00% to 5.00% payable semiannually on August 1 and February 1. The bonds were issued with maturity dates from August 1, 2017 through August 1, 2023. The principal balance outstanding at June 30, 2021 was \$19,965,000.

Series A 2018 Crossover Refunding bonds were issued on April 18, 2018 for \$69,360,000 of current interest bonds. The bonds were issued to effect an advance refunding of a portion of the District's outstanding Series A-1 general obligation bonds on the crossover date of August 1, 2020. Interest rates range from 2.72% to 3.94% payable semiannually on August 1 and February 1. The bonds were issued with maturity dates from August 1, 2021 through August 1, 2034. The principal balance outstanding at June 30, 2021 was \$69,360,000.

Measure V

On November 4, 2016, at an election held within the boundaries of the District, the voters authorized bonds to be sold in the amount of \$345,000,000. Proceeds from the sale of the bonds were used to finance the construction, acquisition, furnishing, and equipping of District facilities.

Series A 2018 bonds were issued on April 18, 2018 for \$180,000,000 of current interest bonds. Interest rates range from 3.65% to 5.00% payable semiannually on August 1 and February 1. The bonds were issued with maturity dates from August 1, 2020 through August 1, 2047. The principal balance outstanding at June 30, 2021 was \$171,620,000.

Santa Monica Community College District

Notes to Financial Statements

June 30, 2021

Refunding Series A 2020 bonds were issued on December 22, 2020 for \$201,495,000 of current interest bonds. The bonds were issued to effect an advance refunding of a portion of the District's outstanding general obligation bonds. The interest rates range from 0.20% to 2.80% payable semiannually on August 1 and February 1. The bonds were issued with maturity dates from August 1, 2021 through August 1, 2044. The principal balance outstanding at June 30, 2021 was \$201,495,000.

Debt Maturity

General Obligation Bonds

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding Beginning of Year	Issued	Accreted Interest	Redeemed	Bonds Outstanding End of Year
2004, B	5/13/04	5/1/29	3.00-5.00%	\$ 21,999,971	\$ 2,677,370	\$ -	\$ 161,663	\$ -	\$ 2,839,033
2007, A	1/31/07	8/1/31	4.20-4.74%	11,999,987	12,208,800	-	588,933	(1,385,000)	11,412,733
2010, E	1/26/10	8/1/26	3.92-5.70%	10,998,993	13,116,822	-	680,934	(1,645,000)	12,152,756
Subtotal 2002 Measure U Election				44,998,951	28,002,992	-	1,431,530	(3,030,000)	26,404,522
2009, C	3/24/09	8/1/29	4.50-6.60%	56,997,857	50,964,688	-	3,251,965	-	54,216,653
2017, D	3/30/17	8/1/21	4.00%	9,600,000	9,600,000	-	-	(5,230,000)	4,370,000
2017, D-1	3/30/17	8/1/20	1.38-1.96%	10,400,000	1,790,000	-	-	(1,790,000)	-
Subtotal 2004 Measure S Election				76,997,857	62,354,688	-	3,251,965	(7,020,000)	58,586,653
2010, A	1/26/10	8/1/20	5.00%	33,135,000	2,675,000	-	-	(2,675,000)	-
2010, A-1	1/26/10	8/1/34	5.73-5.88%	66,865,000	66,865,000	-	-	(66,865,000)	-
2014, B	10/30/14	8/1/44	1.00-5.00%	144,995,829	142,333,022	-	1,385,247	(126,544,259)	17,174,010
2017, C	3/30/17	8/1/37	3.65-5.00%	45,000,000	45,000,000	-	-	-	45,000,000
2017, C-1	3/30/17	8/1/26	1.38-3.21%	5,000,000	2,145,000	-	-	(690,000)	1,455,000
Subtotal 2008 Measure AA Election				294,995,829	259,018,022	-	1,385,247	(196,774,259)	63,629,010
2018, A	4/18/18	8/1/47	3.65-5.00%	180,000,000	180,000,000	-	-	(8,380,000)	171,620,000
Subtotal 2016 Measure V Election				180,000,000	180,000,000	-	-	(8,380,000)	171,620,000
2013, A	6/5/13	8/1/30	2.00-5.00%	108,405,000	87,045,000	-	-	(53,080,000)	33,965,000
2017, A	3/30/17	8/1/23	2.00-5.00%	25,395,000	24,785,000	-	-	(4,820,000)	19,965,000
2018, A*	4/18/18	8/1/34	2.72-3.94%	69,360,000	69,360,000	-	-	-	69,360,000
2020, A	12/22/20	8/1/44	0.20-2.80%	201,495,000	-	201,495,000	-	-	201,495,000
Subtotal Refunding Bonds				404,655,000	181,190,000	201,495,000	-	(57,900,000)	324,785,000
Subtotal General Obligation Bonds					710,565,702	201,495,000	6,068,742	(273,104,259)	645,025,185
Premium on Bonds					38,856,301	-	-	(4,859,589)	33,996,712
					<u>\$ 749,422,003</u>	<u>\$ 201,495,000</u>	<u>\$ 6,068,742</u>	<u>\$ (277,963,848)</u>	<u>\$ 679,021,897</u>

* Crossover refunding bonds

Debt Service Requirements to Maturity

The bonds mature through 2048 as follows:

Fiscal Year	Principal (Including accreted interest to date)	Accreted Interest	Current Interest to Maturity	Total
2022	\$31,677,265	\$107,735	\$19,160,150	\$ 50,945,150
2023	27,777,957	277,043	18,106,814	46,161,814
2024	25,469,873	1,705,127	17,237,202	44,412,202
2025	27,455,075	2,549,925	16,600,131	46,605,131
2026	29,366,630	3,418,370	15,899,974	48,684,974
2027-2031	150,177,206	22,722,794	71,387,211	244,287,211
2032-2036	104,751,179	763,821	55,717,121	161,232,121
2037-2041	109,475,000	-	34,771,190	144,246,190
2042-2046	108,115,000	-	15,530,879	123,645,879
2047-2048	30,760,000	-	1,174,650	31,934,650
Total	<u>\$ 645,025,185</u>	<u>\$ 31,544,815</u>	<u>\$ 265,585,322</u>	<u>\$ 942,155,322</u>

Certificates of Participation

The agreement dated March 11, 2010, is between the Santa Monica Community College District as the "lessee" and the Los Angeles County Schools Regionalized Business Services Corporation as the "lessor" or "corporation". The Corporation is a legally separate entity which was formed to assist in the advance refunding the 1999 Certificates of Participation for the acquisition of the Center for Media Design Campus.

The Corporation's funds for the advance refunding were generated by the issuance of \$13,945,000 of Certificates of Participation (COPs). COPs are long-term debt instruments which are tax exempt and therefore issued at interest rates below current market levels for taxable investments which range from 3.0% to 5.0% for the length of the issuance.

Lease payments are required to be made by the District under the lease agreement on June 1, and December 1 for use and possession of the capital improvements for the period commencing June 1, 2011 and terminating June 1, 2023. Lease payments will be funded in part from the proceeds of the Certificates.

The lease requires that lease payments be deposited in the lease payment fund maintained by the trustee. Any amount held in the lease payment fund will be credited towards the lease payment due and payable. The trustee will pay from the lease payment fund the required principal and interest payments with respect to Santa Monica Community College District.

The agreement dated December 1, 2013, is between the Santa Monica Community College District as the "lessee" and the Los Angeles County Schools Regionalized Business Services Corporation as the "lessor" or "corporation". The Corporation is a legally separate entity which was formed to assist in the advance refunding the 2004 Certificate of Participation for the acquisition of parking structures.

The Corporation's funds for the advance refunding were generated by the issuance of \$7,410,000 of Certificates of Participation (COPs). COPs are long-term debt instruments which are tax exempt and therefore issued at interest rate below current market levels for taxable investments and rate of 3.6% for the length of the issuance.

Lease Payments – Lease payments are required to be made by the District under the lease agreement on February 1, and August 1 for use and possession of the capital improvements for the period commencing February 1, 2014 and terminating February 1, 2027. Lease payments will be funded in part from the proceeds of the Certificates.

The lease requires that lease payments be deposited in the lease payment fund maintained by the trustee. Any amount held in the lease payment fund will be credited towards the lease payment due and payable. The trustee will pay from the lease payment fund the required principal and interest payments with respect to Santa Monica Community College District.

The outstanding balance of the COPs was paid in full as of June 30, 2021.

Supplemental Employee Retirement Plan (SERP)

On November 7, 2017, the District adopted a one-time SERP for the following employees: full-time faculty, academic administrators, classified administrators, classified managers, classified confidential employees, and California School Employees Association (CSEA) classified employees. To be eligible for early retirement benefits, the employee must have been at least 55 years of age, have five or more years of District service, been eligible to retire from CalSTRS or CalPERS on or before January 1, 2018, and been resigned from District employment by December 31, 2017. In exchange for early retirement, the District contributed 75 percent of the 2017-2018 annual salary, which may include career increment/longevity, differentials, and other stipends. The District had 78 employees that enrolled in the SERP. The remaining obligation as of June 30, 2021 was \$1,314,465.

On June 2, 2020, the District adopted a one-time SERP for the following employees: full-time and part-time faculty. To be eligible for early retirement benefits, the employee must have been at least 55 years of age, have five or more years of District service, and been resigned from District employment by June 30, 2020. In exchange for early retirement, the District contributed 75% of the 2019-20 annual salary for full-time faculty, or 75% of calendar year 2019 District earnings for part-time faculty. The District had 64 employees that enrolled in the SERP. The remaining obligation as of June 30, 2021 is \$2,995,712.

On September 1, 2020, the District adopted a one-time SERP for the following employees: permanent classified employees (including confidential classified employees), classified manager and administrators, and academic administrators with the exception of senior administrative staff. To be eligible for early retirement benefits, the employee must have been at least 55 years of age, have five or more years of District service, and been resigned from District employment by September 30, 2020. In exchange for early retirement, the District will contribute 75 percent of calendar year 2019 District earnings. The District had 33 employees that enrolled in the SERP. The remaining obligation as of June 30, 2021 is \$2,107,239.

Scheduled SERP payments are as follows:

Year Ending June 30,	
2022	\$ 2,590,203
2023	1,275,738
2024	1,275,738
2025	<u>1,275,737</u>
Total	<u>\$ 6,417,416</u>

Capital Leases

The District entered into a lease with Municipal Financial Corporation for the acquisition of certain capital improvements, including a Photovoltaic Power System, valued at approximately \$7 million under an agreement which provides for title to pass upon expiration of the lease period. In May 2016, the District refinanced the original lease with the Municipal Financial Corporation for the acquisition of and installation of energy conservation and alternative energy measures. The outstanding balance of the lease was paid in full as of June 30, 2021.

Note 9 - Aggregate Net Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2021, the District reported an aggregate net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Aggregate Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 176,192,305	\$ 60,215,897	\$ 119,616	\$ 16,603,673
Medicare Premium Payment (MPP) Program	<u>931,992</u>	<u>-</u>	<u>-</u>	<u>169,945</u>
Total	<u>\$ 177,124,297</u>	<u>\$ 60,215,897</u>	<u>\$ 119,616</u>	<u>\$ 16,773,618</u>

The details of each plan are as follows:

District Plan

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their dependents.

Management of the plan is vested in the District management. Management of the trustee assets is vested with the California Employers' Retiree Benefit Trust Fund.

Plan Membership

At June 30, 2020, the measurement date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	565
Active employees	876
	876
Total	1,441

Retiree Health Benefit OPEB Trust

The Santa Monica Community College District's Retiree Health Benefit OPEB Trust (the Trust) is an irrevocable governmental trust pursuant to Section 115 of the IRC for the purpose of funding certain postemployment benefits other than pensions. The Trust is administered by the District's Governing Board as directed by the investment alternative choice selected by the District. The District retains the responsibility to oversee the management of the Trust, including the requirement that investments and assets held within the Trust continually adhere to the requirements of the California *Government Code* Section 53600.5 which specifies that the trustee's primary role is to preserve capital, to maintain investment liquidity, and to protect investment yield. As such, the District acts as the fiduciary of the Trust. The financial activity of the Trust has been discretely presented.

Benefits Provided

The Plan provides medical, dental, and vision insurance benefits to eligible retirees and their dependents. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions

The contribution requirements of the Plan members and the District are established and may be amended by the District, the Faculty Association (FA), the local California Service Employees Association (CSEA), the Police Officers' Association (POA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For the measurement period of June 30, 2020, the District contributed \$4,712,032 to the Plan, all of which was used for current premiums.

Investment

Investment Policy

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the governing board by a majority vote of its members. It is the policy of the District to pursue an investment strategy that reduces risks through the prudent diversification for the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocation over short time spans. The following was the governing board's adopted asset allocation policy as of June 30, 2020:

<u>Asset Class</u>	<u>Target Allocation</u>
Global equity	59%
Fixed income	25%
Real estate investment trusts	8%
Commodities	3%
Inflation assets	5%

Rate of Return

For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 3.49%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the District

The District's net OPEB liability of \$176,192,305 was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The components of the net OPEB liability of the District at June 30, 2020, were as follows:

Total OPEB liability	\$ 183,967,604
Plan fiduciary net position	<u>(7,775,299)</u>
Net OPEB liability	<u>\$ 176,192,305</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>4.23%</u>

Actuarial Assumptions

The total OPEB liability as of June 30, 2020 was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2019 and rolling forward the total OPEB liability to June 30, 2020. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	2.75%
Investment rate of return	2.80%
Healthcare cost trend rate	4.00%

The discount rate was based on the long-term expected return on plan assets assuming 100% funding through the Trust prior to 2030, and 2.2% for years after 2030, using the building block method.

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actual experience study as of July 2019.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2020, (see the discussion of the Plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	7.80%
Fixed income	4.50%
Real estate investment trusts	7.50%
Commodities	7.80%
Inflation assets	3.25%

Discount Rate

The discount rate used to measure the total OPEB liability was 2.80%. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance, June 30, 2019	\$ 141,025,895	\$ 7,513,223	\$ 133,512,672
Service cost	5,795,480	-	5,795,480
Interest	6,084,407	-	6,084,407
Difference between expected and actual experience	(139,553)	-	(139,553)
Contributions - employer	-	4,712,032	(4,712,032)
Expected investment income	-	528,729	(528,729)
Differences between projected and actual earnings on OPEB plan investments	-	(260,187)	260,187
Changes of assumptions	35,913,407	-	35,913,407
Benefit payments	(4,712,032)	(4,712,032)	-
Administrative expense	-	(6,466)	6,466
Net change in total OPEB liability	42,941,709	262,076	42,679,633
Balance, June 30, 2020	<u>\$ 183,967,604</u>	<u>\$ 7,775,299</u>	<u>\$ 176,192,305</u>

Changes of economic assumptions reflect a change in the discount rate from 4.30% to 2.80% since the previous valuation. There were no changes to benefit terms since the previous valuation.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net OPEB Liability
1% decrease (1.80%)	\$ 205,452,023
Current discount rate (2.80%)	176,192,305
1% increase (3.80%)	150,678,156

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rate that is one percent lower or higher than the current healthcare cost trend rate:

<u>Healthcare Cost Trend Rate</u>	<u>Net OPEB Liability</u>
1% decrease (3.00%)	\$ 152,022,706
Current healthcare cost trend rate (4.00%)	176,192,305
1% increase (5.00%)	208,556,337

Deferred Outflows/Inflows of Resources Related to OPEB

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB for the following:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to measurement date	\$ 5,287,086	\$ -
Differences between expected and actual experience	1,289,205	119,616
Changes of assumptions	53,607,229	-
Net difference between projected and actual earnings on OPEB plan investments	<u>32,377</u>	<u>-</u>
Total	<u>\$ 60,215,897</u>	<u>\$ 119,616</u>

The deferred outflows of resources related to OPEB resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on OPEB plan investments will be amortized over a closed five-year period and will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2022	\$ (22,599)
2023	(22,599)
2024	25,539
2025	<u>52,036</u>
Total	<u>\$ 32,377</u>

The deferred outflows/(inflows) of resources related to differences between expected and actual experience in the measurement of the total OPEB liability and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits as of the beginning of the measurement period. The EARSL for the measurement period is 7.0 years and will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2022	\$ 10,555,734
2023	10,555,734
2024	10,555,734
2025	10,555,734
2026	7,443,328
Thereafter	<u>5,110,554</u>
Total	<u>\$ 54,776,818</u>

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District contributions. In accordance with California *Education Code* Section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

Net OPEB Liability and OPEB Expense

At June 30, 2021, the District reported a liability of \$931,992 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating entities, actuarially determined. The District's proportionate share for the measurement period of June 30, 2020 and June 30, 2019 was 0.2199% and 0.2046%, respectively, resulting in a net increase in proportionate share of 0.0153%.

For the year ended June 30, 2021, the District recognized OPEB expense of \$169,945.

Actuarial Methods and Assumptions

The June 30, 2020 total OPEB liability was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total OPEB liability to June 30, 2020, using the assumptions listed in the following table:

Measurement Date	June 30, 2020
Valuation Date	June 30, 2019
Experience Study	June 30, 2014 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	2.21%
Medicare Part A Premium Cost Trend Rate	4.50%
Medicare Part B Premium Cost Trend Rate	5.40%

For the valuation as of June 30, 2019, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 294 or an average of 0.18% of the potentially eligible population (159,339).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2020, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2020, is 2.21%. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 2.21%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2020, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 1.29% from 3.50% as of June 30, 2019.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net OPEB Liability</u>
1% decrease (1.21%)	\$ 1,030,577
Current discount rate (2.21%)	931,992
1% increase (3.21%)	848,104

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

The following presents the District's proportionate share of the net OPEB liability calculated using the current Medicare costs trend rates, as well as what the net OPEB liability would be if it were calculated using the Medicare costs trend rates that is one percent lower or higher than the current rate:

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (3.5% Part A and 4.4% Part B)	\$ 845,069
Current Medicare costs trend rate (4.5% Part A and 5.4% Part B)	931,992
1% increase (5.5% Part A and 6.4% Part B)	1,032,057

Note 10 - Participation in Public Entity Risk Pools and Joint Powers Authorities

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 members 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.

SCCCD JPA 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 JPA 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.

Note 11 - Employee Retirement Systems

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 California State Teachers' Retirement System (CalSTRS), classified employees are members of the California Public Employees' Retirement System (CalPERS) Schools Pool Plan, campus police employees are members of the California Public Employees' Retirement System (CalPERS) Safety Pool Plan.

For the fiscal year ended June 30, 2021, the District reported its proportionate share of the net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

<u>Pension Plan</u>	<u>Aggregate Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
CalSTRS	\$ 122,311,981	\$ 33,372,489	\$ 14,610,612	\$ 15,287,071
CalPERS - Schools Pool Plan	91,930,297	14,817,815	2,424,969	17,661,192
CalPERS - Safety Pool Plan	4,919,902	1,194,951	354,199	806,267
Total	\$ 219,162,180	\$ 49,385,255	\$ 17,389,780	\$ 33,754,530

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers' Retirement Plan (STRP) administered by CalSTRS. STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The STRP provides retirement, disability, and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP Defined Benefit Program provisions and benefits in effect at June 30, 2021, are summarized as follows:

	<u>On or before December 31, 2012</u>	<u>On or after January 1, 2013</u>
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.15%	16.15%
Required State contribution rate	10.328%	10.328%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and are detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with California Assembly Bill 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2021, are presented above, and the District's total contributions were \$9,536,977.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:

District's proportionate share of net pension liability	\$ 122,311,981
State's proportionate share of net pension liability associated with the District	<u>63,051,841</u>
Total	<u><u>\$ 185,363,822</u></u>

The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2020 and June 30, 2019, was 0.1262% and 0.1157%, respectively, resulting in a net increase in the proportionate share of 0.0105%.

For the year ended June 30, 2021, the District recognized pension expense of \$15,287,071. In addition, the District recognized pension expense and revenue of \$8,832,944 for support provided by the State. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 9,536,977	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	8,787,109	11,161,204
Differences between projected and actual earnings on pension plan investments	2,905,427	-
Differences between expected and actual experience in the measurement of the total pension liability	215,825	3,449,408
Changes of assumptions	<u>11,927,151</u>	<u>-</u>
Total	<u><u>\$ 33,372,489</u></u>	<u><u>\$ 14,610,612</u></u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

Santa Monica Community College District

Notes to Financial Statements

June 30, 2021

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ (1,772,876)
2023	989,933
2024	1,975,027
2025	1,713,343
Total	\$ 2,905,427

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ 1,988,849
2023	1,041,084
2024	2,883,711
2025	(304,749)
2026	(455,758)
Thereafter	1,166,336
Total	\$ 6,319,473

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2020, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	42.0%	4.8%
Private equity	13.0%	6.3%
Real estate	15.0%	3.6%
Inflation sensitive	6.0%	3.3%
Fixed income	12.0%	1.3%
Risk mitigating strategies	10.0%	1.8%
Cash/liquidity	2.0%	-0.4%

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assuming that contributions, benefit payments, and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.10%)	\$ 184,796,366
Current discount rate (7.10%)	122,311,981
1% increase (8.10%)	70,722,322

California Public Employees' Retirement System (CalPERS) - Schools Pool Plan

Plan Description

Qualified employees are eligible to participate in the Schools Pool Plan under 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.

A full description of the pension plans regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019, annual actuarial valuation reports, Schools Pool Actuarial Valuation, and the Risk Pool Actuarial Valuation Report, Safety. These reports and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <http://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS School Employer Pool provisions and benefits in effect at June 30, 2021, are summarized as follows:

	<u>On or before December 31, 2012</u>	<u>On or after January 1, 2013</u>
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	20.70%	20.70%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2021, are presented above, and the total District contributions were \$7,594,131.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2021, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$91,930,297. The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2020 and June 30, 2019, was 0.2996% and 0.2868%, respectively, resulting in a net increase in the proportionate share of 0.0128%.

For the year ended June 30, 2021, the District recognized pension expense of \$17,661,192. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 7,594,131	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	413,414	2,424,969
Differences between projected and actual earnings on pension plan investments	1,913,697	-
Differences between expected and actual experience in the measurement of the total pension liability	4,559,461	-
Changes of assumptions	<u>337,112</u>	<u>-</u>
Total	<u>\$ 14,817,815</u>	<u>\$ 2,424,969</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2022	\$ (716,144)
2023	638,776
2024	1,110,297
2025	<u>880,768</u>
Total	<u>\$ 1,913,697</u>

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.1 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ 1,805,847
2023	559,246
2024	473,527
2025	<u>46,398</u>
Total	<u>\$ 2,885,018</u>

Actuarial Methods and Assumptions

Total pension liability for the School Employer Pool was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90% of Scale MP-2016.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.15%)	\$ 132,166,566
Current discount rate (7.15%)	91,930,297
1% increase (8.15%)	58,536,213

California Public Employees' Retirement System (CalPERS) – Safety Pool Plan

Plan Description

Qualified employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Plan under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The Public Agency Cost-Sharing Multiple-Employer Plan is comprised of a Miscellaneous Risk Pool and a Safety Risk Pool. The District sponsors one Safety Pool Plan (the Plan) for employees of the District Police Department. 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.

Benefits Provided

The Plan provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members who must be sworn police officers and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for employment-related disability benefits regardless of length of service and non-duty disability benefits after five years of service. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The Post-Retirement Death Benefit is a one-time payment made to a retiree's designated survivor or estate upon the retiree's death. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The Special Death Benefit is provided to an employee's eligible survivors if the member dies while actively employed and the death is job-related. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2021, are summarized as follows:

	<u>On or before December 31, 2012</u>	<u>On or after January 1, 2013</u>
Hire date		
Benefit formula	3% at 55	2.7% at 57
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	57
Monthly benefits as a percentage of eligible compensation	2.4% - 3.0%	2.4% - 3.0%
Required employee contribution rate	9.00%	12.75%
Required employer contribution rate	22.397%	13.884%
Required unfunded liability payment to CalPERS	\$291,946	\$2,544

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are determined annually through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2021, are presented above, and the total District contributions were \$594,592.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2021, the District reported net pension liabilities for its proportionate share of the Safety Risk Pool net pension liability totaling \$4,919,902. The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2020 and June 30, 2019, was 0.0738% and 0.0707%, respectively, resulting in a net increase in the proportionate share of 0.0031%.

For the year ended June 30, 2021, the District recognized pension expense of \$806,267. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 594,592	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	111,916	337,811
Differences between projected and actual earnings on pension plan investments	106,930	-
Differences between expected and actual experience in the measurement of the total pension liability	381,513	-
Changes of assumptions	-	16,388
	<u> </u>	<u> </u>
Total	<u>\$ 1,194,951</u>	<u>\$ 354,199</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2022	\$ (48,470)
2023	35,905
2024	65,917
2025	<u>53,578</u>
Total	<u>\$ 106,930</u>

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and the District's proportionate share of contributions, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.8 years and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2022	\$ 129,552
2023	47,756
2024	<u>(38,078)</u>
Total	<u>\$ 139,230</u>

Actuarial Methods and Assumptions

Total pension liability for the Plan was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90% of Scale MP-2016.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.15%)	\$ 7,405,240
Current discount rate (7.15%)	4,919,902
1% increase (8.15%)	2,880,447

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2021, which amounted to \$7,135,597 (10.328%) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the year ended June 30, 2021. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Note 12 - Commitments and Contingencies

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2021.

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 at June 30, 2021.

Operating Leases

The District has entered into an operating lease for land, building, and equipment with lease terms in excess of one year for the Madison Campus and the 14th Street warehouse project. These agreements do not contain a purchase option. Future minimum lease payments under these agreements are as follows:

Year Ending June 30,	Lease Payment
2022	\$ 2,053,065
2023	1,910,122
2024	1,261,441
2025	979,827
2026	939,838
2027-2031	4,569,980
2032-2036	4,569,980
2037-2041	4,569,980
2042-2046	4,569,980
2047-2051	4,569,980
2052-2056	4,569,980
2057-2058	1,827,992
Total	<u>\$ 36,392,165</u>

Current year expenditures for operating leases is approximately \$2.1 million. The District will receive no sublease rental revenues nor pay any contingent rentals for these leases.

Construction Commitments

As of June 30, 2021, the District had approximately \$109.9 million in commitments with respect to unfinished capital projects. The projects are funded through a combination of general obligation bonds and capital project apportionments from the California State Chancellor's Office.

Note 13 - Restatement of Prior Year Net Position (Deficit)

The District adopted GASB Statement No. 84, *Fiduciary Activities*, in the current year. As a result, the effect on the current fiscal year is as follows:

<u>Primary Government</u>	
Net Position (Deficit) - Beginning	\$ (71,264,685)
Inclusion of assets and liabilities of funds previously identified as fiduciary in nature from the adoption of GASB Statement No. 84	<u>16,736,847</u>
Net Position (Deficit) - Beginning, as Restated	<u><u>\$ (54,527,838)</u></u>
<u>Fiduciary Funds</u>	
Net Position - Beginning	\$ 10,900,768
Exclusion of assets and liabilities of funds previously identified as fiduciary in nature from the adoption of GASB Statement No. 84	<u>(3,125,469)</u>
Net Position - Beginning, as Restated	<u><u>\$ 7,775,299</u></u>



Required Supplementary Information
June 30, 2021

**Santa Monica Community College
District**

Santa Monica Community College District
Schedule of Changes in the District's Net OPEB Liability and Related Ratios
Year Ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service cost	\$ 5,795,480	\$ 6,105,492	\$ 3,195,698	\$ 2,729,563
Interest	6,084,407	5,714,585	3,877,120	5,953,537
Difference between expected and actual experience	(139,553)	1,804,887	-	-
Changes of assumptions	35,913,407	-	38,386,338	-
Benefit payments	<u>(4,712,032)</u>	<u>(4,570,707)</u>	<u>(4,110,488)</u>	<u>(3,573,461)</u>
Net change in total OPEB liability	42,941,709	9,054,257	41,348,668	5,109,639
Total OPEB Liability - Beginning	<u>141,025,895</u>	<u>131,971,638</u>	<u>90,622,970</u>	<u>85,513,331</u>
Total OPEB Liability - Ending (a)	<u>\$ 183,967,604</u>	<u>\$ 141,025,895</u>	<u>\$ 131,971,638</u>	<u>\$ 90,622,970</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 4,712,032	\$ 4,570,707	\$ 4,110,488	\$ 3,573,461
Expected investment income	528,729	307,557	283,932	629,498
Differences between projected and actual earnings on OPEB plan investments	(260,187)	132,507	240,674	-
Benefit payments	(4,712,032)	(4,570,707)	(4,110,488)	(3,573,461)
Administrative expense	<u>(6,466)</u>	<u>(6,033)</u>	<u>(5,909)</u>	<u>(5,279)</u>
Net change in plan fiduciary net position	262,076	434,031	518,697	624,219
Plan Fiduciary Net Position - Beginning	<u>7,513,223</u>	<u>7,079,192</u>	<u>6,560,495</u>	<u>5,936,276</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 7,775,299</u>	<u>\$ 7,513,223</u>	<u>\$ 7,079,192</u>	<u>\$ 6,560,495</u>
Net OPEB Liability - Ending (a) - (b)	<u>\$ 176,192,305</u>	<u>\$ 133,512,672</u>	<u>\$ 124,892,446</u>	<u>\$ 84,062,475</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	<u>4.23%</u>	<u>5.33%</u>	<u>5.36%</u>	<u>7.24%</u>
Covered Employee Payroll	<u>\$ 95,739,112</u>	<u>\$ 95,906,429</u>	<u>\$ 89,704,765</u>	<u>\$ 88,956,668</u>
Net OPEB Liability as a Percentage of Covered Employee Payroll	<u>184.03%</u>	<u>139.21%</u>	<u>139.23%</u>	<u>94.50%</u>
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

Note: In the future, as data becomes available, ten years of information will be presented.

Santa Monica Community College District
 Schedule of OPEB Investment Returns
 Year Ended June 30, 2021

	2021	2020	2019	2018
Annual money-weighted rate of return, net of investment expense	3.49%	5.78%	7.91%	9.99%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

Note: In the future, as data becomes available, ten years of information will be presented.

Santa Monica Community College District
Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program
Year Ended June 30, 2021

Year ended June 30,	2021	2020	2019	2018
Proportion of the net OPEB liability	0.2199%	0.2046%	0.2171%	0.1025%
Proportionate share of the net OPEB liability	\$ 931,992	\$ 762,047	\$ 831,079	\$ 431,393
Covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	-0.71%	-0.81%	-0.40%	0.01%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

¹As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

Note : In the future, as data becomes available, ten years of information will be presented.

Santa Monica Community College District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2021

	2021	2020	2019	2018	2017	2016	2015
CalSTRS							
Proportion of the net pension liability	0.1262%	0.1157%	0.1270%	0.1256%	0.1300%	0.1454%	0.1260%
Proportionate share of the net pension liability	\$ 122,311,981	\$ 104,474,234	\$ 116,762,335	\$ 116,112,075	\$ 105,165,413	\$ 97,899,000	\$ 78,305,580
State's proportionate share of the net pension liability associated with the District	63,051,841	56,997,669	66,851,898	68,690,922	59,868,794	51,777,779	44,461,794
Total	<u>\$ 185,363,822</u>	<u>\$ 161,471,903</u>	<u>\$ 183,614,233</u>	<u>\$ 184,802,997</u>	<u>\$ 165,034,207</u>	<u>\$ 149,676,779</u>	<u>\$ 122,767,374</u>
Covered payroll	<u>\$ 67,322,725</u>	<u>\$ 64,156,210</u>	<u>\$ 65,674,109</u>	<u>\$ 63,740,755</u>	<u>\$ 66,704,529</u>	<u>\$ 61,600,000</u>	<u>\$ 58,100,000</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	181.68%	162.84%	177.79%	182.16%	157.66%	158.93%	134.78%
Plan fiduciary net position as a percentage of the total pension liability	72%	73%	71%	69%	70%	74%	77%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS - Schools Pool Plan							
Proportion of the net pension liability	0.2996%	0.2868%	0.3041%	0.3142%	0.3087%	0.3072%	0.3302%
Proportionate share of the net pension liability	\$ 91,930,297	\$ 83,586,461	\$ 81,077,355	\$ 74,998,103	\$ 60,962,426	\$ 45,285,610	\$ 37,485,740
Covered payroll	<u>\$ 42,834,506</u>	<u>\$ 39,761,328</u>	<u>\$ 40,775,604</u>	<u>\$ 39,418,152</u>	<u>\$ 36,460,615</u>	<u>\$ 33,980,010</u>	<u>\$ 35,000,000</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	214.62%	210.22%	198.84%	190.26%	167.20%	133.27%	107.10%
Plan fiduciary net position as a percentage of the total pension liability	70%	70%	71%	72%	74%	79%	83%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

Note: In the future, as data becomes available, ten years of information will be presented.

Santa Monica Community College District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
CalPERS - Safety Pool Plan							
Proportion of the net pension liability	0.0738%	0.0707%	0.0685%	0.0663%	0.0652%	0.0602%	0.0394%
Proportionate share of the net pension liability	\$ 4,919,902	\$ 4,416,271	\$ 4,017,624	\$ 3,961,254	\$ 3,375,206	\$ 2,480,980	\$ 2,448,810
Covered payroll	\$ 1,845,603	\$ 1,666,887	\$ 1,583,133	\$ 1,619,385	\$ 1,393,007	\$ 1,338,476	\$ 1,109,427
Proportionate share of the net pension liability as a percentage of its covered payroll	266.57%	264.94%	253.78%	244.61%	242.30%	185.36%	220.73%
Plan fiduciary net position as a percentage of the total pension liability	73%	73%	71%	72%	70%	77%	81%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

Note: In the future, as data becomes available, ten years of information will be presented.

Santa Monica Community College District
Schedule of the District Contributions for Pensions
Year Ended June 30, 2021

	2021	2020	2019	2018	2017	2016	2015
CalSTRS							
Contractually required contribution	\$ 9,536,977	\$ 11,512,186	\$ 10,444,631	\$ 9,476,774	\$ 8,018,587	\$ 7,157,396	\$ 5,472,236
Contributions in relation to the contractually required contribution	<u>(9,536,977)</u>	<u>(11,512,186)</u>	<u>(10,444,631)</u>	<u>(9,476,774)</u>	<u>(8,018,587)</u>	<u>(7,157,396)</u>	<u>(5,472,236)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 59,052,489</u>	<u>\$ 67,322,725</u>	<u>\$ 64,156,210</u>	<u>\$ 65,674,109</u>	<u>\$ 63,740,755</u>	<u>\$ 66,704,529</u>	<u>\$ 61,600,000</u>
Contributions as a percentage of covered payroll	<u>16.15%</u>	<u>17.10%</u>	<u>16.28%</u>	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
CalPERS - Schools Pool Plan							
Contractually required contribution	\$ 7,594,131	\$ 8,447,393	\$ 7,181,691	\$ 6,332,859	\$ 5,474,393	\$ 4,319,489	\$ 3,999,787
Contributions in relation to the contractually required contribution	<u>(7,594,131)</u>	<u>(8,447,393)</u>	<u>(7,181,691)</u>	<u>(6,332,859)</u>	<u>(5,474,393)</u>	<u>(4,319,489)</u>	<u>(3,999,787)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 36,686,623</u>	<u>\$ 42,834,506</u>	<u>\$ 39,761,328</u>	<u>\$ 40,775,604</u>	<u>\$ 39,418,152</u>	<u>\$ 36,460,615</u>	<u>\$ 33,980,000</u>
Contributions as a percentage of covered payroll	<u>20.700%</u>	<u>19.721%</u>	<u>18.062%</u>	<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>
CalPERS - Safety Pool Plan							
Contractually required contribution	\$ 594,592	\$ 562,493	\$ 467,958	\$ 407,109	\$ 387,467	\$ 331,257	\$ 301,157
Contributions in relation to the contractually required contribution	<u>(594,592)</u>	<u>(562,493)</u>	<u>(467,958)</u>	<u>(407,109)</u>	<u>(387,467)</u>	<u>(331,257)</u>	<u>(301,157)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 1,637,794</u>	<u>\$ 1,845,603</u>	<u>\$ 1,666,887</u>	<u>\$ 1,583,133</u>	<u>\$ 1,619,385</u>	<u>\$ 1,393,007</u>	<u>\$ 1,338,476</u>
Contributions as a percentage of covered payroll	<u>36.30%</u>	<u>30.48%</u>	<u>28.07%</u>	<u>25.72%</u>	<u>23.93%</u>	<u>23.78%</u>	<u>22.50%</u>

Note : In the future, as data becomes available, ten years of information will be presented.

Note 1 - Purpose of Schedules

Schedule of Changes in the District's Net OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the net OPEB liability, including beginning and ending balances, the Plan's fiduciary net position, and the net OPEB liability. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* - There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* - The plan rate of investment return assumption was changed from 4.30% to 2.80% since the previous valuation.

Schedule of OPEB Investment Returns

This schedule presents information on the annual money-weighted rate of return on OPEB plan investments. In future years, as data becomes available, ten years of information will be presented.

Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program

This schedule presents information on the District's proportionate share of the net OPEB liability - MPP program and the Plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* - There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* - The plan rate of investment return assumption was changed from 3.50% to 2.21% since the previous valuation.

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the Plans' fiduciary net positions and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* - There were no changes in benefit terms since the previous valuations for CalSTRS, CalPERS Schools Pool Plan, or CalPERS Safety Pool Plan.
- *Changes of Assumptions* - There were no changes in economic assumptions for the CalSTRS, CalPERS Schools Pool Plan, or CalPERS Safety Pool Plan from the previous valuations.

Schedule of District Contributions for Pensions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.



Supplementary Information
June 30, 2021

Santa Monica Community College District

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. The District's college accredited by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges, which is one of six regional associations that accredit public and private schools, colleges, and universities in the United States. There were no changes in the boundaries of the District during the current year.

Board of Trustees as of June 30, 2021

Member	Office	Term Expires
Rob Rader	Chair	2024
Dr. Louise Jaffe	Vice Chair	2022
Dr. Nancy Greenstein	Member	2022
Dr. Susan Aminoff	Member	2024
Dr. Margaret Quinones-Perez	Member	2024
Barry Snell	Member	2022
Dr. Sion Roy	Member	2022
Ali Shirvani	Student Trustee	2022

Administration as of June 30, 2021

Dr. Kathryn E. Jeffery	Superintendent/President
Dr. Jennifer B. Merlic	Vice President, Academic Affairs
Chris Bonvenuto	Vice President, Business and Administration
Michael Tuitasi	Vice President, Student Services
Teresita Rodriguez	Vice President, Enrollment Development
Sherri Lee-Lewis	Vice President, Human Resources
Donald Girard	Senior Director, Government Relations and Institutional Communications

Auxiliary Organizations in Good Standing

The District did not identify any auxiliary organizations in good standing.

Santa Monica Community College District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed through to Subrecipients
U.S. Department of Education				
Student Financial Assistance Cluster				
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		\$ 750,652	\$ -
FSEOG Administrative Allowance	84.007		40,325	-
Federal Work-Study Program	84.033		285,810	-
Federal Work-Study Program Administrative Allowance	84.033		45,472	-
Federal Pell Grant Program	84.063		23,984,604	-
Federal Pell Grant Program Administrative Allowance	84.063		32,780	-
Federal Direct Student Loans	84.268		2,368,186	-
Subtotal Student Financial Assistance Cluster			<u>27,507,829</u>	<u>-</u>
TRIO Cluster				
Upward Bound	84.047A		294,460	-
Subtotal TRIO Cluster			<u>294,460</u>	<u>-</u>
COVID-19: Higher Education Emergency Relief Funds, Student Aid Portion	84.425E		9,638,050	-
COVID-19: Higher Education Emergency Relief Funds, Institutional Portion	84.425F		26,800,898	-
COVID-19: Higher Education Emergency Relief Funds, Minority Serving Institutions	84.425L		1,190,361	-
Subtotal			<u>37,629,309</u>	<u>-</u>
Hispanic Serving Institutions: Science, Technology, Engineering and Mathematics (STEM)	84.031C		906,664	142,157
Navigating the Pathway to Success	84.031S		306,188	-
Subtotal			<u>1,212,852</u>	<u>142,157</u>
Child Care Access Means Parents in School (CCAMPIS) Passed through California Community Colleges Chancellor's Office Career and Technical Education Act, Perkins Title I, Part C	84.335A 84.048A	20-C01-780	365,815 890,485	- -
Total U.S. Department of Education			<u>67,900,750</u>	<u>142,157</u>
U.S. Department of the Treasury				
Passed through California Community Colleges Chancellor's Office COVID-19: Coronavirus Relief Fund	21.019	[1]	989,704	-
National Endowment for the Humanities				
Mapping and Preserving the Art and Hidden Histories of Santa Monica	45.162		31,203	-
National Science Foundation				
Research and Development Cluster H.S.I. STEM Education Program	47.076		518,362	-
Subtotal Research and Development Cluster			<u>518,362</u>	<u>-</u>
U.S. Department of Health and Human Services				
Passed through California Community Colleges Chancellor's Office Temporary Assistance for Needy Families (TANF)	93.558	[1]	57,890	-
Total Federal Financial Assistance			<u>\$ 69,497,909</u>	<u>\$ 142,157</u>

[1] Pass-Through Entity Identifying Number not available.

Santa Monica Community College District
Schedule of Expenditures of State Awards
Year Ended June 30, 2021

Program	Program Revenues			Total Revenue	Program Expenditures
	Cash Received	Accounts Receivable	Unearned Revenue		
GENERAL FUND					
Adult Education Block Grant	\$ 485,464	\$ 270	\$ 47,604	\$ 438,130	\$ 438,130
Award for Innovation in Higher Education	926,981	-	722,892	204,089	204,089
CalFresh Outreach	50,070	-	44,292	5,778	5,778
California Community Colleges Mental Health Services Grant	217,970	84,023	-	301,993	301,993
CalWORKS	363,927	-	25,055	338,872	338,872
Classified Professional Development	95,161	-	95,161	-	-
Clean Energy Workforce Program - ETP	298,275	219,401	-	517,676	517,676
Cooperative Agencies Resources for Education (CARE)	102,967	-	-	102,967	102,967
COVID-19 State Block Grant	1,214,875	-	1,184,232	30,643	30,643
Disabled Student Program and Services (DSPS)	2,361,380	-	-	2,361,380	2,361,380
Dream Resource Lisasion Support	78,664	-	78,664	-	-
Equal Employment Opportunity - Faculty & Staff Diversity	134,664	-	113,346	21,318	21,318
Extended Opportunity Program and Services (EOPS)	1,244,151	-	-	1,244,151	1,244,151
Financial Aid Technology (One Time)	189,284	-	4,613	184,671	184,671
Financial Aid Technology (On-Going)	85,067	-	-	85,067	85,067
Foundation for CA Community College Health & Wellness	1,500	-	1,500	-	-
Guided Pathways	787,543	-	557,245	230,298	230,298
Hunger Free Campus	139,150	-	60	139,090	139,090
Improving Online CTE Pathways	179,299	7,164	-	186,463	186,463
Instructional Equipment and Library Materials	41,009	-	41,009	-	-
Leadership Development	1,030	-	1,030	-	-
Mental Health Support Allocation	64,742	-	-	64,742	64,742
Nursing Education	251,070	-	578	250,492	250,492
Physical Plant and Instructional Support	391,253	-	47,759	343,494	343,494
Retention & Enrollment Outreach	246,708	-	246,708	-	-
Scheduled Maintenance and Instructional Equipment - One-time	27,419	-	2,659	24,760	24,760
SFAA Financial Aid BFAP	957,943	-	361,598	596,345	596,345
Strong Workforce Program (SWP)	3,010,385	-	1,785,983	1,224,402	1,224,402

Santa Monica Community College District
Schedule of Expenditures of State Awards
Year Ended June 30, 2021

Program	Program Revenues			Total Revenue	Program Expenditures
	Cash Received	Accounts Receivable	Unearned Revenue		
GENERAL FUND (continued)					
Strong Workforce Program (SWP) - Regional	\$ 176,500	\$ 4,088,527	\$ -	\$ 4,265,027	\$ 4,265,027
Student Equity Achievement Program (SEAP)	5,617,513	8,108,608	5,383,617	8,342,504	8,342,504
Textbook Affordability Program	1,461	-	-	1,461	1,461
Transfer and Articulation	2,428	-	2,328	100	100
UMOJA Black Collegians	2,580	-	-	2,580	2,580
Veteran Resource Center	220,620	-	202,028	18,592	18,592
Veterans Resources Center Program	26,100	29,319	-	55,419	55,419
Veteran Resource Center One-Time	55,655	-	55,655	-	-
Zero Textbook Cost Degree - Planning	21,028	-	21,028	-	-
CAPITAL PROJECT FUND					
Physical Plant and Instructional Support	1,935,641	-	1,212,749	722,892	722,892
Prop 39 - Clean Energy Project	1,311,019	-	-	1,311,019	1,311,019
STUDENT FINANCIAL AID FUND					
Student Success Completion Grant	2,558,223	-	-	2,558,223	2,558,223
Cal Grant BOGG	3,431,730	-	-	3,431,730	3,431,730
California College Promise	1,841,583	-	740,818	1,100,765	1,100,765
Disaster Relife Emergency Student Financial Aid	181,396	-	29,146	152,250	152,250
Emergency Action Plan - Financial Aid	1,928,481	-	853,156	1,075,325	1,075,325
Total state programs	<u>\$ 33,259,909</u>	<u>\$ 12,537,312</u>	<u>\$ 13,862,513</u>	<u>\$ 31,934,708</u>	<u>\$ 31,934,708</u>

Santa Monica Community College District
Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance
Year Ended June 30, 2021

CATEGORIES	Reported Data**	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2020 only)			
1. Noncredit*	87.94	-	87.94
2. Credit	2,160.40	-	2,160.40
B. Summer Intersession (Summer 2021 - Prior to July 1, 2021)			
1. Noncredit*	-	-	-
2. Credit	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	6,731.68	-	6,731.68
(b) Daily Census Contact Hours	1,138.18	-	1,138.18
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	-	-	-
(b) Credit	116.00	-	116.00
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Procedure Courses	4,784.61	-	4,784.61
(b) Daily Census Procedure Courses	4,170.60	-	4,170.60
(c) Noncredit Independent Study/Distance Education Courses	730.77	-	730.77
D. Total FTES	<u>19,920.18</u>	<u>-</u>	<u>19,920.18</u>
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
F. Basic Skills Courses and Immigrant Education			
1. Noncredit*	112.45	-	112.45
2. Credit	298.62	-	298.62
<u>CCFS-320 Addendum</u>			
CDCP Noncredit FTES	136.68	-	136.68
Centers FTES			
1. Noncredit*	-	-	-
2. Credit	1,059.49	-	1,059.49

*Including Career Development and College Preparation (CDCP) FTES.

**Annual report revised as of November 9, 2021.

Santa Monica Community College District
 Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation
 Year Ended June 30, 2021

	Object/TOP	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported	Audit	Revised	Reported	Audit	Revised
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	\$ 28,355,558	\$ -	\$ 28,355,558	\$ 28,355,558	\$ -	\$ 28,355,558
Other	1300	32,547,555	-	32,547,555	32,547,555	-	32,547,555
Total Instructional Salaries		60,903,113	-	60,903,113	60,903,113	-	60,903,113
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	11,633,847	-	11,633,847
Other	1400	-	-	-	4,719,681	-	4,719,681
Total Noninstructional Salaries		-	-	-	16,353,528	-	16,353,528
Total Academic Salaries		60,903,113	-	60,903,113	77,256,641	-	77,256,641
<u>Classified Salaries</u>							
Noninstructional Salaries							
Regular Status	2100	-	-	-	26,887,117	-	26,887,117
Other	2300	-	-	-	1,198,949	-	1,198,949
Total Noninstructional Salaries		-	-	-	28,086,066	-	28,086,066
Instructional Aides							
Regular Status	2200	3,387,303	-	3,387,303	3,387,303	-	3,387,303
Other	2400	342,871	-	342,871	342,871	-	342,871
Total Instructional Aides		3,730,174	-	3,730,174	3,730,174	-	3,730,174
Total Classified Salaries		3,730,174	-	3,730,174	31,816,240	-	31,816,240
Employee Benefits	3000	26,721,679	-	26,721,679	53,425,262	-	53,425,262
Supplies and Material	4000	-	-	-	417,135	-	417,135
Other Operating Expenses	5000	74,877	-	74,877	13,588,065	-	13,588,065
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures		91,429,843	-	91,429,843	176,503,343	-	176,503,343

Santa Monica Community College District
 Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation
 Year Ended June 30, 2021

	Object/TOP	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported	Audit	Revised	Reported	Audit	Revised
<u>Exclusions</u>							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	\$ 2,103,096	\$ -	\$ 2,103,096	\$ 2,103,096	\$ -	\$ 2,103,096
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	250,000	-	250,000
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	3,183,990	-	3,183,990
Objects to Exclude							
Rents and Leases	5060	-	-	-	-	-	-
Lottery Expenditures							
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	2,724,052	-	2,724,052
Employee Benefits	3000	-	-	-	1,217,366	-	1,217,366
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-

Santa Monica Community College District
 Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation
 Year Ended June 30, 2021

	Object/TOP	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported	Audit	Revised	Reported	Audit	Revised
Other Operating Expenses and Services	5000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Outlay	6000						
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		2,103,096	-	2,103,096	9,478,504	-	9,478,504
Total for ECS 84362, 50% Law Percent of CEE (Instructional Salary Cost/Total CEE) 50% of Current Expense of Education		\$89,326,747	\$ -	\$89,326,747	\$ 167,024,839	\$ -	\$ 167,024,839
		53.48%		53.48%	100.00%		100.00%
					\$ 83,512,420		\$ 83,512,420

Santa Monica Community College District
Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements
Year Ended June 30, 2021

Summarized below is the fund balance reconciliation between the Annual Financial and Budget Report (CCFS- 311) and the audited financial statements.

	<u>Unrestricted General Fund</u>
Fund Balance	
Balance, June 30, 2021, (CCFS-311)	\$ 35,483,750
Increase in	
Cash with fiscal agent	<u>2,608,030</u>
Balance, June 30, 2021, Audited	<u>\$ 38,091,780</u>

Santa Monica Community College District
 Proposition 30 Education Protection Account (EPA) Expenditure Report
 Year Ended June 30, 2021

Activity Classification	Object Code	Unrestricted			
EPA Revenue:	8630	\$ 32,754,340			
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	\$ 32,754,340	\$ -	\$ -	\$ 32,754,340
Total Expenditures for EPA		\$ 32,754,340	\$ -	\$ -	\$ 32,754,340
Revenues Less Expenditures					\$ -

Santa Monica Community College District
 Reconciliation of Government Funds to the Statement of Net Position
 Year Ended June 30, 2021

Amounts reported for governmental activities in the Statement of Net Position are different because

Total fund balance		
General Funds	\$ 48,042,277	
Special Revenue Funds	18,396,022	
Capital Project Funds	113,180,621	
Debt Service Funds	47,529,709	
Fiduciary Funds	<u>9,907,907</u>	
Total fund balance - all District funds		\$ 237,056,536
Amounts held in trust on behalf of others (OPEB Trust)		(9,907,907)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	901,486,300	
Accumulated depreciation is	<u>(207,756,519)</u>	
Total capital assets, net		693,729,781
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the District's funds.		
Deferred outflows of resources at year-end consist of:		
Deferred outflows of resources related to debt refunding	29,427,532	
Deferred outflows of resources related to OPEB	60,215,897	
Deferred outflows of resources related to pensions	<u>49,385,255</u>	
Total deferred outflows of resources		139,028,684
In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term liabilities is recognized when it is incurred.		(8,192,357)

Santa Monica Community College District
Reconciliation of Government Funds to the Statement of Net Position
Year Ended June 30, 2021

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year end consist of:

General obligation bonds	\$(636,703,513)
Compensated absences	(9,998,753)
Load banking	(3,382,956)
Supplemental employee retirement plan	(6,417,416)
Aggregate net other postemployment benefits (OPEB) liability	(177,124,297)
Aggregate net pension liability	(219,162,180)

In addition, the District has issued 'capital appreciation' general obligation bonds. The accretion of interest unmatured on the general obligation bonds to date is	(42,318,384)
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Total long-term liabilities	\$ (1,095,107,499)
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Deferred inflows of resources represent an acquisition of net position in a future period and is not reported in the District's funds.

Deferred inflows of resources amount to and related to

Deferred inflows of resources related to OPEB	(119,616)
Deferred inflows of resources related to pensions	(17,389,780)

Total deferred inflows of resources	(17,509,396)
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Total net position	\$ (60,902,158)
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Note 1 - Purpose of Schedules

District Organization

This schedule provides information about the District's governing board members, administration members, and auxiliary organizations in good standing.

Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2021. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the modified accrual basis of accounting, except for subrecipient expenditures, which are recorded on the cash basis. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate

The District has elected to use the 10% de minimis cost rate.

Donated Personal Protective Equipment (PPE) (unaudited)

Nonmonetary assistance of PPE received during the emergency period of the COVID-19 pandemic was approximately \$320.9 thousand and is based on the estimated fair market value of the PPE received. The donated PPE was generally provided by donors without information about compliance or reporting requirements associated with federal financial assistance listing or CFDA numbers. The donated PPE is not included in the Schedule of Expenditure of Federal Awards.

Schedule of Expenditures of State Awards

The accompanying Schedule of Expenditures of State Awards includes the state grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The information in this schedule is presented to comply with reporting requirements of the California State Chancellor's Office.

Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance

FTES is a measurement of the number of students attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis for making apportionments of State funds to community college districts. This schedule provides information regarding the attendance of students based on various methods of accumulating attendance data.

Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation

ECS 84362 requires the District to expend a minimum of 50% of the unrestricted General Fund monies on salaries of classroom instructors. This is reported annually to the State Chancellor's Office. This schedule provides a reconciliation of the amount reported to the State Chancellor's Office and the impact of any audit adjustments and/or corrections noted during the audit.

Reconciliation of Annual Financial and Budget Report (CCFS-311) With Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Form CCFS-311 to the District's audited financial statements.

Proposition 30 Education Protection Account (EPA) Expenditure Report

This schedule provides information about the District's EPA proceeds and summarizes the expenditures of EPA proceeds.

Reconciliation of Government Funds to the Statement of Net Position

This schedule provides a reconciliation of the adjustments necessary to bring the District's internal fund financial statements, prepared on a modified accrual basis, to the government-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.



Independent Auditor's Reports
June 30, 2021

**Santa Monica Community College
District**



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
Santa Monica Community College District
Santa Monica, California

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 financial statements of the business-type activities and the remaining fund information of Santa Monica Community College District (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated December 13, 2021.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 2 and Note 13 to the financial statements, the District adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which resulted in a restatement of net position (deficit) as of July 1, 2020. 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 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 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 District’s 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 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 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 internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 13, 2021



Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance

Board of Trustees
Santa Monica Community College District
Santa Monica, California

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 *OMB 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, 2021. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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.

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, 2021.

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 the Uniform Guidance, 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 in internal control over compliance, 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.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Rancho Cucamonga, California
December 13, 2021



Independent Auditor's Report on State Compliance

Board of Trustees
Santa Monica Community College District
Santa Monica, California

Report on State Compliance

We have audited Santa Monica Community College District's (the District) compliance with the types of compliance requirements described in the 2020-2021 California Community Colleges Chancellor's Office *Contracted District Audit Manual* applicable to the state laws and regulations listed in the table below for the year ended June 30, 2021.

Management's Responsibility

Management is responsible for compliance with the state laws and regulations as identified in the table below.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred in the table below. We conducted our audit 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 standards and procedures identified in the 2020-2021 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed in the table 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.

Compliance Requirements Tested

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

Section 411	SCFF Data Management Control Environment
Section 412	SCFF Supplemental Allocation Metrics
Section 413	SCFF Success Allocation Metrics
Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Activities Funded From Other Sources
Section 424	Student Centered Funding Formula Base Allocation: FTES
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Dual Enrollment (CCAP and Non-CCAP)
Section 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 444	Apprenticeship Related and Supplemental Instruction (RSI) Funds
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged Hours (TBA)
Section 490	Proposition 1D and 51 State Bond Funded Projects
Section 491	Education Protection Account Funds
Section 499	COVID-19 Response Block Grant Expenditures

The District reports no Apportionment for Activities Funded From Other Sources; therefore, the compliance tests within this section were not applicable.

The District reports no Apprenticeship Related and Supplemental Instruction (RSI) Funds; therefore, the compliance tests within this section were not applicable.

Unmodified Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state programs noted in the table above that were audited for the year ended June 30, 2021.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the 2020-2021 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.



Rancho Cucamonga, California
December 13, 2021



Schedule of Findings and Questioned Costs
June 30, 2021

Santa Monica Community College District

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	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 Uniform Guidance 2 CFR 200.516(a):	No

Identification of major programs:

Name of Federal Program or Cluster	Federal Financial Assistance Listing/ Federal CFDA Number
COVID-19: Higher Education Emergency Relief Funds, Student Aid Portion	84.425E
COVID-19: Higher Education Emergency Relief Funds, Institutional Portion	84.425F
COVID-19: Higher Education Emergency Relief Funds, Minority Serving Institutions	84.425L
Dollar threshold used to distinguish between type A and type B programs:	\$2,084,937
Auditee qualified as low-risk auditee?	Yes

STATE COMPLIANCE

Type of auditor's report issued on compliance for state programs:	Unmodified
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None reported.

None reported.

None reported.

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