



Financial Statements  
June 30, 2022

**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 Audit of the Financial Statements

#### ***Opinions***

We have audited the financial statements of the business-type activities and the remaining fund information of the Santa Monica Community College District (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2022, 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.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Adoption of New Accounting Standard***

As discussed in Note 2 and Note 13 to the financial statements, the District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ending June 30, 2022. Our opinions are not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 20 and other required supplementary schedules on pages 74 through 82 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

### ***Supplementary 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, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 content 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 21, 2022 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, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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.

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

Rancho Cucamonga, California  
December 21, 2022



## **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, 2022. 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.

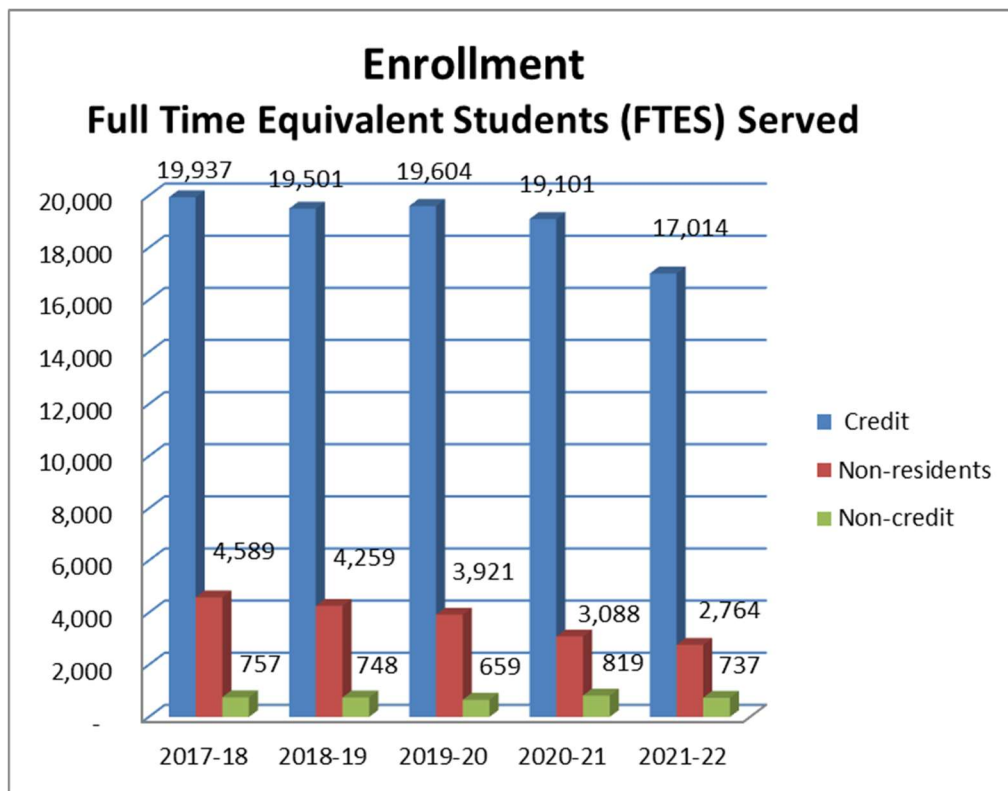
Santa Monica Community College District is the preeminent educational, cultural, and economic development institution in the City of Santa Monica. The District offers programs of the highest quality for residents of Santa Monica, Malibu, and any students who continue with their higher education studies. 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 2021-2022 as a result of the on-going COVID-19 pandemic. 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 2021-2022, total FTES reported decreased from 23,008 in the prior year to 20,515 (approximately 10.84%).

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 a new funding formula to determine the Apportionment allocation for each District named the Student-Centered Funding Formula (SCFF). The SCFF calculates Apportionment to be distributed to three main factors: base allocation (enrollment) - 70%, supplemental allocation (number of students receiving financial aid) – 20%, and the student success allocation (number of student success outcome achieved) – 10%. The original SCFF legislation contained a hold harmless provision that 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. The Governor's 2022-2023 Enacted Budget includes a modified hold harmless provision where starting 2025-2026, Districts would continue to receive funding at the greater of the 2024-2025, without further COLA increases, or the amount calculated under the SCFF. For 2022-2023, the District projects that it will be funded under the hold harmless provision. Projection shows that if the resident enrollment stays flat through 2025-26, the District will not be receiving a COLA increase due to this provision starting in 2025-2026.



- As reported to the State Chancellor's Office on the Annual Financial and Budget Report (CCFS-311), the District ended the 2021-2022 fiscal year with an Unrestricted General Fund balance of \$43,914,608 or 22.65% of total expenditures and transfers. This represents a \$8,430,858 increase in fund balance from the prior year.
- During 2021-2022, the District continued to make significant construction progress on the Malibu Campus Facility and the new Math and Science Building. In addition, the District is in the design and planning phase of the new Art Complex which is expected to begin construction in 2023.
- In April of 2022, the District issued \$165 Million of General Obligation Bonds (Series 2022 B and B-1). As part of the bond issuance, the District's bond rating was reviewed by the rating agencies. Both Moody's and S&P Global reaffirmed the District's credit rating at Aa2 and AA+, respectively. The credit strengths noted by the rating agencies include a strong management team, conservative budgeting, very strong income and property wealth indicators, and a broad and diverse tax base. 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, 2022

The Statement of Net Position as of June 30, 2022 and June 30, 2021 are summarized below:

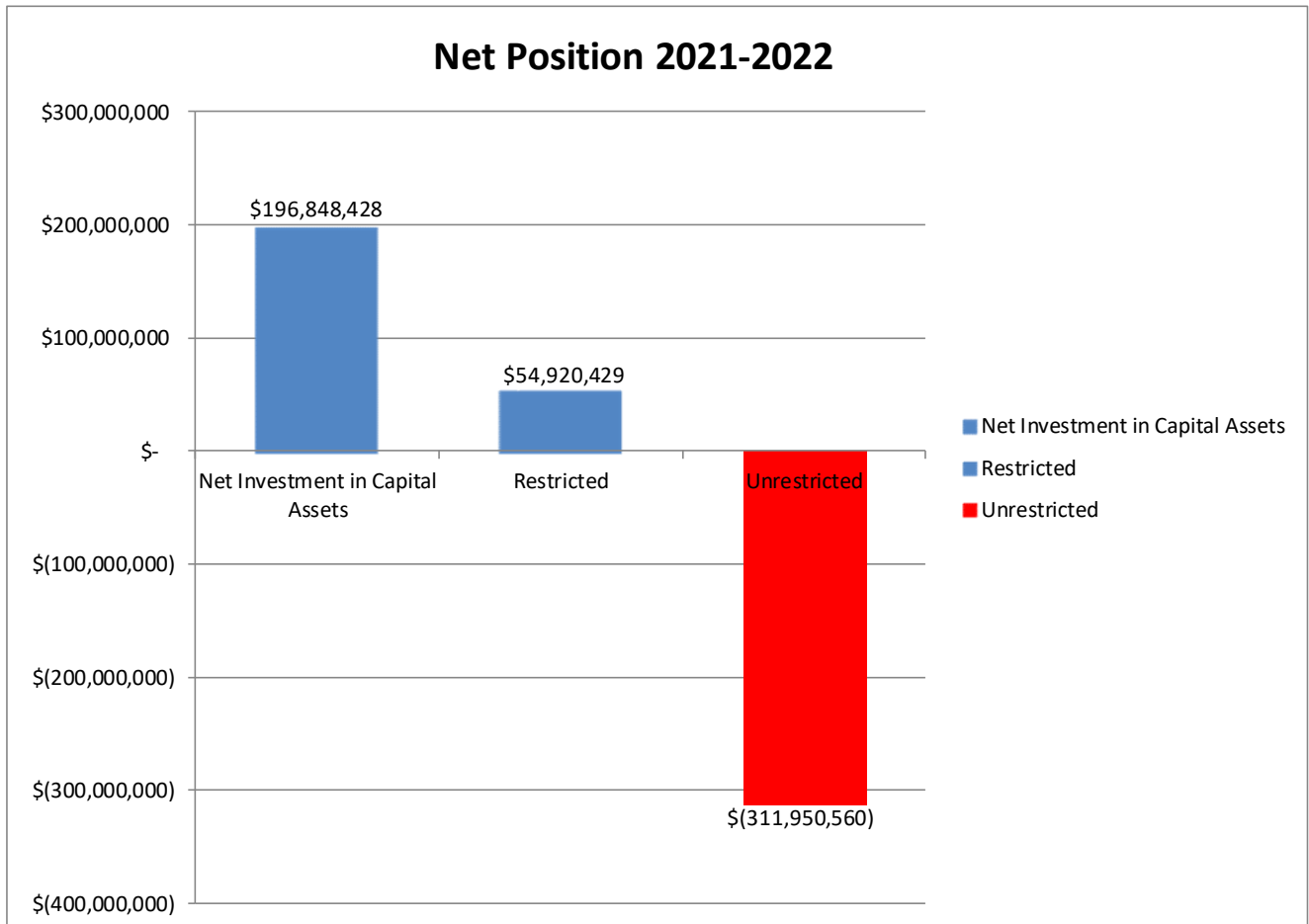
	2022	2021, as restated	Change
<b>Assets</b>			
Cash and investments	\$ 381,116,805	\$ 244,514,919	\$ 136,601,886
Receivables, net	31,011,719	50,294,127	(19,282,408)
Other current assets	3,408,372	3,546,195	(137,823)
Capital and right-to-use leased assets, net	732,251,932	713,913,505	18,338,427
<b>Total assets</b>	<b>1,147,788,828</b>	<b>1,012,268,746</b>	<b>135,520,082</b>
Deferred Outflows of Resources	126,014,465	139,028,684	(13,014,219)
<b>Liabilities</b>			
Accounts payable and accrued liabilities	75,212,167	79,398,969	(4,186,802)
Current portion of long-term liabilities	30,183,887	35,396,377	(5,212,490)
Noncurrent portion of long-term liabilities	1,128,297,636	1,079,894,846	48,402,790
<b>Total liabilities</b>	<b>1,233,693,690</b>	<b>1,194,690,192</b>	<b>39,003,498</b>
Deferred Inflows of Resources	100,291,306	17,509,396	82,781,910
<b>Net Position (Deficit)</b>			
Net investment in capital assets	196,848,428	193,077,718	3,770,710
Restricted	54,920,429	59,231,376	(4,310,947)
Unrestricted deficit	(311,950,560)	(313,211,252)	1,260,692
<b>Total net position (deficit)</b>	<b>\$ (60,181,703)</b>	<b>\$ (60,902,158)</b>	<b>\$ 720,455</b>

- Approximately 94% 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 increase primarily due to issuance of bonds in the Bond Interest and Redemption fund.
- Accounts receivable (net) decreased due to accrual of deferred apportionment payment in the prior year. The State of California faced a fiscal year 2020-2021 deficit in excess of \$54 billion. As an alternative to reducing funding to K-14 education, the State implemented a process called "Deferrals". Under a deferral process the District is directed to count the payments as if they occurred, hence not resulting in a funding reduction, while the State will count the expense in a future year when the payment is made, resulting in a current year savings to the State. The 2020-2021 Budget Act deferred a total of \$1.45 billion of apportionment payments from fiscal year 2020-2021 to fiscal year 2021-2022 for the entire Community College System which equated to an apportionment deferral for the District of \$23.1 million or 17% of the total computational revenue.

- 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. Changes of economic assumptions reflect a change in the discount rate from 2.80% to 2.72% and change in the inflation rate from 2.75% to 2.5%.
- Accounts payable and accrued liabilities decreased primarily due to the recognition of the Tax and Revenue Anticipation Notes obtained in 2021-2022.
- Current portion of long-term liabilities decreased due to current year’s general obligation bonds debt services payment due and the 2017 Supplemental Early Retirement Plan (SERP) offered for the full time faculty, California School Employees Association (CSEA) classified employees, academic administrators, classified administrators, classified managers and classified confidential employees obligation was paid in full as of June 30, 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:

<b>Santa Monica College Net Pension Liability</b>	
<b>Pension Fund</b>	<b>Net Liability</b>
<b>CalSTRS</b>	<b>\$56,391,618</b>
<b>CalPERS</b>	<b>\$56,832,241</b>
<b>CalPERS Safety</b>	<b>\$3,024,218</b>
<b>Total</b>	<b>\$116,248,077</b>



**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 2021-2022 and 2020-2021 is provided on the following page.

Santa Monica Community College District  
Management's Discussion and Analysis  
June 30, 2022

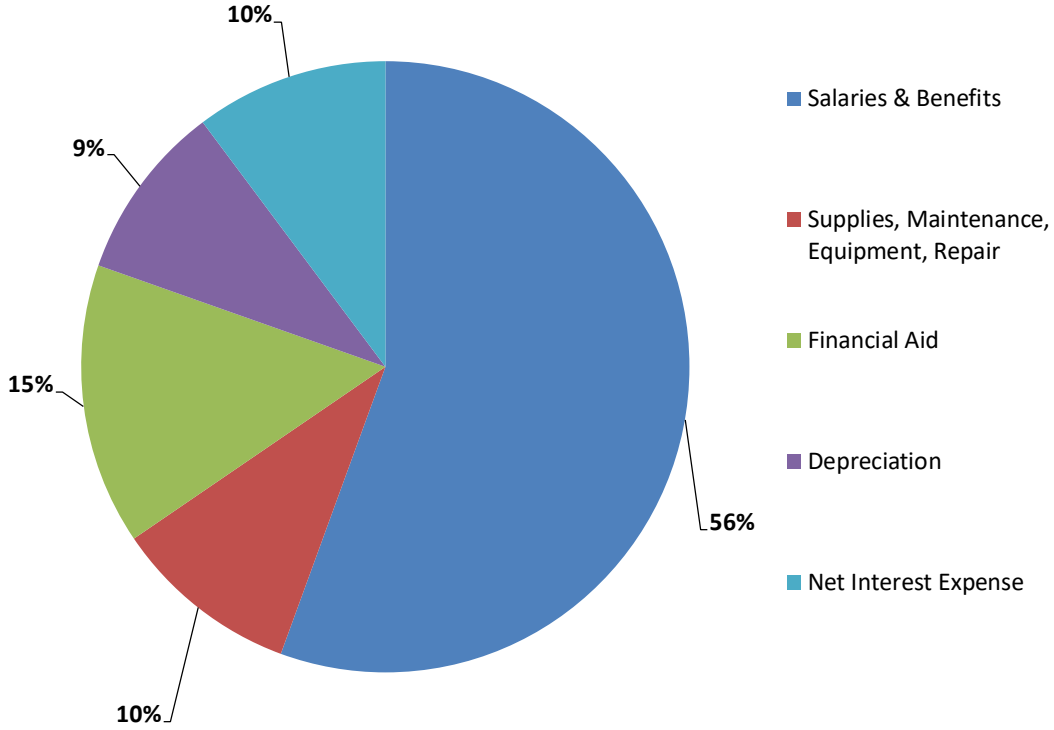
The Statement of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2022 and June 30, 2021 are summarized below:

	<u>2022</u>	<u>2021</u>	<u>Change</u>
<b>Operating Revenues</b>			
Tuition and fees, net	\$ 40,676,443	\$ 43,944,713	\$ (3,268,270)
Grants and contracts, noncapital	42,975,310	59,833,976	(16,858,666)
Auxiliary sales and charges	1,576,297	1,612,578	(36,281)
<b>Total operating revenues</b>	<u>85,228,050</u>	<u>105,391,267</u>	<u>(20,163,217)</u>
<b>Operating Expenses</b>			
Salaries and benefits	196,823,502	231,269,636	(34,446,134)
Supplies, services, equipment, and maintenance	35,096,290	36,763,883	(1,667,593)
Student financial aid	52,734,273	46,392,478	6,341,795
Depreciation and amortization	33,185,658	27,199,685	5,985,973
<b>Total operating expenses</b>	<u>317,839,723</u>	<u>341,625,682</u>	<u>(23,785,959)</u>
<b>Loss on operations</b>	<u>(232,611,673)</u>	<u>(236,234,415)</u>	<u>3,622,742</u>
<b>Nonoperating Revenues (Expenses)</b>			
State apportionments, noncapital	97,831,112	87,001,125	10,829,987
Property taxes	77,376,574	86,757,988	(9,381,414)
Student financial aid grants	51,915,712	45,059,784	6,855,928
State revenues	15,495,100	13,345,189	2,149,911
Net interest expense	(36,298,439)	(21,410,689)	(14,887,750)
Other nonoperating revenues	9,221,368	11,140,640	(1,919,272)
<b>Total nonoperating revenue (expenses)</b>	<u>215,541,427</u>	<u>221,894,037</u>	<u>(6,352,610)</u>
<b>Other Revenues and Losses</b>			
State and local capital income, and loss on disposal of capital assets	17,790,701	7,966,058	9,824,643
<b>Change in net position (deficit)</b>	<u>\$ 720,455</u>	<u>\$ (6,374,320)</u>	<u>\$ 7,094,775</u>

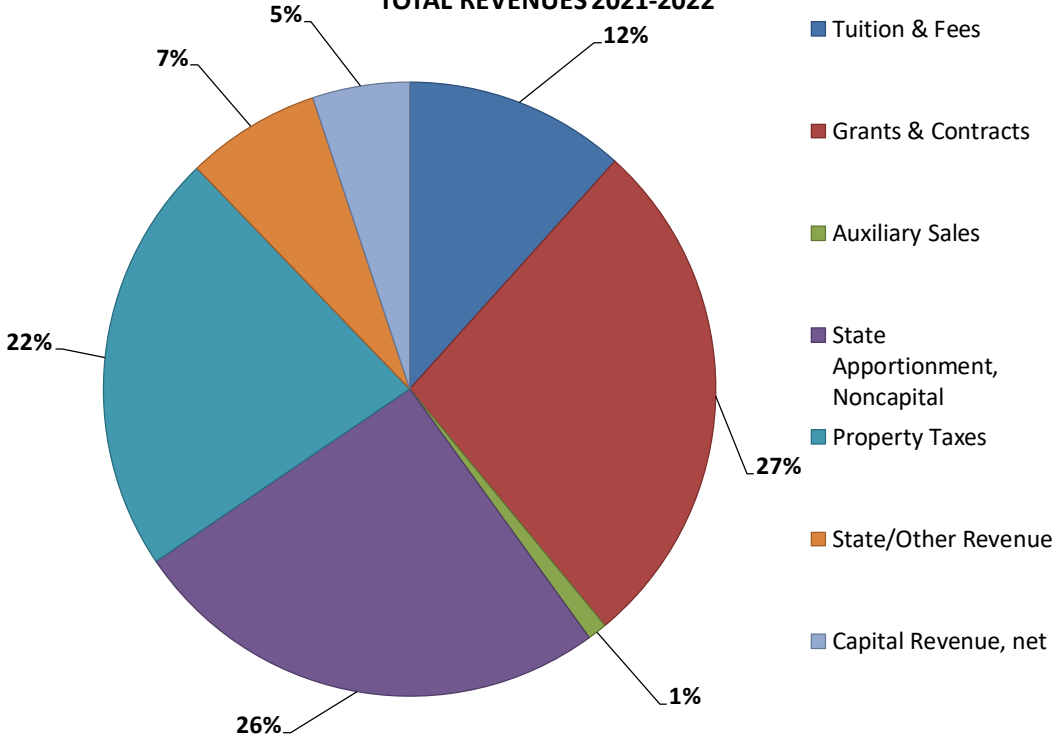
- Tuition and fees declined primarily due to the decline in nonresident tuition.
- Total operating revenues decreased primarily due to receipt of the Higher Education Emergency Relief Fund (HEERF), which backfilled lost revenues due to the COVID-19 pandemic. The prior year amount included lost revenues for both fiscal year 2019-2020 and 2020-2021.
- Salary and benefits expenses includes pension and other post employment benefit (OPEB) expense. Total salaries and benefit expense decreased primarily due to a decrease in the pension liabilities.

- 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.
- Net interest expense decreased primarily due to the change in fair market value

**TOTAL EXPENSES 2021-2022**



**TOTAL REVENUES 2021-2022**



**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 and Amortization	Total
Instructional activities	\$ 64,363,495	\$ 23,665,399	\$ 1,151,229	\$ -	\$ -	\$ 89,180,123
Academic support	14,276,045	5,133,448	455,309	-	-	19,864,802
Student services	25,825,901	8,356,109	3,864,212	156,108	-	38,202,330
Plant operations and maintenance	7,302,889	3,752,841	2,579,176	-	-	13,634,906
Instructional support services	19,705,607	15,197,780	4,258,693	-	-	39,162,080
Community services and economic development	804,719	330,531	34,902	-	-	1,170,152
Ancillary services and auxiliary operations	5,217,617	2,216,954	2,077,093	-	-	9,511,664
Student aid	-	-	-	52,578,165	-	52,578,165
Physical property and related acquisitions	463,093	211,074	20,455,810	-	-	21,129,977
Other outgo	-	-	219,866	-	-	219,866
Unallocated depreciation and amortization	-	-	-	-	33,185,658	33,185,658
<b>Total</b>	<b>\$ 137,959,366</b>	<b>\$ 58,864,136</b>	<b>\$ 35,096,290</b>	<b>\$ 52,734,273</b>	<b>\$ 33,185,658</b>	<b>\$ 317,839,723</b>



**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.

	2022	2021	Change
Net Cash Flows from			
Operating activities	\$ (201,267,014)	\$ (197,102,694)	\$ (4,164,320)
Noncapital financing activities	223,737,074	216,879,014	6,858,060
Capital financing activities	127,291,572	(125,022,037)	252,313,609
Investing activities	(13,159,746)	67,982,651	(81,142,397)
Net Increase (Decrease) in Cash	136,601,886	(37,263,066)	173,864,952
Cash, Beginning of Year	244,514,919	281,777,985	(37,263,066)
Cash, End of Year	\$ 381,116,805	\$ 244,514,919	\$ 136,601,886

- 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 decrease during the 2021-2022 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 and Right-to-use Leased Assets

As of June 30, 2022, the District has governmental capital assets of \$973.2 million, consisting of land, buildings and building improvements, construction in progress, vehicles, office and instructional equipment, with an accumulated depreciation and amortization of \$240.9 million for net governmental capital assets of \$732.3 million. Net additions to capital assets in 2021-2022 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, July 1, 2021, as restated	Additions	Deductions	Balance, June 30, 2022
<b>Capital Assets</b>				
Land and construction in progress	\$ 146,320,505	\$ 49,514,196	\$ (37,667,792)	\$ 158,166,909
Buildings and improvements	722,705,466	37,638,766	-	760,344,232
Furniture and equipment	32,460,329	2,038,915	(10,732)	34,488,512
Subtotal capital assets	901,486,300	89,191,877	(37,678,524)	952,999,653
Accumulated depreciation	(207,756,519)	(31,919,380)	10,732	(239,665,167)
Total capital assets, net	693,729,781	57,272,497	(37,667,792)	713,334,486
<b>Right-to-use Leased Assets</b>				
Land improvements	18,658,798	-	-	18,658,798
Buildings and improvements	1,524,926	-	-	1,524,926
Subtotal right-to-use leased assets	20,183,724	-	-	20,183,724
Accumulated Amortization	-	(1,266,278)	-	(1,266,278)
Total right-to-use leased assets, net	20,183,724	(1,266,278)	-	18,917,446
Total capital and right-to-use leased assets, net	\$ 713,913,505	\$ 56,006,219	\$ (37,667,792)	\$ 732,251,932

Long-Term Liabilities

At June 30, 2022, the District had approximately \$1.2 billion in long-term liabilities: \$14.7 million from compensated absences/load banking, \$3.8 million from the supplemental employee retirement plan, \$188.4 million from GASB Statement No. 75, other postemployment healthcare benefit liability, \$816.1 million from General Obligation Bonds, \$19.2 million from GASB 87 leases, and \$116.2 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 July 1, 2021, as restated	Additions	Deductions	Balance June 30, 2022
General obligation bonds	\$ 679,021,897	\$ 173,722,387	\$ (36,644,590)	\$ 816,099,694
Aggregate net OPEB liability	177,124,297	11,463,789	(189,046)	188,399,040
Aggregate net pension liability	219,162,180	-	(102,914,103)	116,248,077
Leases	20,183,724	-	(1,021,174)	19,162,550
Other long-term liabilities	19,799,125	1,363,240	(2,590,203)	18,572,162
Total long-term liabilities	\$ 1,115,291,223	\$ 186,549,416	\$ (143,359,116)	\$ 1,158,481,523
Amount due within one year				\$ 30,183,887

## **BUDGET FOR THE FUTURE – UNRESTRICTED GENERAL FUND – 2022-2023**

In this section, the District highlights some of the major budgetary assumptions presented in the 2022-2023 Adopted Budget to assist the reader in understanding the long-term fiscal stability of the Institution.

### **Overview**

For 2022-2023, the District is projecting a revenue decrease from the prior year actual of approximately <1.30%> or <\$2,634,137>. Expenditures are projected to increase 4.4% or \$8,525,526. The net effect of the projected changes in revenue and expenditures will result in a projected structural deficit of <\$1,517,174> and projected operating deficit, including one-time items of <\$2,728,805>, resulting in a projected ending Unrestricted General Fund Balance of \$41,185,803 including designated reserves, or 20.35% 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. The Governor's 2022-2023 Enacted Budget includes a modified hold harmless provision where starting 2025-2026, Districts would continue to receive funding at the greater of the 2024-2025, without further COLA increases, or the amount calculated under the SCFF.

### **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:

- Develop a Master Plan for Education: \$185,000 (one-time) to be funded by Unrestricted General Fund  
  
Purpose/Goal of Action Plan: Establish a task force comprised of representatives from all constituencies of the District who will work with Administrators and consultant in developing the District's Master Plan of Education.
- Relaunch The Center to be a Learning and Professional Development Center for All Employee Groups: \$415,750 (ongoing) to be funded by Unrestricted General Fund and \$276,250 (ongoing) to be funded by Student Equity and Achievement Program

Purpose/Goal of Action Plan: Support the Institutional Effectiveness Partnership Initiative in its design and implementation of a comprehensive professional development plan for all employee groups, which aligns with the District's redesign, equity mission, vision and goals, to improve student racial equity and sense of belonging on campus.

### Major Assumptions

The District's number one concern is to protect the health and safety of our campus community. Due to the diminishing impact of COVID-19, the District rescinded the requirement of evidence of COVID-19 vaccinations for employees and staff. The District will continue to promote vaccinations and implement all other safety and mitigation measures that have been in place throughout the pandemic—including mandatory indoor masking protocols, enhanced cleaning, disinfecting, air ventilation, and providing ample Personal Protective Equipment (PPE) wherever required. Santa Monica College will resume approximately 50% of class sections on-ground in Fall 2022 and plans to open more on ground sections during Spring 2023 dependent on demand. Support services and activities will also increase on campus service hours during the academic year depending on the demand.

The major revenue assumptions include the calculation of apportionment under the new Student-Centered Funding Formula, totaling to \$154,169,804 or 77.2% of the District's operating revenue. This includes a 6.56% Cost of Living allowance increase from 2021-2022 of \$9,947,269 net of the deficit factor of <\$102,900>. The adopted budget also assumed a non-repetition of prior year adjustment of <\$1,280,923>, a lower amount of HEERF backfill of lost revenues <\$11,934,448> and an increase in non-resident tuition of \$1,319,195 due to an increase in projected non-resident enrollment and increase of non-resident tuition fees from \$307 to \$316 per unit. The net effect of all changes in revenues has resulted in a projected decrease in total revenues of <\$2,634,137> or <1.30%> from the prior-year unaudited actuals.

The major expenditure assumptions include projected increases related to salary step and longevity \$1,467,729 vacancy list \$1,004,261, current employee and retiree health and welfare benefits \$3,683,603. Increases in supplies, services, capital and transfer expenditures \$3,810,685 mainly caused by the gradual return to on-ground classes and non-repetition of savings achieved in 2021-2022 generated by being in remote modality. Incentive payment of the December 2017 supplemental retirement plan completed in 2021-2022 <\$1,298,771>. The net effect of all changes in expenditures has resulted in a projected increase in total expenditures of approximately \$8,525,526 or 4.4% compared with prior year unaudited actuals. The breakdown of expenditures is as follows: 89.9% on salaries and benefits, 6.7% on contracts and services, 2.8% insurance and utilities, 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 2022-2023 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](mailto:businessservices@smc.edu).

Santa Monica Community College District

Statement of Net Position

June 30, 2022

Assets	
Cash and cash equivalents	\$ 24,661,102
Investments	356,455,703
Accounts receivable	30,745,089
Student receivables, net	266,630
Prepaid expenses	2,842,666
Inventories	565,706
Capital and right-to-use leased assets	
Nondepreciable capital assets	158,166,909
Depreciable capital assets, net of accumulated depreciation	555,167,577
Right-to-use leased assets, net of accumulated amortization	18,917,446
Total capital and right-to-use leased assets, net	732,251,932
Total assets	1,147,788,828
Deferred Outflows of Resources	
Deferred outflows of resources related to debt refunding	27,376,205
Deferred outflows of resources related to OPEB	59,838,339
Deferred outflows of resources related to pensions	38,799,921
Total deferred outflows of resources	126,014,465
Liabilities	
Accounts payable	32,660,397
Accrued interest payable	9,137,030
Unearned revenue	33,414,740
Long-term liabilities	
Long-term liabilities other than OPEB and pensions, due within one year	30,183,887
Long-term liabilities other than OPEB and pensions, due in more than one year	823,650,519
Aggregate net other postemployment benefits (OPEB) liability	188,399,040
Aggregate net pension liability	116,248,077
Total liabilities	1,233,693,690
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	7,511,924
Deferred inflows of resources related to pensions	92,779,382
Total deferred inflows of resources	100,291,306
Net Position (Deficit)	
Net investment in capital assets	196,848,428
Restricted for	
Debt service	32,281,693
Capital projects	6,878,684
Educational programs	12,392,603
Other activities	3,367,449
Unrestricted deficit	(311,950,560)
Total net position (deficit)	\$ (60,181,703)

Santa Monica Community College District  
Statement of Revenues, Expenses and Changes in Net Position  
Year Ended June 30, 2022

Operating Revenues	
Tuition and fees	\$ 52,601,805
Less: Scholarship discounts and allowances	(11,925,362)
Net tuition and fees	<u>40,676,443</u>
Grants and contracts, noncapital	
Federal	21,345,256
State	21,073,951
Local	556,103
Total grants and contracts, noncapital	<u>42,975,310</u>
Auxiliary enterprise sales and charges	
Bookstore	1,576,297
Total operating revenues	<u>85,228,050</u>
Operating Expenses	
Salaries	137,959,366
Employee benefits	58,864,136
Supplies, materials, and other operating expenses and services	33,034,379
Student financial aid	52,734,273
Equipment, maintenance, and repairs	2,061,911
Depreciation and amortization	33,185,658
Total operating expenses	<u>317,839,723</u>
Operating Loss	
	<u>(232,611,673)</u>
Nonoperating Revenues (Expenses)	
State apportionments, noncapital	97,831,112
Local property taxes, levied for general purposes	37,168,062
Taxes levied for other specific purposes	40,208,512
Federal and State financial aid grants	51,915,712
State taxes and other revenues	15,495,100
Investment income	(11,583,227)
Interest expense on capital related debt	(23,046,080)
Investment income on capital asset-related debt, net	(1,669,132)
Other nonoperating revenue	9,221,368
Total nonoperating revenues (expenses)	<u>215,541,427</u>
Loss Before Other Revenues	
	<u>(17,070,246)</u>
Other Revenues	
State revenues, capital	14,809,079
Local revenues, capital	2,981,622
Total other revenues	<u>17,790,701</u>
Change In Net Position (Deficit)	
	720,455
Net Position (Deficit), Beginning of Year	
	<u>(60,902,158)</u>
Net Position (Deficit), End of Year	
	<u><u>\$ (60,181,703)</u></u>



Santa Monica Community College District  
Statement of Cash Flows  
Year Ended June 30, 2022

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Cash Flows from Operating Activities	
Tuition and fees	\$ 40,123,611
Federal, state, and local grants and contracts, noncapital	38,004,806
Auxiliary sales	1,576,297
Payments to or on behalf of employees	(195,820,321)
Payments to vendors for supplies and services	(32,417,134)
Payments to students for scholarships and grants	(52,734,273)
Net cash flows from operating activities	<u>(201,267,014)</u>
Cash Flows from Noncapital Financing Activities	
State apportionments	110,737,691
Federal and state financial aid grants	75,295,337
Property taxes - nondebt related	37,168,062
State taxes and other apportionments	15,884,150
Payment of tax revenue anticipation notes	(23,515,000)
Other nonoperating	8,166,834
Net cash flows from noncapital financing activities	<u>223,737,074</u>
Cash Flows from Capital Financing Activities	
Purchase of capital assets	(46,833,495)
Proceeds from sale of capital debt	168,742,359
State revenue, capital	14,809,079
Local revenue, capital	2,981,622
Property taxes - related to capital debt	40,208,512
Principal paid on capital debt	(32,806,174)
Interest paid on capital debt	(19,929,642)
Interest received on capital asset-related debt	119,311
Net cash flows from capital financing activities	<u>127,291,572</u>
Cash Flows from Investing Activities	
Change in fair market value of cash in county treasury	(14,503,884)
Interest received from investments	1,344,138
Net cash flows from investing activities	<u>(13,159,746)</u>
Change In Cash and Cash Equivalents	136,601,886
Cash and Cash Equivalents, Beginning of Year	<u>244,514,919</u>
Cash and Cash Equivalents, End of Year	<u>\$ 381,116,805</u>

Santa Monica Community College District

Statement of Cash Flows

Year Ended June 30, 2022

Reconciliation of Net Operating Loss to Net Cash Flows from Operating Activities	
Operating Loss	<u>\$ (232,611,673)</u>
Adjustments to reconcile operating loss to net cash flows from operating activities	
Depreciation and amortization expense	33,185,658
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources	
Accounts receivable	8,821,810
Student receivables, net	99,544
Inventories	208,043
Prepaid expenses	(70,220)
Deferred outflows of resources related to OPEB	377,558
Deferred outflows of resources related to pensions	10,585,334
Accounts payable	2,666,035
Unearned revenue	(14,444,690)
Compensated absences	1,099,948
Load banking	263,292
Supplemental early retirement plan	(2,590,203)
Aggregate net OPEB liability	11,274,743
Aggregate net pension liability	(102,914,103)
Deferred inflows of resources related to OPEB	7,392,308
Deferred inflows of resources related to pensions	<u>75,389,602</u>
Total adjustments	<u>31,344,659</u>
Net cash flows from operating activities	<u><u>\$ (201,267,014)</u></u>
Cash and Cash Equivalents Consist of the Following:	
Cash in banks	\$ 24,661,102
Cash in county treasury	<u>356,455,703</u>
Total cash and cash equivalents	<u><u>\$ 381,116,805</u></u>
Noncash Transactions	
Amortization of deferred outflows of resources related to debt refunding	\$ 2,051,327
Amortization of debt premiums	\$ 4,859,590
Accretion of interest on capital appreciation bonds	\$ 4,980,028

Santa Monica Community College District  
Fiduciary Fund - Statement of Net Position  
June 30, 2022

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	<u>Retiree OPEB Trust</u>
Assets	
Investments	<u>\$ 8,577,511</u>
Net Position	
Restricted for postemployment benefits other than pensions	<u>\$ 8,577,511</u>

Santa Monica Community College District  
 Fiduciary Fund - Statement of Changes in Net Position  
 Year Ended June 30, 2022

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	Retiree OPEB Trust
Additions	
District contributions	\$ 5,294,556
Investment income (loss)	<u>(1,322,061)</u>
Total additions	<u>3,972,495</u>
Deductions	
Benefit payments	5,294,556
Administrative expenses	<u>8,335</u>
Total deductions	<u>5,302,891</u>
Change in Net Position	(1,330,396)
Net Position - Beginning of Year	<u>9,907,907</u>
Net Position - End of Year	<u><u>\$ 8,577,511</u></u>

**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 \$359,866 for the year ended June 30, 2022.

### **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, 2022.

**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.



**Leases**

The District recognizes a lease liability and an intangible right-to-use leased asset in the government-wide financial statements. The District measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The right-to-use leased asset is initially measured as the initial amount of the lease liability, plus certain initial direct costs. Subsequently, the right-to-use leased asset is amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

**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 of resources and deferred 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 the District Plan and the MPP's fiduciary net position have been determined on the same basis as they are reported by the District Plan and the MPP. For this purpose, the District Plan and the 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 were issued during the 2020-2021 year as short-term obligations to provide cash flow needs. The liability was offset with future cash deposits from State general apportionment funding, which was set aside at the County Treasury to repay the notes. The liability was paid in full as of June 30, 2022.

**Noncurrent Liabilities**

Noncurrent liabilities include bonds payable, compensated absences, load banking, supplemental early retirement plan, leases, 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 \$54,920,429 of restricted net position, and the fiduciary funds financial statements report \$8,577,511 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. 87**

As of July 1, 2021, the District adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires 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. The effect of the implementation of this standard on beginning net position is disclosed in Note 13 and the additional disclosures required by this standard is included in Notes 6 and 8.

**Implementation of GASB Statement No. 92**

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reporting
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits

- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

The provisions of this Statement have been implemented as of June 30, 2022.

### **Implementation of GASB Statement No. 93**

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR (Interbank Offered Rate). This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The provisions of this Statement have been implemented as of June 30, 2022.

**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, 2022, consist of the following:

	Primary Government	Fiduciary Fund
Cash on hand and in banks	\$ 21,570,328	\$ -
Cash in revolving	25,000	-
Cash with fiscal agent	3,065,774	-
Investments	<u>356,455,703</u>	<u>8,577,511</u>
Total deposits and investments	<u>\$ 381,116,805</u>	<u>\$ 8,577,511</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
Los Angeles County investment pool	\$ 356,455,703	933	Not rated
Mutual funds	<u>8,577,511</u>	No maturity	Not rated
Total	<u>\$ 365,033,214</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, 2022.

## 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, 2022, the District's bank balance of approximately \$21.2 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, 2022, the District's investment balance of approximately \$8.6 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, 2022:

Investment Type	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Mutual funds	\$ 8,577,511	\$ 8,577,511	\$ -	\$ -

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, 2022 consisted of the following:

	<u>Primary Government</u>
Federal Government	
Categorical aid	\$ 22,063,235
State Government	
Apportionment	1,486,375
Categorical aid	3,479,752
Lottery	406,925
Other state sources	854,414
Local Sources	
Interest	125,023
Other local sources	2,329,365
	<u>\$ 30,745,089</u>
Student receivables	\$ 626,496
Less: allowance for bad debt	<u>(359,866)</u>
	<u>\$ 266,630</u>

**Note 6 - Capital and Right-to-use Leased Assets**

Capital and right-to-use leased asset activity for the District for the year ended June 30, 2022, was as follows:

	Balance, July 1, 2021, as restated	Additions	Deductions	Balance, June 30, 2022
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 71,217,761	\$ -	\$ -	\$ 71,217,761
Construction in progress	75,102,744	49,514,196	(37,667,792)	86,949,148
Total capital assets not being depreciated	<u>146,320,505</u>	<u>49,514,196</u>	<u>(37,667,792)</u>	<u>158,166,909</u>
<b>Capital Assets Being Depreciated</b>				
Buildings and improvements	722,705,466	37,638,766	-	760,344,232
Furniture and equipment	32,460,329	2,038,915	(10,732)	34,488,512
Total capital assets being depreciated	<u>755,165,795</u>	<u>39,677,681</u>	<u>(10,732)</u>	<u>794,832,744</u>
Total capital assets	<u>901,486,300</u>	<u>89,191,877</u>	<u>(37,678,524)</u>	<u>952,999,653</u>
<b>Less Accumulated Depreciation</b>				
Buildings and improvements	(181,307,616)	(30,247,318)	-	(211,554,934)
Furniture and equipment	(26,448,903)	(1,672,062)	10,732	(28,110,233)
Total accumulated depreciation	<u>(207,756,519)</u>	<u>(31,919,380)</u>	<u>10,732</u>	<u>(239,665,167)</u>
Net capital assets	<u>693,729,781</u>	<u>57,272,497</u>	<u>(37,667,792)</u>	<u>713,334,486</u>
<b>Right-to-use Leased Assets Being Amortized</b>				
Land improvements	18,658,798	-	-	18,658,798
Buildings and improvements	1,524,926	-	-	1,524,926
Total right-to-use leased assets being amortized	<u>20,183,724</u>	<u>-</u>	<u>-</u>	<u>20,183,724</u>
<b>Less Accumulated Amortization</b>				
Land improvements	-	(502,030)	-	(502,030)
Buildings and improvements	-	(764,248)	-	(764,248)
Total accumulated amortization	<u>-</u>	<u>(1,266,278)</u>	<u>-</u>	<u>(1,266,278)</u>
Net right-to-use leased assets	<u>20,183,724</u>	<u>(1,266,278)</u>	<u>-</u>	<u>18,917,446</u>
Total capital and right-to-use leased assets, net	<u>\$ 713,913,505</u>	<u>\$ 56,006,219</u>	<u>\$ (37,667,792)</u>	<u>\$ 732,251,932</u>

**Note 7 - Tax and Revenue Anticipation Notes (TRANS)**

During the 2020-2021 year, the District issued Tax and Revenue Anticipation Notes (TRANS) in the amount of \$23,515,000, which matured 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. As of June 30, 2022, the notes were paid in full.

	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>\$ 23,515,000</u>	<u>\$ -</u>	<u>\$ (23,515,000)</u>	<u>\$ -</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, 2022 consisted of the following:

	Balance, July 1, 2021, as restated	Additions	Deductions	Balance, June 30, 2022	Due in One Year
General obligation bonds	\$ 645,025,185	\$ 169,980,028	\$ (31,785,000)	\$ 783,220,213	\$ 28,055,000
Bond premium	33,996,712	3,742,359	(4,859,590)	32,879,481	-
Leases	20,183,724	-	(1,021,174)	19,162,550	853,149
Compensated absences	9,998,753	1,099,948	-	11,098,701	-
Load banking	3,382,956	263,292	-	3,646,248	-
Supplemental employee retirement plan	6,417,416	-	(2,590,203)	3,827,213	1,275,738
Total	<u>\$ 719,004,746</u>	<u>\$ 175,085,627</u>	<u>\$ (40,255,967)</u>	<u>\$ 853,834,406</u>	<u>\$ 30,183,887</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. Payments on leases are made by the fund which receives the benefit of the underlying leased asset.

**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, 2022 was \$3,010,461.

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, 2022 was \$10,582,220.

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, 2022 was \$10,931,741.

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, 2022 was \$28,335,000.

**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, 2022 was \$57,676,026.

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. As of June 30, 2022, the principal balance was paid in full.

#### **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 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, 2022 was \$16,544,765.

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, 2022 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, 2022 was \$1,425,000.

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, 2022 was \$12,035,000.

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, 2022 was \$68,960,000.

#### **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, 2022 was \$165,930,000.

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, 2022 was \$197,790,000.

Series B 2022 bonds were issued on May 11, 2022 for \$50,000,000 of current interest bonds. Interest rates range from 3.41% to 5.00% payable semiannually on August 1 and February 1. The bonds were issued with maturity dates from August 1, 2023 through August 1, 2045. The principal balance outstanding at June 30, 2022 was \$50,000,000.

Series B-1 2022 bonds were issued on May 11, 2022 for \$115,000,000 of current interest bonds. Interest rates range from 2.93% to 4.72% payable semiannually on August 1 and February 1. The bonds were issued with maturity dates from August 1, 2024 through August 1, 2042. The principal balance outstanding at June 30, 2022 was \$115,000,000.

## 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	\$ 2,839,033	\$ -	\$ 171,428	\$ -	\$ 3,010,461
2007, A	1/31/07	8/1/31	4.20-4.74%	11,999,987	11,412,733	-	554,487	(1,385,000)	10,582,220
2010, E	1/26/10	8/1/26	3.92-5.70%	10,998,993	12,152,756	-	628,985	(1,850,000)	10,931,741
Subtotal 2002 Measure U Election				44,998,951	26,404,522	-	1,354,900	(3,235,000)	24,524,422
2009, C	3/24/09	8/1/29	4.50-6.60%	56,997,857	54,216,653	-	3,459,373	-	57,676,026
2017, D	3/30/17	8/1/21	4.00%	9,600,000	4,370,000	-	-	(4,370,000)	-
Subtotal 2004 Measure S Election				66,597,857	58,586,653	-	3,459,373	(4,370,000)	57,676,026
2014, B	10/30/14	8/1/44	1.00-5.00%	144,995,829	17,174,010	-	165,755	(795,000)	16,544,765
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	1,455,000	-	-	(30,000)	1,425,000
Subtotal 2008 Measure AA Election				194,995,829	63,629,010	-	165,755	(825,000)	62,969,765
2018, A	4/18/18	8/1/47	3.65-5.00%	180,000,000	171,620,000	-	-	(5,690,000)	165,930,000
2022, B	5/11/22	8/1/45	3.41-5.00%	50,000,000	-	50,000,000	-	-	50,000,000
2022, B-1	5/11/22	8/1/42	2.93-4.72%	115,000,000	-	115,000,000	-	-	115,000,000
Subtotal 2016 Measure V Election				345,000,000	171,620,000	165,000,000	-	(5,690,000)	330,930,000
2013, A	6/5/13	8/1/30	2.00-5.00%	108,405,000	33,965,000	-	-	(5,630,000)	28,335,000
2017, A	3/30/17	8/1/23	2.00-5.00%	25,395,000	19,965,000	-	-	(7,930,000)	12,035,000
2018, A*	4/18/18	8/1/34	2.72-3.94%	69,360,000	69,360,000	-	-	(400,000)	68,960,000
2020, A	12/22/20	8/1/44	0.20-2.80%	201,495,000	201,495,000	-	-	(3,705,000)	197,790,000
Subtotal Refunding Bonds				404,655,000	324,785,000	-	-	(17,665,000)	307,120,000
Subtotal General Obligation Bonds					645,025,185	165,000,000	4,980,028	(31,785,000)	783,220,213
Premium on Bonds					33,996,712	3,742,359	-	(4,859,590)	32,879,481
					<u>\$ 679,021,897</u>	<u>\$ 168,742,359</u>	<u>\$ 4,980,028</u>	<u>\$ (36,644,590)</u>	<u>\$ 816,099,694</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
2023	\$ 27,939,866	\$ 115,134	\$ 23,420,922	\$ 51,475,922
2024	27,611,264	1,063,736	24,557,695	53,232,695
2025	29,613,417	1,881,583	23,859,281	55,354,281
2026	31,878,543	2,741,457	23,111,022	57,731,022
2027	34,534,099	4,010,901	22,416,064	60,961,064
2028-2032	155,838,024	16,751,976	102,753,560	275,343,560
2033-2037	146,385,000	-	81,024,741	227,409,741
2038-2042	155,350,000	-	50,565,692	205,915,692
2043-2047	158,115,000	-	16,321,131	174,436,131
2048	15,955,000	-	292,850	16,247,850
<b>Total</b>	<b>\$ 783,220,213</b>	<b>\$ 26,564,787</b>	<b>\$ 368,322,958</b>	<b>\$ 1,178,107,958</b>

**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% 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 was paid in full as of June 30, 2022.

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, 2022 is \$2,246,784.

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% of calendar year 2019 District earnings. The District had 33 employees that enrolled in the SERP. The remaining obligation as of June 30, 2022 is \$1,580,429.



Scheduled SERP payments are as follows:

Year Ending June 30,	
2023	\$ 1,275,738
2024	1,275,738
2025	<u>1,275,737</u>
Total	<u>\$ 3,827,213</u>

### Leases

The District has entered into agreements to lease various facilities. The District's liability for lease agreements is summarized below:

Leases	Balance, July 1, 2021, as restated	Additions	Deductions	Balance, June 30, 2022
Warehouse lease	\$ 624,977	\$ -	\$ (241,646)	\$ 383,331
Santa Monica Airport lease	899,949	-	(509,788)	390,161
Madison Site lease	<u>18,658,798</u>	-	<u>(269,740)</u>	<u>18,389,058</u>
Total	<u>\$ 20,183,724</u>	<u>\$ -</u>	<u>\$ (1,021,174)</u>	<u>\$ 19,162,550</u>

### Warehouse Lease

The District entered an agreement to lease facilities space for use as a warehouse with a term that extends to December 31, 2023. Under the terms of the lease, the District pays monthly payments that increase annually by the CPI-U rate for the Los Angeles-Riverside-Orange County area. The District paid total principal and interest costs of \$254,592. At June 30, 2022, the District has recognized a right to use asset of \$374,986 and a lease liability of \$383,331 related to this agreement. During the fiscal year, the District recorded \$249,991 in amortization expense and \$12,946 in interest expense for the right to use of the facilities. District used a discount rate of 2.79% based on the estimated incremental borrowing rate for financing over a similar time period.

### Santa Monica Airport Lease

The District entered an agreement to lease facilities space with a term that extends to March 2023. Under the terms of the lease, the District pays monthly payments of \$43,685, increasing 2.50% annually. The District paid total principal and interest costs of \$524,579. At June 30, 2022, the District has recognized a right to use asset of \$385,692 and a lease liability of \$390,161 related to this agreement. During the fiscal year, the District recorded \$514,257 in amortization expense and \$14,791 in interest expense for the right to use of the facilities. District used a discount rate of 2.50% based on the estimated incremental borrowing rate for financing over a similar time period.

**Madison Site Lease**

The District entered a ground lease agreement with a term that extends to August 2058. Under the terms of the lease, the District pays annual payments that increase every five years by the aggregate cost-of-living adjustment for community colleges over the prior five years as approved each year by the State legislature. The District paid total principal and interest costs of \$1,011,495. At June 30, 2022, the District has recognized a right to use asset of \$18,156,768 and a lease liability of \$18,389,058 related to this agreement. During the fiscal year, the District recorded \$502,030 in amortization expense and \$741,755 in interest expense for the right to use of the facilities. District used a discount rate of 4.5% based on the estimated incremental borrowing rate for financing over a similar time period.

The District's liability on lease agreements with option to purchase is summarized below:

Fiscal Year	Principal	Interest	Total
2023	\$ 853,149	\$ 813,822	\$ 1,666,971
2024	348,395	793,720	1,142,115
2025	228,885	782,610	1,011,495
2026	239,400	772,095	1,011,495
2027	250,398	761,097	1,011,495
2028-2032	1,435,478	3,621,997	5,057,475
2033-2037	1,796,926	3,260,549	5,057,475
2038-2042	2,249,383	2,808,092	5,057,475
2043-2047	2,815,767	2,241,708	5,057,475
2048-2052	3,524,766	1,532,709	5,057,475
2053-2057	4,412,288	645,187	5,057,475
2058	1,007,715	3,779	1,011,494
Total	<u>\$ 19,162,550</u>	<u>\$ 18,037,365</u>	<u>\$ 37,199,915</u>

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

For the fiscal year ended June 30, 2022, 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	\$ 187,656,094	\$ 59,838,339	\$ 7,511,924	\$ 19,241,125
Medicare Premium Payment (MPP) Program	742,946	-	-	(189,046)
Total	<u>\$ 188,399,040</u>	<u>\$ 59,838,339</u>	<u>\$ 7,511,924</u>	<u>\$ 19,052,079</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, 2021, the measurement date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	624
Active employees	844
	<hr/>
Total	1,468
	<hr/> <hr/>

**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 voluntary contribution is based on projected pay-as-you-go financing requirements. For the measurement period of June 30, 2021, the District contributed \$5,287,086 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, 2021:

<u>Asset Class</u>	<u>Target Allocation</u>
Equities	59%
Fixed income	25%
Real estate investment trusts	8%
Commodities	3%
Treasury Inflation Protected Securities (TIPS)	5%

**Rate of Return**

For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 27.43%. 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 \$187,656,094 was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. The components of the net OPEB liability of the District at June 30, 2021, were as follows:

Total OPEB liability	\$ 197,564,001
Plan fiduciary net position	<u>(9,907,907)</u>
Net OPEB liability	<u>\$ 187,656,094</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>5.02%</u>

**Actuarial Assumptions**

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	2.75%
Investment rate of return	2.72%
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 2020 CalSTRS Mortality Table for certificated employees and the 2017 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, 2021 valuation were based on the results of an actual experience study as of June 30, 2021.

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, 2021, (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>
Equities	7.55%
Fixed income	4.25%
Real estate investment trusts	7.25%
Commodities	7.55%
Treasury Inflation Protected Securities (TIPS)	3.00%

**Discount Rate**

The discount rate used to measure the total OPEB liability was 2.72%. 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, 2020	\$ 183,967,604	\$ 7,775,299	\$ 176,192,305
Service cost	8,953,512	-	8,953,512
Interest	5,395,376	-	5,395,376
Difference between expected and actual experience	(8,660,201)	-	(8,660,201)
Contributions - employer	-	5,287,086	(5,287,086)
Expected investment income	-	2,140,183	(2,140,183)
Changes of assumptions	13,194,796	-	13,194,796
Benefit payments	(5,287,086)	(5,287,086)	-
Administrative expense	-	(7,575)	7,575
Net change in total OPEB liability	<u>13,596,397</u>	<u>2,132,608</u>	<u>11,463,789</u>
Balance, June 30, 2021	<u>\$ 197,564,001</u>	<u>\$ 9,907,907</u>	<u>\$ 187,656,094</u>

Changes of economic assumptions reflect a change in the discount rate from 2.80% to 2.72% and change in the inflation rate from 2.75% to 2.50% 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 (1.72%)	\$ 221,275,171
Current discount rate (2.72%)	187,656,094
1% increase (3.72%)	160,656,535

**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:

Healthcare Cost Trend Rate	Net OPEB Liability
1% decrease (3.00%)	\$ 156,295,575
Current healthcare cost trend rate (4.00%)	187,656,094
1% increase (5.00%)	228,179,363

**Deferred Outflows/Inflows of Resources Related to OPEB**

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB for the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 5,294,556	\$ -
Differences between expected and actual experience	-	6,292,651
Changes of assumptions	54,543,783	-
Net difference between projected and actual earnings on OPEB plan investments	-	1,219,273
Total	<u>\$ 59,838,339</u>	<u>\$ 7,511,924</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:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ (341,161)
2024	(293,024)
2025	(266,528)
2026	(318,560)
Total	<u>\$ (1,219,273)</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 6.8 years and will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ 11,250,570
2024	11,250,570
2025	11,250,570
2026	8,138,164
2027	5,805,390
Thereafter	555,868
Total	<u>\$ 48,251,132</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, 2020 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, 2022, the District reported a liability of \$742,946 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. 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 school districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2021 and June 30, 2020, was 0.1863% and 0.2199%, respectively, resulting in a net decrease in the proportionate share of 0.0336%.

For the year ended June 30, 2022, the District recognized OPEB expense of (\$189,046).

**Actuarial Methods and Assumptions**

The June 30, 2021 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total OPEB liability to June 30, 2021, using the assumptions listed in the following table:

Measurement Date	June 30, 2021
Valuation Date	June 30, 2020
Experience Study	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	2.16%
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, 2020, 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 245 or an average of 0.16% of the potentially eligible population (152,062).

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, 2021, 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, 2021, is 2.16%. 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 2.16%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2021, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 0.05% from 2.21% as of June 30, 2020.

**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 (1.16%)	\$ 818,930
Current discount rate (2.16%)	742,946
1% increase (3.16%)	678,025

**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 Medicare costs trend rates that are one percent lower or higher than the current rates:

Medicare Costs Trend Rates	Net OPEB Liability
1% decrease (3.5% Part A and 4.4% Part B)	\$ 675,623
Current Medicare costs trend rates (4.5% Part A and 5.4% Part B)	742,946
1% increase (5.5% Part A and 6.4% Part B)	820,130

**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, 2022, 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	\$ 56,391,618	\$ 25,692,498	\$ 62,815,645	\$ 1,248,974
CalPERS - Schools Pool Plan	56,832,241	11,872,807	27,820,944	3,139,091
CalPERS - Safety Pool Plan	3,024,218	1,234,616	2,142,793	(146,755)
<b>Total</b>	<b>\$ 116,248,077</b>	<b>\$ 38,799,921</b>	<b>\$ 92,779,382</b>	<b>\$ 4,241,310</b>

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, 2020, 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, 2022, 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	16.92%	16.92%
Required State contribution rate	10.828%	10.828%

**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, 2022, are presented above, and the District's total contributions were \$11,284,313.

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

At June 30, 2022, 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	\$ 56,391,618
State's proportionate share of net pension liability associated with the District	<u>28,374,075</u>
 Total	 <u><u>\$ 84,765,693</u></u>

The net pension liability was measured as of June 30, 2021. 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, 2021 and June 30, 2020, was 0.1239% and 0.1262%, respectively, resulting in a net decrease in the proportionate share of 0.0023%.

For the year ended June 30, 2022, the District recognized pension expense of \$1,248,974. In addition, the District recognized pension expense and revenue of \$970,784 for support provided by the State. At June 30, 2022, 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	\$ 11,284,313	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	6,276,828	12,207,179
Differences between projected and actual earnings on pension plan investments	-	44,607,222
Differences between expected and actual experience in the measurement of the total pension liability	141,264	6,001,244
Changes of assumptions	<u>7,990,093</u>	<u>-</u>
 Total	 <u><u>\$ 25,692,498</u></u>	 <u><u>\$ 62,815,645</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.

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>
2023	\$ (11,327,559)
2024	(10,361,016)
2025	(10,618,141)
2026	<u>(12,300,506)</u>
Total	<u>\$ (44,607,222)</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 seven years and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2023	\$ (351,907)
2024	1,485,530
2025	(1,636,631)
2026	(1,787,645)
2027	(171,669)
Thereafter	<u>(1,337,916)</u>
Total	<u>\$ (3,800,238)</u>

**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, 2020, and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
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 as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent 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, 2021, 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%)	\$ 114,793,150
Current discount rate (7.10%)	56,391,618
1% increase (8.10%)	7,919,461

**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 plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report 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, 2022, are summarized as follows:

	On or before December 31, 2012	On or after January 1, 2013
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	22.91%	22.91%

**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, 2022, are presented above, and the total District contributions were \$9,896,164.

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

As of June 30, 2022, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$56,832,241. The net pension liability was measured as of June 30, 2021. 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, 2021 and June 30, 2020, was 0.2795% and 0.2996%, respectively, resulting in a net decrease in the proportionate share of 0.0201%.

For the year ended June 30, 2022, the District recognized pension expense of \$3,139,091. At June 30, 2022, 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	\$ 9,896,164	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	280,055	5,876,445
Differences between projected and actual earnings on pension plan investments	-	21,810,522
Differences between expected and actual experience in the measurement of the total pension liability	1,696,588	133,977
Changes of assumptions	-	-
	<u>                    </u>	<u>                    </u>
Total	<u>\$ 11,872,807</u>	<u>\$ 27,820,944</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:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ (5,470,059)
2024	(5,030,210)
2025	(5,244,323)
2026	<u>(6,065,930)</u>
Total	<u>\$ (21,810,522)</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
2023	\$ (1,141,553)
2024	(1,165,481)
2025	(1,565,749)
2026	(160,996)
Total	<u>\$ (4,033,779)</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, 2020, and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
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:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
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:

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 95,827,138
Current discount rate (7.15%)	56,832,241
1% increase (8.15%)	24,458,109

**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, 2022, are summarized as follows:

	On or before December 31, 2012	On or after January 1, 2013
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	22.470%	13.980%
Required unfunded liability payment to CalPERS	\$348,392	\$4,119

**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, 2022, are presented above, and the total District contributions were \$693,133.

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

As of June 30, 2022, the District reported net pension liabilities for its proportionate share of the Safety Risk Pool net pension liability totaling \$3,024,218. The net pension liability was measured as of June 30, 2021. 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, 2021 and June 30, 2020, was 0.0862% and 0.0738%, respectively, resulting in a net increase in the proportionate share of 0.0124%.

For the year ended June 30, 2022, the District recognized pension expense of \$(146,755). At June 30, 2022, 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	\$ 693,133	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	24,798	342,802
Differences between projected and actual earnings on pension plan investments	-	1,799,991
Differences between expected and actual experience in the measurement of the total pension liability	516,685	-
Total	<u>\$ 1,234,616</u>	<u>\$ 2,142,793</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>
2023	\$ (453,435)
2024	(418,414)
2025	(432,811)
2026	<u>(495,331)</u>
Total	<u>\$ (1,799,991)</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>
2023	\$ 127,183
2024	27,132
2025	<u>44,366</u>
Total	<u>\$ 198,681</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, 2020, and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
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:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
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%)	\$ 6,064,510
Current discount rate (7.15%)	3,024,218
1% increase (8.15%)	526,994

**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, 2022, which amounted to \$7,969,335 (10.828%) 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. 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, 2022.

**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, 2022.

**Construction Commitments**

As of June 30, 2022, the District had approximately \$68.7 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 - Adoption of New Accounting Standard**

As of July 1, 2021, the District adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Statement requires 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. As a result of the new standard, the opening balances of certain assets and liabilities were restated to retroactively adopt the provisions of GASB Statement No. 87 as follows:

Primary Government	
Net Position (Deficit) - Beginning	\$ (60,902,158)
Right-to-use leased assets	20,183,724
Lease liabilities	(20,183,724)
	(20,183,724)
Net Position (Deficit) - Beginning	\$ (60,902,158)



Required Supplementary Information  
June 30, 2022

# 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, 2022

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	\$ 8,953,512	\$ 5,795,480	\$ 6,105,492	\$ 3,195,698	\$ 2,729,563
Interest	5,395,376	6,084,407	5,714,585	3,877,120	5,953,537
Difference between expected and actual experience	(8,660,201)	(139,553)	1,804,887	-	-
Changes of assumptions	13,194,796	35,913,407	-	38,386,338	-
Benefit payments	(5,287,086)	(4,712,032)	(4,570,707)	(4,110,488)	(3,573,461)
Net change in total OPEB liability	13,596,397	42,941,709	9,054,257	41,348,668	5,109,639
Total OPEB Liability - Beginning	183,967,604	141,025,895	131,971,638	90,622,970	85,513,331
Total OPEB Liability - Ending (a)	<u>\$197,564,001</u>	<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	\$ 5,287,086	\$ 4,712,032	\$ 4,570,707	\$ 4,110,488	\$ 3,573,461
Expected investment income	2,140,183	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	(5,287,086)	(4,712,032)	(4,570,707)	(4,110,488)	(3,573,461)
Administrative expense	(7,575)	(6,466)	(6,033)	(5,909)	(5,279)
Net change in plan fiduciary net position	2,132,608	262,076	434,031	518,697	624,219
Plan Fiduciary Net Position - Beginning	7,775,299	7,513,223	7,079,192	6,560,495	5,936,276
Plan Fiduciary Net Position - Ending (b)	<u>\$ 9,907,907</u>	<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>\$187,656,094</u>	<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	5.02%	4.23%	5.33%	5.36%	7.24%
Covered Employee Payroll	\$ 97,376,906	\$ 95,739,112	\$ 95,906,429	\$ 89,704,765	\$ 88,956,668
Net OPEB Liability as a Percentage of Covered Employee Payroll	192.71%	184.03%	139.21%	139.23%	94.50%
Measurement Date	June 30, 2021	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, 2022

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	2022	2021	2020	2019	2018
Annual money-weighted rate of return, net of investment expense	27.43%	3.49%	5.78%	7.91%	9.99%
Measurement Date	June 30, 2021	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, 2022

Year ended June 30,	2022	2021	2020	2019	2018
Proportion of the net OPEB liability	0.1863%	0.2199%	0.2046%	0.2171%	0.1025%
Proportionate share of the net OPEB liability	\$ 742,946	\$ 931,992	\$ 762,047	\$ 831,079	\$ 431,393
Covered payroll	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Plan fiduciary net position as a percentage of the total OPEB liability	-0.80%	-0.71%	-0.81%	-0.40%	0.01%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

<sup>1</sup>As 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, 2022

	2022	2021	2020	2019	2018
<b>CalSTRS</b>					
Proportion of the net pension liability	0.1239%	0.1262%	0.1157%	0.1270%	0.1256%
Proportionate share of the net pension liability	\$ 56,391,618	\$ 122,311,981	\$ 104,474,234	\$ 116,762,335	\$ 116,112,075
State's proportionate share of the net pension liability associated with the District	28,374,075	63,051,841	56,997,669	66,851,898	68,690,922
Total	<u>\$ 84,765,693</u>	<u>\$ 185,363,822</u>	<u>\$ 161,471,903</u>	<u>\$ 183,614,233</u>	<u>\$ 184,802,997</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>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>95.49%</u>	<u>181.68%</u>	<u>162.84%</u>	<u>177.79%</u>	<u>182.16%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>87%</u>	<u>72%</u>	<u>73%</u>	<u>71%</u>	<u>69%</u>
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
<b>CalPERS - Schools Pool Plan</b>					
Proportion of the net pension liability	0.2795%	0.2996%	0.2868%	0.3041%	0.3142%
Proportionate share of the net pension liability	\$ 56,832,241	\$ 91,930,297	\$ 83,586,461	\$ 81,077,355	\$ 74,998,103
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>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>154.91%</u>	<u>214.62%</u>	<u>210.22%</u>	<u>198.84%</u>	<u>190.26%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>81%</u>	<u>70%</u>	<u>70%</u>	<u>71%</u>	<u>72%</u>
Measurement Date	June 30, 2021	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 Pension Liability  
Year Ended June 30, 2022

	2017	2016	2015
<b>CalSTRS</b>			
Proportion of the net pension liability	0.1300%	0.1454%	0.1260%
Proportionate share of the net pension liability	\$ 105,165,413	\$ 97,899,000	\$ 78,305,580
State's proportionate share of the net pension liability associated with the District	59,868,794	51,777,779	44,461,794
Total	\$ 165,034,207	\$ 149,676,779	\$ 122,767,374
Covered payroll	\$ 66,704,529	\$ 61,600,000	\$ 58,100,000
Proportionate share of the net pension liability as a percentage of its covered payroll	157.66%	158.93%	134.78%
Plan fiduciary net position as a percentage of the total pension liability	70%	74%	77%
Measurement Date	June 30, 2016	June 30, 2015	June 30, 2014
<b>CalPERS - Schools Pool Plan</b>			
Proportion of the net pension liability	0.3087%	0.3072%	0.3302%
Proportionate share of the net pension liability	\$ 60,962,426	\$ 45,285,610	\$ 37,485,740
Covered payroll	\$ 36,460,615	\$ 33,980,010	\$ 35,000,000
Proportionate share of the net pension liability as a percentage of its covered payroll	167.20%	133.27%	107.10%
Plan fiduciary net position as a percentage of the total pension liability	74%	79%	83%
Measurement Date	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, 2022

	2022	2021	2020	2019	2018
<b>CalPERS - Safety Pool Plan</b>					
Proportion of the net pension liability	0.0862%	0.0738%	0.0707%	0.0685%	0.0663%
Proportionate share of the net pension liability	\$ 3,024,218	\$ 4,919,902	\$ 4,416,271	\$ 4,017,624	\$ 3,961,254
Covered payroll	\$ 1,637,794	\$ 1,845,603	\$ 1,666,887	\$ 1,583,133	\$ 1,619,385
Proportionate share of the net pension liability as a percentage of its covered payroll	184.65%	266.57%	264.94%	253.78%	244.61%
Plan fiduciary net position as a percentage of the total pension liability	87%	73%	73%	71%	72%
Measurement Date	June 30, 2021	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 Pension Liability  
Year Ended June 30, 2022

	2017	2016	2015
<b>CalPERS - Safety Pool Plan</b>			
Proportion of the net pension liability	0.0652%	0.0602%	0.0394%
Proportionate share of the net pension liability	\$ 3,375,206	\$ 2,480,980	\$ 2,448,810
Covered payroll	\$ 1,393,007	\$ 1,338,476	\$ 1,109,427
Proportionate share of the net pension liability as a percentage of its covered payroll	242.30%	185.36%	220.73%
Plan fiduciary net position as a percentage of the total pension liability	70%	77%	81%
Measurement Date	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, 2022

	2022	2021	2020	2019	2018
<b>CalSTRS</b>					
Contractually required contribution	\$ 11,284,313	\$ 9,536,977	\$ 11,512,186	\$ 10,444,631	\$ 9,476,774
Contributions in relation to the contractually required contribution	<u>(11,284,313)</u>	<u>(9,536,977)</u>	<u>(11,512,186)</u>	<u>(10,444,631)</u>	<u>(9,476,774)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 66,692,157</u>	<u>\$ 59,052,489</u>	<u>\$ 67,322,725</u>	<u>\$ 64,156,210</u>	<u>\$ 65,674,109</u>
Contributions as a percentage of covered payroll	<u>16.92%</u>	<u>16.15%</u>	<u>17.10%</u>	<u>16.28%</u>	<u>14.43%</u>
<b>CalPERS - Schools Pool Plan</b>					
Contractually required contribution	\$ 9,896,164	\$ 7,594,131	\$ 8,447,393	\$ 7,181,691	\$ 6,332,859
Contributions in relation to the contractually required contribution	<u>(9,896,164)</u>	<u>(7,594,131)</u>	<u>(8,447,393)</u>	<u>(7,181,691)</u>	<u>(6,332,859)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 43,195,827</u>	<u>\$ 36,686,623</u>	<u>\$ 42,834,506</u>	<u>\$ 39,761,328</u>	<u>\$ 40,775,604</u>
Contributions as a percentage of covered payroll	<u>22.910%</u>	<u>20.700%</u>	<u>19.721%</u>	<u>18.062%</u>	<u>15.531%</u>
<b>CalPERS - Safety Pool Plan</b>					
Contractually required contribution	\$ 693,133	\$ 594,592	\$ 562,493	\$ 467,958	\$ 407,109
Contributions in relation to the contractually required contribution	<u>(693,133)</u>	<u>(594,592)</u>	<u>(562,493)</u>	<u>(467,958)</u>	<u>(407,109)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 1,851,102</u>	<u>\$ 1,637,794</u>	<u>\$ 1,845,603</u>	<u>\$ 1,666,887</u>	<u>\$ 1,583,133</u>
Contributions as a percentage of covered payroll	<u>37.44%</u>	<u>36.30%</u>	<u>30.48%</u>	<u>28.07%</u>	<u>25.72%</u>

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, 2022

	2017	2016	2015
<b>CalSTRS</b>			
Contractually required contribution	\$ 8,018,587	\$ 7,157,396	\$ 5,472,236
Contributions in relation to the contractually required contribution	<u>(8,018,587)</u>	<u>(7,157,396)</u>	<u>(5,472,236)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 63,740,755</u>	<u>\$ 66,704,529</u>	<u>\$ 61,600,000</u>
Contributions as a percentage of covered payroll	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
<b>CalPERS - Schools Pool Plan</b>			
Contractually required contribution	\$ 5,474,393	\$ 4,319,489	\$ 3,999,787
Contributions in relation to the contractually required contribution	<u>(5,474,393)</u>	<u>(4,319,489)</u>	<u>(3,999,787)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 39,418,152</u>	<u>\$ 36,460,615</u>	<u>\$ 33,980,000</u>
Contributions as a percentage of covered payroll	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>
<b>CalPERS - Safety Pool Plan</b>			
Contractually required contribution	\$ 387,467	\$ 331,257	\$ 301,157
Contributions in relation to the contractually required contribution	<u>(387,467)</u>	<u>(331,257)</u>	<u>(301,157)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 1,619,385</u>	<u>\$ 1,393,007</u>	<u>\$ 1,338,476</u>
Contributions as a percentage of covered payroll	<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 2.80% to 2.72% and the inflation rate was changed from 2.75% to 2.50% 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 2.21% to 2.16% 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, 2022

# 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, 2022**

Member	Office	Term Expires
Dr. Louise Jaffe	Chair	2022
Barry Snell	Vice Chair	2022
Dr. Nancy Greenstein	Member	2022
Dr. Susan Aminoff	Member	2024
Dr. Margaret Quinones-Perez	Member	2024
Rob Rader	Member	2024
Dr. Sion Roy	Member	2022
Catalina Fuentes Aguirre	Student Trustee	2023

**Administration as of June 30, 2022**

Dr. Kathryn E. Jeffery	Superintendent/President
Bradley Lane	Vice President, Academic Affairs
Chris Bonvenuto	Vice President, Business and Administration
Michael Tuitasi	Vice President, Student Services
Teresita Rodriguez	Vice President, Enrollment Development
Sherry 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, 2022

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		\$ 740,598	\$ -
FSEOG Administrative Allowance	84.007		40,561	-
Federal Work-Study Program	84.033		293,784	-
Federal Work-Study Program Administrative Allowance	84.033		14,291	-
Federal Pell Grant Program	84.063		25,107,621	-
Federal Pell Grant Program Administrative Allowance	84.063		34,135	-
Federal Direct Student Loans	84.268		2,403,852	-
Subtotal Student Financial Assistance Cluster			<u>28,634,842</u>	<u>-</u>
TRIO Cluster				
Upward Bound	84.047A		348,673	-
Subtotal TRIO Cluster			<u>348,673</u>	<u>-</u>
COVID-19: Higher Education Emergency Relief Funds, Student Aid Portion	84.425E		16,733,456	-
COVID-19: Higher Education Emergency Relief Funds, Institutional Portion	84.425F		16,292,562	-
COVID-19: Higher Education Emergency Relief Funds, Minority Serving Institutions	84.425L		909,521	-
Subtotal			<u>33,935,539</u>	<u>-</u>
Hispanic Serving Institutions: Science, Technology, Engineering and Mathematics (STEM)	84.031C		903,061	126,281
Hispanic Serving Institutions: Articulation Program	84.031C		118,847	-
Navigating the Pathway to Success	84.031S		607,862	-
Subtotal			<u>1,629,770</u>	<u>126,281</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		240,361 912,292	- -
Total U.S. Department of Education			<u>65,701,477</u>	<u>126,281</u>
U.S. Department of the Treasury				
Passed through California Community Colleges Chancellor's Office COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027	[1]	1,852,675	-
National Endowment for the Humanities				
Mapping and Preserving the Art and Hidden Histories of Santa Monica	45.162		22,215	-
National Science Foundation				
Research and Development Cluster H.S.I. STEM Education Program	47.076		549,675	-
Subtotal Research and Development Cluster			<u>549,675</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]	57,416	-
Total Federal Financial Assistance			<u>\$ 68,183,458</u>	<u>\$ 126,281</u>

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

Santa Monica Community College District  
Schedule of Expenditures of State Awards  
Year Ended June 30, 2022

Program	Program Revenues			Total Revenue	Program Expenditures
	Cash Received	Accounts Receivable	Unearned Revenue		
<b>General Fund</b>					
Adult Education Block Grant	\$ 447,723	\$ 47,604	\$ 24,441	\$ 470,886	\$ 470,886
Award for Innovation in Higher Education	-	722,892	599,718	123,174	123,174
Basic Needs Centers Staffing & Support	399,466	-	268,064	131,402	131,402
CalFresh Outreach	-	44,292	-	44,292	44,292
California Community Colleges Mental Health Services Grant	155,977	-	-	155,977	155,977
CalWORKS	332,313	-	33,538	298,775	298,775
Clean Energy Workforce Program - ETP	-	285,450	-	285,450	285,450
Cooperative Agencies Resources for Education (CARE)	106,589	-	8,416	98,173	98,173
COVID-19 State Block Grant	1,184,232	-	-	1,184,232	1,184,232
Disabled Student Program and Services (DSPS)	2,463,342	-	-	2,463,342	2,463,342
Dream Resource Liaison Support	155,972	-	14,877	141,095	141,095
Equal Employment Opportunity - Faculty and Staff Diversity	50,000	-	41,097	8,903	8,903
Extended Opportunity Program and Services (EOPS)	1,447,920	-	168,524	1,279,396	1,279,396
Financial Aid Technology (One Time)	3,434	-	-	3,434	3,434
Financial Aid Technology (On-Going)	68,134	-	-	68,134	68,134
Guided Pathways	779,244	-	372,546	406,698	406,698
Hunger Free Campus	60	-	-	60	60
Instructional Equipment and Library Materials	41,008	-	9,555	31,453	31,453
Leadership Development	1,030	-	-	1,030	1,030
Mental Health Support Allocation	478,660	-	406,155	72,505	72,505
Nursing Education	251,070	-	1,307	249,763	249,763
Physical Plant and Instructional Support	2,215,214	-	1,354,875	860,339	860,339
Retention and Enrollment Outreach	1,444,340	-	900,706	543,634	543,634
Scheduled Maintenance and Instructional Equipment - One-time	2,659	-	610	2,049	2,049
SCIGP School Communications Inoperability Grant	99,379	-	-	99,379	99,379
SFAA Financial Aid BFAP	1,133,991	-	121,557	1,012,434	1,012,434
Strong Workforce Program (SWP)	3,187,771	-	1,401,788	1,785,983	1,785,983

Santa Monica Community College District  
Schedule of Expenditures of State Awards  
Year Ended June 30, 2022

Program	Program Revenues			Total Revenue	Program Expenditures
	Cash Received	Accounts Receivable	Unearned Revenue		
<b>General Fund (continued)</b>					
Strong Workforce Program (SWP) - Regional	\$ 330,591	\$ 2,334,605	\$ -	\$ 2,665,196	\$ 2,665,196
Student Equity Achievement Program (SEAP)	14,651,911	3,017	6,037,504	8,617,424	8,617,424
Transfer and Articulation	-	2,328	-	2,328	2,328
Veteran Resource Center	308,077	-	283,079	24,998	24,998
Veterans Resources Center Program	36,882	39,564	-	76,446	76,446
Veteran Resource Center One-Time	55,655	-	-	55,655	55,655
<b>Capital Project Fund</b>					
Physical Plant and Instructional Support	10,524,716	-	8,333,123	2,191,593	2,191,593
<b>Student Financial Aid Fund</b>					
Student Success Completion Grant	2,602,663	-	535,867	2,066,796	2,066,796
Cal Grant BOGG	3,107,383	-	-	3,107,383	3,107,383
California College Promise	2,248,158	-	1,268,803	979,355	979,355
Total state programs	<u>\$ 50,315,564</u>	<u>\$ 3,479,752</u>	<u>\$ 22,186,150</u>	<u>\$ 31,609,166</u>	<u>\$ 31,609,166</u>

Santa Monica Community College District  
Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance  
Year Ended June 30, 2022

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
<b>A. Summer Intersession (Summer 2021 only)</b>			
1. Noncredit*	83.43	-	83.43
2. Credit	1,846.01	-	1,846.01
<b>B. Summer Intersession (Summer 2022 - Prior to July 1, 2022)</b>			
1. Noncredit*	-	-	-
2. Credit	-	-	-
<b>C. Primary Terms (Exclusive of Summer Intersession)</b>			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	3,953.55	-	3,953.55
(b) Daily Census Contact Hours	710.34	-	710.34
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	301.86	-	301.86
(b) Credit	98.25	-	98.25
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Procedure Courses	5,849.10	-	5,849.10
(b) Daily Census Procedure Courses	4,556.42	-	4,556.42
(c) Noncredit Independent Study/Distance Education Courses	352.20	-	352.20
<b>D. Total FTES</b>	<u>17,751.16</u>	<u>-</u>	<u>17,751.16</u>
<b>SUPPLEMENTAL INFORMATION (Subset of Above Information)</b>			
<b>E. In-Service Training Courses (FTES)</b>	-	-	-
<b>F. Basic Skills Courses and Immigrant Education</b>			
1. Noncredit*	103.64	-	103.64
2. Credit	125.28	-	125.28
<b><u>CCFS-320 Addendum</u></b>			
CDCP Noncredit FTES	134.14	-	134.14
<b>Centers FTES</b>			
1. Noncredit*	-	-	-
2. Credit	1,122.00	-	1,122.00

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

Santa Monica Community College District  
 Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation  
 Year Ended June 30, 2022

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	\$ 28,949,298	\$ -	\$ 28,949,298	\$ 28,949,298	\$ -	\$ 28,949,298
Other	1300	32,495,197	-	32,495,197	32,495,197	-	32,495,197
Total Instructional Salaries		61,444,495	-	61,444,495	61,444,495	-	61,444,495
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	12,409,834	-	12,409,834
Other	1400	-	-	-	5,034,009	-	5,034,009
Total Noninstructional Salaries		-	-	-	17,443,843	-	17,443,843
Total Academic Salaries		61,444,495	-	61,444,495	78,888,338	-	78,888,338
<u>Classified Salaries</u>							
Noninstructional Salaries							
Regular Status	2100	-	-	-	29,813,898	-	29,813,898
Other	2300	-	-	-	1,381,541	-	1,381,541
Total Noninstructional Salaries		-	-	-	31,195,439	-	31,195,439
Instructional Aides							
Regular Status	2200	3,814,188	-	3,814,188	3,814,188	-	3,814,188
Other	2400	269,671	-	269,671	269,671	-	269,671
Total Instructional Aides		4,083,859	-	4,083,859	4,083,859	-	4,083,859
Total Classified Salaries		4,083,859	-	4,083,859	35,279,298	-	35,279,298
Employee Benefits	3000	27,927,572	-	27,927,572	57,095,451	-	57,095,451
Supplies and Material	4000	-	-	-	445,580	-	445,580
Other Operating Expenses	5000	-	-	-	15,989,615	-	15,989,615
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		93,455,926	-	93,455,926	187,698,282	-	187,698,282

Santa Monica Community College District  
 Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation  
 Year Ended June 30, 2022

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Exclusions</u>							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	\$ 2,036,015	\$ -	\$ 2,036,015	\$ 2,036,015	\$ -	\$ 2,036,015
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	1,103,378	-	1,103,378
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	3,268,514	-	3,268,514
Objects to Exclude							
Rents and Leases	5060	-	-	-	-	-	-
Lottery Expenditures							
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	2,555,148	-	2,555,148
Employee Benefits	3000	-	-	-	1,261,702	-	1,261,702
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, 2022

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
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		2,036,015	-	2,036,015	10,224,757	-	10,224,757
Total for ECS 84362, 50% Law Percent of CEE (Instructional Salary Cost/Total CEE) 50% of Current Expense of Education		\$91,419,911	\$ -	\$91,419,911	\$ 177,473,525	\$ -	\$ 177,473,525
		51.51%		51.51%	100.00%		100.00%
					\$ 88,736,763		\$ 88,736,763

Santa Monica Community College District  
 Proposition 30 Education Protection Account (EPA) Expenditure Report  
 Year Ended June 30, 2022

Activity Classification	Object Code					Unrestricted
EPA Proceeds:	8630					\$ 40,543,928
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total	
Instructional Activities	1000-5900	\$ 40,543,928	\$ -	\$ -	\$ 40,543,928	
Total Expenditures for EPA		\$ 40,543,928	\$ -	\$ -	\$ 40,543,928	
Revenues Less Expenditures					\$ -	



Santa Monica Community College District  
Reconciliation of Government Funds to the Statement of Net Position  
Year Ended June 30, 2022

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

Total fund balance		
General Funds	\$	59,613,018
Special Revenue Funds		17,485,169
Capital Project Funds		244,554,015
Debt Service Funds		43,207,166
Fiduciary Funds		<u>8,577,511</u>
Total fund balance - all District funds	\$	373,436,879
Amounts held in trust on behalf of others (OPEB Trust)		(8,577,511)
The District's investment in the Los Angeles County investment pool is reported at fair market value in the statement of Net Position.		(15,397,609)
Capital and right-to-use leased 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	952,999,653	
Accumulated depreciation is	(239,665,167)	
The cost of right-to-use leased assets is	20,183,724	
Accumulated amortization is	<u>(1,266,278)</u>	
Total capital and right-to-use leased assets, net		732,251,932
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	27,376,205	
Deferred outflows of resources related to OPEB	59,838,339	
Deferred outflows of resources related to pensions	<u>38,799,921</u>	
Total deferred outflows of resources		126,014,465
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.		(9,137,030)

Santa Monica Community College District  
 Reconciliation of Government Funds to the Statement of Net Position  
 Year Ended June 30, 2022

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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	\$ (770,284,695)	
Leases	(19,162,550)	
Compensated absences	(11,098,701)	
Load banking	(3,646,248)	
Supplemental employee retirement plan	(3,827,213)	
Aggregate net other postemployment benefits (OPEB) liability	(188,399,040)	
Aggregate net pension liability	(116,248,077)	
In addition, the District has issued 'capital appreciation' general obligation bonds. The accretion of interest unmatured on the general obligation bonds to date is	(45,814,999)	
Total long-term liabilities		\$ (1,158,481,523)

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	(7,511,924)	
Deferred inflows of resources related to pensions	(92,779,382)	
Total deferred inflows of resources		(100,291,306)

Total net position (deficit)		\$ (60,181,703)
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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 as of June 30, 2022.

### **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, 2022. 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.

### **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.

**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, 2022

**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, 2022, 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 21, 2022.

**Adoption of New Accounting Standard**

As discussed in Note 2 and Note 13 to the financial statements, the District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ending June 30, 2022. Our opinions are not modified with respect to this matter.

**Report on 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 or significant deficiencies may exist that have not been identified.

### **Report on 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 cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California  
December 21, 2022



## **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**

#### ***Opinion on Each Major Federal Program***

We have audited Santa Monica Community College District's (the District) compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

In our opinion, the District complied, in all material respects, with the 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, 2022.

#### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.



### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

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 21, 2022



## 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 2021-2022 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, 2022.

### 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 below that were audited for the year ended June 30, 2022.

### Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the standards and procedures identified in the 2021-2022 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Our responsibilities under those standards and the 2021-2022 California Community Colleges Chancellor's Office *Contracted District Audit Manual* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on state compliance with the compliance requirements subject to audit in the 2021-2022 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

### Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's compliance with the requirements listed in the table below.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements listed in the table below has occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the 2021-2022 California Community Colleges Chancellor's Office *Contracted District Audit Manual* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements listed in the table below.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the 2021-2022 California Community Colleges Chancellor's Office *Contracted District Audit Manual*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit 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 over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any material noncompliance that we identified during the audit.

### ***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)
Section 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 444	Apprenticeship Related and Supplemental Instruction (RSI) Funds
Section 475	Disabled Student Programs and Services (DSPS)
Section 490	Propositions 1D and 51 State Bond Funded Projects
Section 491	Education Protection Account Funds
Section 492	Student Representation Fee
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.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the 2021-2022 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.



Rancho Cucamonga, California  
December 21, 2022



Schedule of Findings and Questioned Costs  
June 30, 2022

# 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
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027
Dollar threshold used to distinguish between type A and type B programs:	\$2,045,503
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.

Santa Monica Community College District  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2022

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