



## **SMMUSD Financial Oversight Committee**

**Date: Thursday, February 11, 2021**

**Time: 6:00 pm to 8:00 pm**

**Via Zoom by phone at: 669-900-6833 or online at:**

<https://zoom.us/j/87194305360?pwd=bWl2Umh6akdwdEV5b3Z6VFJ2NHl6UT09>

**Meeting ID: 871 9430 5360 / Passcode: Oversight1 - Per Executive Order N-29-20 Issued By Governor Gavin Newsom**

### **AGENDA**

As per Executive Order N-29-20 from Governor Newsom, the Santa Monica-Malibu Unified School District Board of Education meetings will move to a virtual/teleconferencing environment using Zoom. The purpose of the Governor's executive order is to control the spread of Coronavirus (COVID-19) and to reduce and minimize the risk of infection by "limiting attendance at public assemblies, conferences, or other mass events." The Governor's executive order on March 12, 2020, already waived the requirement for a majority of board members to physically participate in a public board meeting at the same location.

The intent is not to limit public participation, but rather to protect public health by following the Governor's Stay at Home executive order and the LA County's Safer at Home order. Persons wishing to address the Committee regarding an item that is scheduled for this meeting must submit a Google survey "sign up" prior to discussion of that item. Persons wishing to address the Committee regarding an item that is not scheduled on this meeting's agenda may speak during the Public Comments section by submitting the Google survey "sign up" at the beginning of the meeting.

#### **Instructions for public comments**

1. Submit a Google survey "sign up" at <https://forms.gle/CmESurF2KLy3o2u16>. This survey will take the place of the "speaker chits" available at meetings.
2. Speakers will fill in their name and select if they wish to address the committee regarding a specific agenda item or during General Public Comments.
3. Speakers are asked to attend the FOC meeting virtually through the call-in number at the top of the agenda.
4. When it is time for the speakers to address the committee, their name will be called.
5. As with all meetings, once discussion begins on an agenda item, any speakers who sign up after that time will be given one minute to speak.

#### **Instrucciones para comentarios del público**

1. Una encuesta de Google "registrarse" <https://forms.gle/K6c62mDebmTWmaoXA>. Esta encuesta ocupará el lugar de las "fichas" disponibles en las reuniones.
2. Los miembros del público las completarán con su nombre y seleccionarán si desean dirigirse a la junta con respecto a un punto específico de la orden del día o durante los comentarios públicos generales.
3. Se pide a las personas que deseen hacer comentarios que asistan a la reunión de la junta virtualmente a través del enlace que contiene la invitación de llamada de conferencia en la parte superior de la agenda.
4. Cuando llegue el momento de que el público se dirija a la junta directiva, se mencionará su nombre.
5. Al igual que las demás reuniones, una vez que comience el debate sobre un punto de la orden del día, los oradores que se inscriban después de ese momento, tendrán un minuto para hablar.

- I. Call to Order**
- II. Approval of Agenda**
- III. Approval of FOC Meeting Minutes:** January 7, 2021
- IV. Assistant Superintendent, Business and Fiscal Report: Melody Canady (5 min)**
- V. Discussion/Action Items**
  - A. District Audit Report – Eide Bailly LLP (45 min)
  - B. Measure R Audit Report – Eide Bailly LLP (15 min)
  - C. 2020-21 1<sup>st</sup> Interim Cashflow Projections as of 12/31/2020
- VI. Ad hoc Subcommittee Report (10 min)**
  - A. Budget Recommendations: Ms. Maniar, Mr. Covington, Mr. Jacobson, Ms. Newman
  - B. Tax Revenue and Assessed Valuation: Mr. Farivar, Mr. Crawford, Mr. Kremer, Ms. Newman
  - C. Bond Oversight: Mr. Kremer, Mr. Covington, Mr. Crawford, Mr. Lee, Ms. Mevasse
  - D. Nomination: Mr. Crawford, Mr. Levis-Fitzgerald, Ms. Maniar, Ms. Newman
- VII. Receive and File (Limited Discussion)**
  - A. CERBT Account Quarterly Update as of 12/31/2020
  - B. 2020-21 First Interim Other Local Income Detail
  - C. Measure R Parcel Tax Opinion of Counsel
- VIII. Public Comments**
  - A. Public Comments is the time when members of the audience may address the Committee on items not scheduled on the meeting’s agenda. All speakers are limited to three (3) minutes. When there are a large number of speakers, the Chair may reduce the allotted time to two (2) minutes per speaker. The Brown Act (Government Code) states that Committee members may not engage in discussion of issues raised during “XIII. Public Comments” except to ask clarifying questions, make a brief announcement; make a brief report on his or her own activities, or to refer the matter to staff. This Public Comment section is limited to 20 minutes. If the number of persons wishing to address the Committee exceeds the time limit, additional time will be allowed at the discretion of the Chair.
- IX. Committee Comments**
- X. Next Meeting:**
  - Tuesday, March 11, 2021
  - Thursday, April 15, 2021
  - Wednesday, May 12, 2021
  - Thursday, June 10, 2021
  - TBD (July 2021) \* Please note: This is a Joint Meeting / Study Session with the Board of Education - *SMMUSD District Office Board Room, 1651 16<sup>th</sup> Street.*

## **XI. Adjournment**

**Future Meetings will be held monthly in the Testing Room at the District's Administrative Offices, 1651 16th Street, Santa Monica, California, unless otherwise noted.**

*In compliance with the Americans with Disabilities Act, for those requiring special assistance to access the meeting room, to access written documents being discussed at the meeting, or to otherwise participate at the meetings, please contact the Office of Assistant Superintendent, Business and Fiscal Services at 310-450-8338 for assistance. Notification at least 48 hours before the meeting will enable the District to make reasonable arrangements to ensure accessibility to the meeting and to provide required accommodations, auxiliary aids or services.*

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June 30, 2020

**Santa Monica-Malibu Unified School  
District**

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## Independent Auditor's Report

To the Governing Board  
Santa Monica-Malibu Unified School District  
Santa Monica, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Santa Monica-Malibu Unified School District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Santa Monica-Malibu Unified School District, as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 16 to the financial statements, the District's prior-year governmental activities net position, fiduciary fund net position, and fund balance for the General Fund have been restated as of June 30, 2019 to correct certain errors noted during our audit of the beginning balances. Our opinions are not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13, budgetary comparison information on page 77, schedule of changes in the District's net OPEB liability and related ratios on page 78, schedule of District contributions for OPEB on page 79, schedule of the District's proportionate share of the net OPEB liability – MPP program on page 80, schedule of the District's proportionate share of the net pension liability on page 81, and the schedule of District contributions on page 82, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

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



The combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and the other supplementary information listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and the other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated [INSERT REPORT DATE] on our consideration of Santa Monica-Malibu Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Santa Monica-Malibu Unified School 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 Santa Monica-Malibu Unified School District's internal control over financial reporting and compliance.

Rancho Cucamonga, California  
Report Date

This section of Santa Monica-Malibu Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2020, with comparative information for the year ended June 30, 2019. Please read it in conjunction with the District's financial statements, which immediately follow this section.

## OVERVIEW OF THE FINANCIAL STATEMENTS

### The Financial Statements

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The Government-Wide Financial Statements present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District (including capital assets), deferred outflows of resources, as well as all liabilities (including long-term liabilities), and deferred inflows of resources. Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

The *Fund Financial Statements* include statements for each of the two categories of activities: governmental and fiduciary.

- The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.
- The *Fiduciary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

*Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements* is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the of Santa Monica-Malibu Unified School District.

## REPORTING THE DISTRICT AS A WHOLE

### The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets, deferred inflows of resources, liabilities, and deferred outflows of resources of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's operating results. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, we separate the District activities as follows:

**Governmental Activities** - The District reports all of its services in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

**Aggregate Discretely Presented Component Unit** – The District reports the Santa Monica Education Foundation as a discretely presented component unit. Although the Santa Monica Education Foundation is a legally separate entity, it is reported in the financial statements using the discrete presentation method because its purpose is to finance the educational programs for the direct benefit of the District.

## REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

### Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

**Governmental Funds** - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

## THE DISTRICT AS A TRUSTEE

### Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for funds held on behalf of others, like our funds for associated student body activities, employee retiree benefits, and employee payroll withholdings. The District's fiduciary activities are reported in the Statements of Fiduciary Net Position and Changes in Fund Net Position. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## FINANCIAL HIGHLIGHTS

- Total net position for the primary government was \$14,192,666 at June 30, 2020. This was an increase of \$8,734,996 from the prior fiscal year's net position.
- Overall revenues for the primary government were \$251,513,002 which created a surplus over expenses at \$242,778,006.

**THE DISTRICT AS A WHOLE****Net Position**

The District's net position was \$14.2 million for the fiscal year ended June 30, 2020. Of this amount, \$(193.9) million was unrestricted deficit. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

**Table 1**

	Governmental Activities	
	2020	As restated 2019
Assets		
Current and other assets	\$ 434,482,401	\$ 340,021,062
Capital assets	663,833,202	534,921,430
Total assets	<u>1,098,315,603</u>	<u>874,942,492</u>
Deferred outflows of resources	<u>67,309,936</u>	<u>71,272,281</u>
Liabilities		
Current liabilities	55,444,208	56,410,750
Long-term liabilities	<u>1,073,872,731</u>	<u>855,854,220</u>
Total liabilities	<u>1,129,316,939</u>	<u>912,264,970</u>
Deferred inflows of resources	<u>22,115,934</u>	<u>28,492,133</u>
Net Position		
Net investment in capital assets	63,149,554	30,426,376
Restricted	144,917,125	162,517,265
Unrestricted (deficit)	<u>(193,874,013)</u>	<u>(187,485,971)</u>
Total net position	<u><u>\$ 14,192,666</u></u>	<u><u>\$ 5,457,670</u></u>

The \$(193.9) million in unrestricted net position (deficit) of governmental activities represents the accumulated results of all past years' operations. Unrestricted net position (deficit) – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased by 3.4 percent (\$(193.9) million compared to \$(187.5) million).

### Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities on page 15. Table 2 takes the information from the Statement and rearranges them slightly so you can see our total revenues for the year.

**Table 2**

	Governmental Activities	
	2020	2019
Revenues		
Program revenues		
Charges for services	\$ 6,647,563	\$ 6,969,932
Operating grants and contributions	53,893,206	30,486,140
General revenues		
Federal and State aid not restricted	12,873,458	15,160,145
Property taxes	161,930,047	138,671,364
Other general revenues	16,168,728	34,885,927
Total revenues	<u>251,513,002</u>	<u>226,173,508</u>
Expenses		
Instruction-related	139,680,847	137,472,795
Pupil services	19,978,397	19,139,757
Administration	11,587,836	12,024,620
Plant services	19,873,398	28,272,070
Interest on long-term liabilities	28,265,605	21,664,111
Depreciation	19,781,744	17,753,660
Other	3,610,179	4,342,227
Total expenses	<u>242,778,006</u>	<u>240,669,240</u>
Change in net position	<u>\$ 8,734,996</u>	<u>\$ (14,495,732)</u>

### Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was \$242.8 million. The amount that our taxpayers ultimately financed for these activities through local taxes was \$161.9 million. Some of our costs were paid by those who benefited from the programs (\$6.6 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$53.9 million). We paid for the remaining "public benefit" portion of our governmental activities with \$29.0 million in Federal and State funds, and with other revenues, like interest and other local revenues.

Santa Monica-Malibu Unified School District  
Management's Discussion and Analysis  
June 30, 2020

In Table 3, we have presented the cost and net cost of each of the District's largest functions: instruction including, special instruction programs and other instructional programs, pupil services, administration, plant services, interest on long-term liabilities, depreciation, and all other services. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

**Table 3**

	Total Cost of Services		Net Cost of Services	
	2020	2019	2020	2019
Instruction	\$ 139,680,847	\$ 137,472,795	\$ (110,477,948)	\$ (118,771,163)
Pupil services	19,978,397	19,139,757	(14,860,502)	(13,769,861)
Administration	11,587,836	12,024,620	(10,842,437)	(11,243,189)
Plant services	19,873,398	28,272,070	(9,996,308)	(23,009,314)
Interest on long-term liabilities	28,265,605	21,664,111	(28,265,605)	(21,664,111)
Depreciation	19,781,744	17,753,660	(19,781,744)	(17,753,660)
All other services	3,610,179	4,342,227	11,987,307	2,998,130
<b>Total</b>	<b>\$ 242,778,006</b>	<b>\$ 240,669,240</b>	<b>\$ (182,237,237)</b>	<b>\$ (203,213,168)</b>

**THE DISTRICT'S FUNDS**

As the District completed this year, our governmental funds reported a combined fund balance of \$391,778,821, which is an increase of \$96,729,227 from last year (Table 4).

**Table 4**

Governmental Funds	Balances and Activity			
	As restated June 30, 2019	Revenues and Other Sources	Expenditures and Other Uses	June 30, 2020
General	\$ 29,964,299	\$ 171,846,742	\$ 171,737,828	\$ 30,073,213
Adult Education	733,854	847,655	669,369	912,140
Child Development	1,303,842	7,719,874	8,209,868	813,848
Cafeteria	380,819	3,118,412	3,047,032	452,199
Deferred Maintenance	760,019	765,982	728,094	797,907
Building	93,990,808	263,663,817	149,641,224	208,013,401
Capital Facilities	3,282,409	2,015,875	674,564	4,623,720
Special Reserve Fund for Capital Outlay Projects	13,207,055	4,681,121	2,201,451	15,686,725
Bond Interest and Redemption	151,426,489	183,229,104	204,249,925	130,405,668
<b>Total</b>	<b>\$ 295,049,594</b>	<b>\$ 637,888,582</b>	<b>\$ 541,159,355</b>	<b>\$ 391,778,821</b>

**FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS**

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this fiscal year, its governmental funds reported a combined fund balance of \$391,778,821, which is more than last fiscal year's ending fund balance of \$295,049,594. This change is largely in part due to the physical school closure that was triggered by the global Covid-19 pandemic which curtailed spending; thus, having a larger amount of unspent funds which increased the combined fund balance accordingly. In addition, the District issued general obligation bonds during the current fiscal year that increased fund balance in the Building Fund.

The District's General Fund had \$2,958,914 more in operating revenues than expenditures for the fiscal year ended June 30, 2020. This surplus was attributed to multiple factors across the budget. This amount includes a decrease of \$589,891 of the Local General Fund Contribution to Special Education which is an increase in revenue; lower RDA (Community Redevelopment Funds) property tax of \$939,889 from the local control funding formula; increased Measure GSH & Y revenue in the amount of \$2,095,622; and unspent Certificated salaries due to unfilled positions and lower hourly/sub costs in the amount of \$698,159 to name a few of the major portions of the differences between the June Estimated Actuals and the September Unaudited Actuals.

The District's Building Fund had \$145,977,407 less in operating revenues than expenditures due to a significant increase in expenditures towards facilities construction during the fiscal year ended June 30, 2020. Also, for the fiscal year ended June 30, 2020, the District's Bond Interest & Redemption Fund had \$21,020,821 less in operating revenues than expenditures as a result of repayment of matured bonds.

**General Fund Budgetary Highlights**

Over the course of the year, the District revises its budget in order to reflect and accurately project changes in revenues and expenditures. The final amendment to the budget was adopted by the Board of Education on May 21, 2020. This final budget adjustment mainly perfects the projection of the LCFF Revenue, Local Revenue, and any change in the Local General Fund Contribution to Special Education. These projections are based on a combination of receipts and scheduled apportionments. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 77).



**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2020, the District had \$663.8 million in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of \$128.9 million, or 24.1 percent, from last year (Table 5).

**Table 5**

	Governmental Activities	
	2020	2019
Land and construction in progress	\$ 314,309,650	\$ 170,740,816
Buildings and improvements	340,327,818	353,674,047
Equipment	9,195,734	10,506,567
Total	\$ 663,833,202	\$ 534,921,430

Significant additions for the current fiscal year included the following:

- Work-in-process (\$148,553,826)
  - Measure M – (\$6,830,110)
  - Measure SMS – (\$62,417,546)
  - Measure ES – (\$55,479,226)
  - Measure BB – (\$23,610,502)
  - General Fund [Board Room Audio Visual Equipment Upgrade] – (\$216,441)
  
- Non-technology equipment (\$25,679)
  
- Food services equipment (\$18,400)
  
- Technology equipment (\$64,626)
  
- Vehicles (\$45,865)

**Long-Term Liabilities other than Other Post-Employment Benefits and Pensions**

At the end of this year, the District had \$845.2 million in long-term liabilities other than pension and OPEB outstanding versus \$633.9 million last year, an increase of 33.3 percent. That increase is largely attributed to the issuance of a total of \$365,915,000 million in General Obligation Bonds, a portion of which was used to refund existing outstanding bonds. See Note 9 for additional information. Long-term liabilities consisted of:

**Table 6**

	Governmental Activities	
	2020	As restated 2019
Long-Term Liabilities		
General obligation bonds	\$ 780,584,702	\$ 579,743,655
Certificates of participation	9,830,882	11,151,054
Unamortized premiums/(discounts)	49,409,775	36,984,087
Supplemental early retirement	4,059,872	5,074,840
Compensated absences	1,282,302	917,512
Total	\$ 845,167,533	\$ 633,871,148

The District’s general obligation bond rating continues to be affirmed by Moody’s at an *Aaa* rating level.

**Other Post-Employment Benefits (OPEB) and Pensions**

At year-end, the District has other post-employment benefit (OPEB) liabilities of \$53,177,843, versus \$45,980,490 last year, an increase of \$7,197,353 or 15.7 percent.

At year-end, the District has a net pension liability of \$175,527,355 versus \$176,002,582 last year, a decrease of \$475,227, or 0.3 percent.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

In considering the District Budget for the 2020-2021 year, the governing board and management used the following key assumption criteria:

**Revenues**

The District continues to be a Basic Aid District, also known as a Community Funded District, in fiscal year 2019-2020 for the third consecutive year. This occurred as Property Tax revenue exceeded that of the LCFF Entitlement from the State. The District benefits as a Basic Aid District when funded above its computed revenue (LCFF Entitlement) which is triggered by fast growing property taxes yielding an annual year-over-year revenue increase. However, it is difficult to project Property Tax growth making long-term forecasts unreliable. The District does not receive additional funding when enrollment increases (or is higher than estimated). Like many Basic Aid Districts, the District should consider reviewing its "Inter-district Transfer Policy" in addition to keeping higher reserves.

The District anticipates additional State and Federal funding to support operations during the global COVID-19 pandemic.

The District anticipates interest earnings will decrease due to reduction in market interest rates triggered by COVID-19.

**Expenditures**

The District continues to address its deficit spending and has submitted a Fiscal Stabilization Plan to its oversight agency, the Los Angeles County Office of Education (LACOE). The District continues to be guided by Board Resolution #19-13 that the Governing Board of Education adopted on December 12, 2019 which commits the District to implementing necessary budget reductions and/or revenue enhancements for the 2020-2021 year through the 2022-2023 year in order to address the structural deficit spending.

**CONTACTING 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 the District's Business Office at (310) 450-8338 or by mail at 1651 16<sup>th</sup> Street, Santa Monica, California 90404.

Santa Monica-Malibu Unified School District  
Statement of Net Position  
June 30, 2020

	Primary Government <u>Governmental Activities</u>	Component Unit <u>Santa Monica Education Foundation</u>
<b>Assets</b>		
Deposits and investments	\$ 423,717,245	\$ 11,153,425
Receivables	5,650,185	202,912
Due from other governments	4,902,106	-
Prepaid expenses	170,362	19,707
Stores inventories	42,503	-
Capital assets not depreciated	314,309,650	-
Capital assets, net of accumulated depreciation	349,523,552	6,919
Total assets	<u>1,098,315,603</u>	<u>11,382,963</u>
<b>Deferred Outflows of Resources</b>		
Deferred charge on refunding	12,937,098	-
Deferred outflows of resources related to OPEB	11,541,842	-
Deferred outflows of resources related to pensions	42,830,996	-
Total deferred outflows of resources	<u>67,309,936</u>	<u>-</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	40,883,145	2,101,316
Interest payable	12,740,628	-
Due to other governments	566,570	-
Refundable advance - Paycheck Protection Program (PPP)	-	98,401
Unearned revenue	1,253,865	17,294
<b>Long-term liabilities</b>		
Long-term liabilities other than OPEB and pensions due within one year	100,244,968	-
Long-term liabilities other than OPEB and pensions due in more than one year	744,922,565	-
Net other postemployment benefits (OPEB) liability	53,177,843	-
Aggregate net pension liability	175,527,355	-
Total liabilities	<u>1,129,316,939</u>	<u>2,217,011</u>
<b>Deferred Inflows of Resources</b>		
Deferred charge on refunding	4,149,750	-
Deferred inflows of resources related to OPEB	2,921,623	-
Deferred inflows of resources related to pensions	15,044,561	-
Total deferred inflows of resources	<u>22,115,934</u>	<u>-</u>
<b>Net Position</b>		
Net investment in capital assets	63,149,554	6,919
<b>Restricted for</b>		
Debt service	117,665,040	-
Capital projects	20,310,445	-
Educational programs	6,531,944	-
Restricted for endowments and other	409,696	8,176,725
Unrestricted (deficit)	(193,874,013)	982,308
Total net position	<u>\$ 14,192,666</u>	<u>\$ 9,165,952</u>

Santa Monica-Malibu Unified School District  
Statement of Activities  
Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position	
		Charges for Services and Sales	Operating Grants and Contributions	Primary Governmental Activities	Component Unit Santa Monica Education Foundation
<b>Governmental Activities</b>					
Instruction	\$ 117,110,804	\$ 2,189,123	\$ 23,605,209	\$ (91,316,472)	\$ -
Instruction-related activities					
Supervision of instruction	8,866,435	143,996	1,470,476	(7,251,963)	-
Instructional library, media, and technology	1,558,799	5,615	177,542	(1,375,642)	-
School site administration	12,144,809	236,646	1,374,292	(10,533,871)	-
Pupil services					
Home-to-school transportation	2,220,746	-	-	(2,220,746)	-
Food services	3,334,491	1,108,703	1,189,352	(1,036,436)	-
All other pupil services	14,423,160	46,230	2,773,610	(11,603,320)	-
Administration					
Data processing	1,672,862	-	-	(1,672,862)	-
All other administration	9,914,974	171,645	573,754	(9,169,575)	-
Plant services	19,873,398	1,080,500	8,796,590	(9,996,308)	-
Ancillary services	910,657	85,208	731,878	(93,571)	-
Community services	2,415,974	752,170	6,285,468	4,621,664	-
Enterprise services	267,100	-	-	(267,100)	-
Interest on long-term liabilities	28,265,605	-	-	(28,265,605)	-
Other outgo	16,448	827,727	6,915,035	7,726,314	-
Depreciation (unallocated)	19,781,744	-	-	(19,781,744)	-
<b>Total governmental activities</b>	<b>\$ 242,778,006</b>	<b>\$ 6,647,563</b>	<b>\$ 53,893,206</b>	<b>(182,237,237)</b>	<b>-</b>
<b>Component Unit</b>					
Program services	\$ 2,554,357	\$ -	\$ 3,042,384	-	488,027
Management and general	155,873	-	-	-	(155,873)
Fundraising	596,474	-	-	-	(596,474)
<b>Total component unit</b>	<b>\$ 3,306,704</b>	<b>\$ -</b>	<b>\$ 3,042,384</b>	<b>-</b>	<b>(264,320)</b>
<b>General Revenues and Subventions</b>					
Property taxes, levied for general purposes				91,183,929	-
Property taxes, levied for debt service				53,389,769	-
Taxes levied for other specific purposes				17,356,349	-
Federal and State aid not restricted to specific purposes				12,873,458	-
Interest and investment earnings				1,118,440	355,479
Miscellaneous				15,050,288	-
<b>Subtotal, general revenues</b>				<b>190,972,233</b>	<b>355,479</b>
<b>Change in Net Position</b>				<b>8,734,996</b>	<b>91,159</b>
<b>Net Position - Beginning, as restated</b>				<b>5,457,670</b>	<b>9,074,793</b>
<b>Net Position - Ending</b>				<b>\$ 14,192,666</b>	<b>\$ 9,165,952</b>

Santa Monica-Malibu Unified School District  
Balance Sheet – Governmental Funds  
June 30, 2020

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Deposits and investments	\$ 38,224,518	\$ 231,133,925	\$ 130,405,668	\$ 23,953,134	\$ 423,717,245
Receivables	4,649,196	697,493	-	303,496	5,650,185
Due from other governments	4,549,674	-	-	352,432	4,902,106
Prepaid expenditures	170,362	-	-	-	170,362
Stores inventories	-	-	-	42,503	42,503
<b>Total assets</b>	<b>\$ 47,593,750</b>	<b>\$ 231,831,418</b>	<b>\$ 130,405,668</b>	<b>\$ 24,651,565</b>	<b>\$ 434,482,401</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 15,721,224	\$ 23,818,017	\$ -	\$ 1,343,904	\$ 40,883,145
Due to other governments	566,570	-	-	-	566,570
Unearned revenue	1,232,743	-	-	21,122	1,253,865
<b>Total liabilities</b>	<b>17,520,537</b>	<b>23,818,017</b>	<b>-</b>	<b>1,365,026</b>	<b>42,703,580</b>
<b>Fund Balances</b>					
Nonspendable	190,366	-	-	42,503	232,869
Restricted	5,604,354	208,013,401	130,405,668	21,647,731	365,671,154
Committed	-	-	-	1,094,148	1,094,148
Assigned	2,224,388	-	-	502,157	2,726,545
Unassigned	22,054,105	-	-	-	22,054,105
<b>Total fund balances</b>	<b>30,073,213</b>	<b>208,013,401</b>	<b>130,405,668</b>	<b>23,286,539</b>	<b>391,778,821</b>
<b>Total liabilities and fund balances</b>	<b>\$ 47,593,750</b>	<b>\$ 231,831,418</b>	<b>\$ 130,405,668</b>	<b>\$ 24,651,565</b>	<b>\$ 434,482,401</b>

Santa Monica-Malibu Unified School District  
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2020

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Total Fund Balance - Governmental Funds		\$ 391,778,821
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 840,872,578	
Accumulated depreciation is	<u>(177,039,376)</u>	
Net capital assets		663,833,202
In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred.		
		(12,740,628)
Deferred outflows of resources represent a consumption of net position in a future period and are not reported in the governmental funds. Deferred outflows of resources amounted to and related to		
Deferred charge on refunding	12,937,098	
Other postemployment benefits	11,541,842	
Net pension liability	<u>42,830,996</u>	
Total deferred outflows of resources		67,309,936
Deferred inflows of resources represent an acquisition of net position that applies to a future period and are not reported in the governmental funds. Deferred inflows of resources amount to and related to		
Deferred charge on refunding	(4,149,750)	
Other postemployment benefits	(2,921,623)	
Net pension liability	<u>(15,044,561)</u>	
Total deferred inflows of resources		(22,115,934)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		
		(175,527,355)
The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		
		(53,177,843)
Long-term liabilities 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	(763,515,233)	
Premium on issuance	(49,230,557)	
Discount on issuance	21,496	
Certificates of participation	(4,559,389)	
Premium on issuance	(200,714)	
Compensated absences (vacations)	(1,282,302)	
Supplemental early retirement liability	(4,059,872)	
In addition, capital appreciation general obligation bonds and certificates of participation were issued. The accretion of interest to date is:	<u>(22,340,962)</u>	
Total long-term liabilities		<u>(845,167,533)</u>
Total net position - governmental activities		<u>\$ 14,192,666</u>

Santa Monica-Malibu Unified School District  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2020

	General Fund	Building Fund	Bond Interest and Redemption Fund
<b>Revenues</b>			
Local Control Funding Formula			
State apportionments	\$ 8,585,921	\$ -	\$ -
Education protection account state aid	2,018,542	-	-
Local sources	90,896,931	-	-
Federal sources	3,824,863	-	1,731,779
Other State sources	12,091,562	-	77,633
Other local sources	54,428,923	3,663,817	54,304,633
<b>Total revenues</b>	<b>171,846,742</b>	<b>3,663,817</b>	<b>56,114,045</b>
<b>Expenditures</b>			
<b>Current</b>			
Instruction	102,623,536	-	-
Instruction-related activities			
Supervision of instruction	7,631,650	-	-
Instructional library, media, and technology	1,438,215	-	-
School site administration	10,057,561	-	-
Pupil services			
Home-to-school transportation	2,186,974	-	-
Food services	-	-	-
All other pupil services	13,217,478	-	-
Administration			
Data processing	1,645,367	-	-
All other administration	9,780,059	-	-
Plant services	16,291,189	598,839	-
Ancillary services	881,334	-	-
Community services	2,235,981	-	-
Other outgo	16,448	-	-
Enterprise services	267,100	-	-
Facility acquisition and construction	8,447	148,337,385	-
Debt service			
Principal	-	-	73,150,000
Interest and other	606,489	705,000	25,802,675
<b>Total expenditures</b>	<b>168,887,828</b>	<b>149,641,224</b>	<b>98,952,675</b>
Excess (Deficiency) of Revenues Over Expenditures	2,958,914	(145,977,407)	(42,838,630)
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	-
Other sources - proceeds from bond issuance	-	260,000,000	105,915,000
Other sources - premium on bond issuance	-	-	21,200,059
Transfers out	(2,850,000)	-	-
Other uses - payment to refunded bond escrow agent	-	-	(105,297,250)
<b>Net Financing Sources (Uses)</b>	<b>(2,850,000)</b>	<b>260,000,000</b>	<b>21,817,809</b>
Net Change in Fund Balances	108,914	114,022,593	(21,020,821)
Fund Balance - Beginning, as restated	29,964,299	93,990,808	151,426,489
Fund Balance - Ending	<b>\$ 30,073,213</b>	<b>\$ 208,013,401</b>	<b>\$ 130,405,668</b>



Santa Monica-Malibu Unified School District  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2020

	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>		
Local Control Funding Formula		
State apportionments	\$ -	\$ 8,585,921
Education protection account state aid	-	2,018,542
Local sources	-	90,896,931
Federal sources	1,165,311	6,721,953
Other State sources	3,364,122	15,533,317
Other local sources	11,769,486	124,166,859
	<u>16,298,919</u>	<u>247,923,523</u>
<b>Expenditures</b>		
<b>Current</b>		
Instruction	6,191,205	108,814,741
Instruction-related activities		
Supervision of instruction	525,584	8,157,234
Instructional library, media, and technology	-	1,438,215
School site administration	1,109,445	11,167,006
Pupil services		
Home-to-school transportation	-	2,186,974
Food services	3,181,851	3,181,851
All other pupil services	154,960	13,372,438
Administration		
Data processing	-	1,645,367
All other administration	596,455	10,376,514
Plant services	1,903,325	18,793,353
Ancillary services	-	881,334
Community services	-	2,235,981
Other outgo	-	16,448
Enterprise services	-	267,100
Facility acquisition and construction	-	148,345,832
Debt service		
Principal	1,795,000	74,945,000
Interest and other	72,553	27,186,717
	<u>15,530,378</u>	<u>433,012,105</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>768,541</u>	<u>(185,088,582)</u>
<b>Other Financing Sources (Uses)</b>		
Transfers in	2,850,000	2,850,000
Other sources - proceeds from bond issuance	-	365,915,000
Other sources - premium on bond issuance	-	21,200,059
Transfers out	-	(2,850,000)
Other uses - payment to refunded bond escrow agent	-	(105,297,250)
	<u>2,850,000</u>	<u>281,817,809</u>
Net Financing Sources (Uses)	<u>2,850,000</u>	<u>281,817,809</u>
Net Change in Fund Balances	3,618,541	96,729,227
Fund Balance - Beginning	19,667,998	295,049,594
Fund Balance - Ending	<u>\$ 23,286,539</u>	<u>\$ 391,778,821</u>

Santa Monica-Malibu Unified School District  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental  
 Funds to the Statement of Activities  
 Year Ended June 30, 2020

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Total Net Change in Fund Balances - Governmental Funds		\$ 96,729,227
<p>Amounts Reported for Governmental Activities in the Statement of Activities are Different Because</p> <p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.</p> <p>This is the amount by which capital outlays exceed depreciation in the period.</p>		
Capital outlays		\$ 148,693,516
Depreciation expense		<u>(19,781,744)</u>
Net expense adjustment		128,911,772
<p>The District issued capital appreciation general obligations bonds. The accretion of interest on the general obligation bonds during the current fiscal year was</p>		
		(1,531,047)
<p>The District issued capital appreciation certificates of participation. The accretion of interest on the certificates of participation during the current fiscal year was</p>		
		(474,828)
<p>In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) and early retirement incentives, are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between vacation and early retirement incentives earned and used.</p>		
		650,178
<p>In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.</p>		
		(9,198,678)
<p>In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year.</p>		
		(3,421,900)

Santa Monica-Malibu Unified School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental  
Funds to the Statement of Activities  
Year Ended June 30, 2020

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<p>Proceeds received from Certificates of Participation or Sale of Bonds is a revenue in the governmental funds, but it increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.</p>	\$ (365,915,000)
<p>Governmental funds report the effect of premiums, discounts, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.</p>	
Premium on issuance recognized	(21,200,059)
Deferred amount on refunding recognized	8,683,327
Premium amortization	8,776,126
Discount amortization	(1,755)
Deferred amount on refunding amortization	(371,021)
<p>Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.</p>	
General obligation bonds	166,605,000
Certificates of participation	1,795,000
<p>Interest on long-term liabilities is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accretes or accrues, regardless of when it is due.</p>	
	(1,301,346)
Change in net position of governmental activities	\$ 8,734,996

Santa Monica-Malibu Unified School District  
Statement of Net Position – Fiduciary Funds  
June 30, 2020

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	Payroll Clearing Fund	Student Body Funds
	<u>                    </u>	<u>                    </u>
Assets		
Deposits and investments	\$ 44,718	\$ 433,686
	<u>                    </u>	<u>                    </u>
Liabilities		
Due to student groups	\$ -	\$ 433,686
Due to other governments	44,718	-
	<u>                    </u>	<u>                    </u>
Total liabilities	\$ 44,718	\$ 433,686
	<u>                    </u>	<u>                    </u>

**Note 1 - Summary of Significant Accounting Policies****Financial Reporting Entity**

The Santa Monica-Malibu Unified School District (the District) was established in 1875, under the laws of the State of California. The District operates under a locally elected seven-member Board form of government and provides educational services to grades TK - 12 as mandated by the State and/or Federal agencies. The District operates nine elementary, three middle, two high schools, one continuation high school, one alternative school, an adult education center, and 11 child care and development centers.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Santa Monica-Malibu Unified School District, this includes general operations, food service, and student related activities of the District.

**Component Units**

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the Santa Monica Education Foundation (the Foundation) has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, GASB Statement No. 61, *The Financial Reporting Entity*, and GASB Statement No. 80, *Blending Requirements For Certain Component Units* and thus are included in the financial statements of the District. The Foundation, although a legally separate entity, is reported in the financial statements using the discrete presentation method as the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District; the District is entitled to, or has the ability to otherwise access a majority of the economic resources received or held by the separate organization; and the economic resources received from or held by an individual organization are significant to the District.

The Santa Monica Education Foundation is a non-profit dedicated to enriching the education of every Santa Monica student in the Santa Monica-Malibu Unified School District. Contributions to the Santa Monica Education Foundation fund excellent programs at every Santa Monica public school – from arts to STEM to wellness – that shape our future problem solvers, visionaries, and global citizens.

Established in 1982 by a dedicated group of parents, community leaders, and local business owners, the Ed Foundation raises funds to enhance and supplement the curriculum of the Santa Monica schools. The Foundation's mission is to engage the community to invest in a vibrant educational experience for all public-school students in Santa Monica.

Although the District does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to specifically identified programs. Because these restricted resources held by the Foundation can be used only by, or for the benefits of, the District, the Foundation is considered a component unit of the District and is discretely presented in the District Financial statements. Separately issued financial statements are also prepared for the Foundation. Separately issued financial statements are also prepared for the Foundation.

### **Basis of Presentation - Fund Accounting**

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into three broad fund categories: governmental, proprietary, and fiduciary.

**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

#### **Major Governmental Funds**

**General Fund** The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

**Building Fund** The Building Fund exists primarily to account separately for proceeds from the sale of bonds (Education Code Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

**Bond Interest and Redemption Fund** The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a local educational agency (Education Code Sections 15125-15262).

#### **Non-Major Governmental Funds**

**Special Revenue Funds** The Special Revenue funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

- **Adult Education Fund** The Adult Education Fund is used to account separately for Federal, State, and local revenues that are restricted or committed for adult education programs and is to be expended for adult education purposes only.

- **Child Development Fund** The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.
- **Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).
- **Deferred Maintenance Fund** The Deferred Maintenance Fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (*Education Code* Section 17582).

**Capital Project Funds** The Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

- **Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and Government Code Section 65995 et seq.). Expenditures are restricted to the purposes specified in Government Code Sections 65970-65981 or to the items specified in agreements with the developer (Government Code Section 66006).
- **Special Reserve Fund for Capital Outlay Projects** The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

**Fiduciary Funds** Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency funds account for payroll withholdings and for student body activities (ASB).

#### **Basis of Accounting - Measurement Focus**

**Government-Wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This differs from the manner in which governmental fund financial statements are prepared.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, for each governmental function, and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the *Statement of Activities*. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their use.

**Fund Financial Statements** Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

- **Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.
- **Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

**Revenues – Exchange and Non-Exchange Transactions** 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. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.



Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**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.

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred. Principal and interest on long-term liabilities, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

### **Investments**

Investments with original maturities greater than one year at the time of purchase 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 are stated at cost or amortized cost. Fair values of investments in county pool is determined by the program sponsor.

### **Prepaid Expenditures (Expenses)**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures when consumed rather than when purchased.

### **Stores Inventories**

Inventories consist of expendable food and supplies held for consumption. Inventories are valued using the average cost basis. The costs of inventory items are recorded as expenditures in the governmental funds when consumed rather than when purchased.

### **Capital Assets and Depreciation**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at acquisition value on the date donated.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 25 to 50 years; improvements, 5 to 50 years; equipment, 5 to 15 years.

### **Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the statement of net position.

### **Compensated Absences**

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. 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, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated 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.

### **Accrued Liabilities and Long-Term Liabilities**

All payables, accrued liabilities, and long-term liabilities are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full, from current financial resources are reported as liabilities of the governmental funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and other long-term liabilities are recognized as liabilities in the governmental fund financial statements when due.

### **Debt Issuance Costs, Premiums and Discounts**

In the government-wide financial statements, long-term liabilities are reported as liabilities in the statement of net position. Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the period the bonds are issued. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures in the period the bonds are issued.

### **Deferred Outflows/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 or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt, for pension related items, and for OPEB related items. The deferred charge on 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 pension and OPEB relate to differences between expected and actual earnings on investments, changes of assumptions, and other pension and OPEB 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 deferred charges on refunding of debt, for pension related items, and for OPEB related items. The deferred amounts related to pension and OPEB relate to the differences between contributions and the District's proportionate share of contributions, differences between expected and actual experience, and differences between projected and actual earnings on investments.

### **Pensions**

For purposes of measuring the net pension liability and 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 net pension liability attributable to the governmental activities will be paid by the fund in which the employee worked, which is primarily the General Fund.

**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 total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

**Fund Balances - Governmental Funds**

As of June 30, 2020, fund balances of the governmental funds are classified as follows:

**Nonspendable** - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

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

**Committed** - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

**Assigned** - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

**Unassigned** - all other spendable amounts.

**Spending Order Policy**

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

**Minimum Fund Balance Policy**

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

**Net Position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings and related deferred outflows and inflows of resources that are attributable to the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their 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 \$153,093,850, of net position restricted by enabling legislation.

**Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the Statement of Activities.

**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.

**Property Tax**

Secured property taxes attach as an enforceable lien on property as of January 1. 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.

### **Change in Accounting Principles**

In May 2020, the GASB issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, Certain Asset Retirement Obligations
- Statement No. 84, Fiduciary Activities
- Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period
- Statement No. 90, Majority Equity Interests
- Statement No. 91, Conduit Debt Obligations
- Statement No. 92, Omnibus 2020
- Statement No. 93, Replacement of Interbank Offered Rates
- Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)
- Implementation Guide No. 2018-1, Implementation Guidance Update—2018
- Implementation Guide No. 2019-1, Implementation Guidance Update—2019
- Implementation Guide No. 2019-2, Fiduciary Activities.

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, Leases
- Implementation Guide No. 2019-3, Leases.

The provisions of this Statement have been implemented as of June 30, 2020.

### **New Accounting Pronouncements**

In January 2017, the GASB issued Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

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

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after June 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In June 2018, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The effects of this change on the District's financial statements have not yet been determined.

In August 2018, the GASB issued Statement 90, Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an

investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The effects of this change on the District's financial statements have not yet been determined.

In May 2019, the GASB issued Statement No. 91, Conduit Debt Obligations. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).



All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

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

As a result of the implementation of GASB Statement No. 95, 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.

Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

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.

As a result of the implementation of GASB Statement No. 95, the removal of LIBOR as an appropriate benchmark interest rate (paragraph 11b) is effective for reporting periods ending after December 31, 2021. Paragraph 13 and 14 related to lease modifications is effective for reporting periods beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In May 2020, the GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In June 2020, the GASB issued Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The effects of this change on the District's financial statements have not yet been determined.

**Note 2 - Deposits and Investments**

**Summary of Deposits and Investments**

Deposits and investments as of June 30, 2020, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 423,717,245
Component unit - Santa Monica Education Foundation*	11,153,425
Fiduciary funds	478,404
Total deposits and investments	\$ 435,349,074

Deposits and investments as of June 30, 2020, consist of the following:

Cash on hand and in banks	\$ 1,909,219
Cash with fiscal agent	55,315,031
Cash in revolving	20,004
Investments	378,104,820
Total deposits and investments	\$ 435,349,074

\* Santa Monica Education Foundation's deposits and investments are comprised of the following:

Cash and cash equivalents	\$ 855,665
Investments	
Bond funds	2,769,179
Mutual Funds	729,488
Foreign stock funds	755,945
Other domestic stock funds	6,043,148
Total deposits and investments	\$ 11,153,425

### 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 is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial 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

### **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 manages its exposure to interest rate risk by investing in the County Pool. The District maintains an investment of \$367,807,060 with the Los Angeles County Treasury Investment Pool that has an average weighted maturity of 590 days.

### **Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the Los Angeles County Treasury Investment Pool is not required to be rated, nor has it been rated as of June 30, 2020.

### **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 percent 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 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2020, the District's had a bank balance of \$564,513, that was exposed to custodial credit risk because it was uninsured and uncollateralized.

### **Note 3 - Fair Value Measurements**

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

- Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.
- Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Santa Monica-Malibu Unified School District

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- 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, 2020:

Investment Type	Reported Amount	Fair Value Measurements at Report Date Using Quoted Prices in Active Markets for Identical Assets (Level 1)
Santa Monica Education Foundation		
Bond funds	\$ 2,769,179	\$ 2,769,179
Mutual Funds	729,488	729,488
Foreign stock funds	755,945	755,945
Other domestic stock funds	6,043,148	6,043,148
Total	<u>\$ 10,297,760</u>	<u>\$ 10,297,760</u>

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

**Note 4 - Receivables and Due from other Governments**

Receivables and amounts due from other governments at June 30, 2020, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Federal Government				
Categorical aid	\$ 2,489,674	\$ -	\$ 115,990	\$ 2,605,664
State Government				
LCFF apportionment	219,062	-	-	219,062
EPA	506,694	-	-	506,694
Special education	805,034	-	-	805,034
Lottery	529,210	-	-	529,210
Categorical aid	-	-	275,099	275,099
Local Government				
Interest	116,077	697,493	65,082	878,652
Other local sources	4,533,119	-	199,757	4,732,876
Total	<u>\$ 9,198,870</u>	<u>\$ 697,493</u>	<u>\$ 655,928</u>	<u>\$ 10,552,291</u>



**Note 5 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 15,122,223	\$ -	\$ -	\$ 15,122,223
Construction in progress	155,618,593	148,553,826	(4,984,992)	299,187,427
Total capital assets not being depreciated	170,740,816	148,553,826	(4,984,992)	314,309,650
Capital assets being depreciated				
Land improvements	67,997,706	4,821,872	-	72,819,578
Buildings and improvements	425,971,777	102,273	-	426,074,050
Furniture and equipment	27,468,763	200,537	-	27,669,300
Total capital assets being depreciated	521,438,246	5,124,682	-	526,562,928
Total capital assets	692,179,062	153,678,508	(4,984,992)	840,872,578
Accumulated depreciation				
Land improvements	(13,759,063)	(2,922,874)	-	(16,681,937)
Buildings and improvements	(126,536,373)	(15,347,500)	-	(141,883,873)
Furniture and equipment	(16,962,196)	(1,511,370)	-	(18,473,566)
Total accumulated depreciation	(157,257,632)	(19,781,744)	-	(177,039,376)
Governmental activities capital assets, net	<u>\$ 534,921,430</u>	<u>\$ 133,896,764</u>	<u>\$ (4,984,992)</u>	<u>\$ 663,833,202</u>

The District does not allocate depreciation expense to the various functions.

**Note 6 - Interfund Transactions**

**Operating Transfers**

Interfund transfers for the year ended June 30, 2020, consisted of the following:

The General Fund transferred to the Non-Major Governmental Child Development Fund for program contributions.	\$ 1,200,000
The General Fund transferred \$900,000 to the Non-Major Governmental Cafeteria Fund for program contributions.	900,000
The General Fund transferred \$750,000 to the Non-Major Governmental Deferred Maintenance Fund for future maintenance projects.	<u>750,000</u>
Total	<u><u>\$ 2,850,000</u></u>

**Note 7 - Accounts Payable**

Accounts payable at June 30, 2020, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Salaries and benefits	\$ 13,180,013	\$ 126,766	\$ 573,968	\$ 13,880,747
Vendors	2,364,080	-	758,992	3,123,072
Supplies	136,017	-	-	136,017
Bus pass refunds	40,294	-	-	40,294
Construction	820	23,691,251	10,944	23,703,015
Total	<u><u>\$ 15,721,224</u></u>	<u><u>\$ 23,818,017</u></u>	<u><u>\$ 1,343,904</u></u>	<u><u>\$ 40,883,145</u></u>

**Note 8 - Unearned Revenue**

Unearned revenue at June 30, 2020, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	\$ 172,419	\$ -	\$ 172,419
State categorical aid	222,494	21,122	243,616
Other local	837,830	-	837,830
<b>Total</b>	<b>\$ 1,232,743</b>	<b>\$ 21,122</b>	<b>\$ 1,253,865</b>

**Note 9 - 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 consisted of the following:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Due in One Year
<b>Long-Term Liabilities</b>					
General obligation bonds	\$ 579,743,655	\$ 367,446,047	\$ (166,605,000)	\$ 780,584,702	\$ 96,965,000
Certificates of participation	11,151,054	474,828	(1,795,000)	9,830,882	2,265,000
Unamortized debt premiums	37,007,338	21,200,059	(8,776,126)	49,431,271	-
Unamortized debt discounts	(23,251)	-	1,755	(21,496)	-
Supplemental early retirement liability	5,074,840	-	(1,014,968)	4,059,872	1,014,968
Compensated absences	917,512	364,790	-	1,282,302	-
<b>Total</b>	<b>\$ 633,871,148</b>	<b>\$ 389,485,724</b>	<b>\$ (178,189,339)</b>	<b>\$ 845,167,533</b>	<b>\$ 100,244,968</b>

Payments on the general obligation bonds are made by the bond interest and redemption fund with local revenues. The Special Reserve Fund for Capital Outlay Projects makes payments for the Certificates of Participation. The supplemental early retirement is paid by the General Fund. The compensated absences will be paid by the fund for which the employee worked, which generally includes the General Fund, Adult Education Fund, Child Development Fund, and Cafeteria Fund.

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### General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2019 As restated	Issued	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2020
6/17/1999	8/1/2023	3.20-5.50%	\$ 38,000,034	\$ 31,028,655	\$ -	\$ 1,531,047	\$ (7,210,000)	\$ 25,349,702
7/23/2009	8/1/2019	1.50-5.00%	11,875,000	1,630,000	-	-	(1,630,000)	-
7/23/2009	8/1/2034	5.645-7.556%	48,125,000	48,125,000	-	-	(48,125,000)	-
7/27/2010	7/1/2023	3.00-5.00%	10,690,000	2,125,000	-	-	(975,000)	1,150,000
7/27/2010	7/1/2035	5.796-6.634%	54,310,000	54,310,000	-	-	-	54,310,000
2/7/2013	8/1/2032	2.00-5.00%	45,425,000	43,045,000	-	-	(1,420,000)	41,625,000
4/3/2013	7/1/2037	0.17-5.00%	82,995,327	59,985,000	-	-	(53,200,000)	6,785,000
8/13/2014	7/1/2037	1.00-4.00%	30,000,000	7,730,000	-	-	-	7,730,000
7/7/2015	8/1/2040	2.00-5.00%	60,000,000	36,280,000	-	-	-	36,280,000
12/10/2015	8/1/2034	3.25-5.00%	47,915,000	47,915,000	-	-	-	47,915,000
10/11/2016	7/1/2035	1.00-4.00%	28,190,000	27,500,000	-	-	(300,000)	27,200,000
10/11/2016	7/1/2032	3.00%	660,000	660,000	-	-	-	660,000
10/11/2016	7/1/2035	2.00-4.00%	52,140,000	52,140,000	-	-	-	52,140,000
6/21/2017	7/1/2042	3.125-5.00%	60,000,000	47,270,000	-	-	(13,095,000)	34,175,000
9/6/2018	8/1/2043	3.00-5.00%	120,000,000	120,000,000	-	-	(40,650,000)	79,350,000
10/2/2019	8/1/2049	2.00-4.00%	110,000,000	-	110,000,000	-	-	110,000,000
10/2/2019	8/1/2049	2.00-4.00%	35,000,000	-	35,000,000	-	-	35,000,000
11/6/2019	8/1/2036	3.00-4.00%	115,000,000	-	115,000,000	-	-	115,000,000
11/6/2019	8/1/2043	1.59-3.114%	105,915,000	-	105,915,000	-	-	105,915,000
				<u>\$ 579,743,655</u>	<u>\$ 365,915,000</u>	<u>\$ 1,531,047</u>	<u>\$ (166,605,000)</u>	<u>\$ 780,584,702</u>

### Election of 1998, Series 1999

On June 17, 1999, the District issued \$38,000,034 aggregate principal amount of the Election of 1998 General Obligation Bonds. The 1998 Bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting by \$40,379,966, and an aggregate principal debt service balance of \$78,380,000. The bonds mature on August 1, 2023, with interest rates ranging from 3.20 percent to 5.50 percent. Proceeds from the sale of the bonds were used for construction and renovation of school facilities and to pay the costs of issuance of the Bonds. At June 30, 2020, the principal balance outstanding was \$25,349,702.

### Election of 2006, Series B

On July 23, 2009, the District issued the Election of 2006, Series B, General Obligation Bonds in the amount of \$11,875,000. The Election of 2006, Series B, Bonds were issued as current interest bonds and have a final maturity on August 1, 2019, with interest rates ranging from 1.50 percent to 5.00 percent. Proceeds from the sale of the bonds were used for the construction, renovation, modernization and equipping of school facilities and to pay the costs of issuance of the Bonds. At June 30, 2020, the principal balance outstanding was zero.

**Election of 2006, Series B-1**

On July 23, 2009, the District issued the Election of 2006, Series B-1, General Obligation Bonds in the amount of \$48,125,000. The Election of 2006, Series B-1, Bonds were issued as current interest bonds and have a final maturity on August 1, 2034, with interest rates ranging from 5.645 percent to 7.556 percent. Proceeds from the sale of the bonds were used for the construction, renovation, modernization and equipping of school facilities and to pay the costs of issuance of the Bonds. The Series B-1 bonds were refunded on a crossover basis with the issuance of the 2015 General Obligation Refunding Bonds. The crossover date was August 1, 2019. As a result, at June 30, 2020, the principal balance outstanding was zero.

**Election of 2006, Series C**

On July 27, 2010, the District issued the Election of 2006, Series C, General Obligation Bonds in the amount of \$10,690,000. The Election of 2006, Series C, Bonds were issued as current interest bonds and have a final maturity on July 1, 2023, with interest rates ranging from 3.00 percent to 5.00 percent. Proceeds from the sale of the bonds were used to refund the 2009 General Obligation Bond Anticipation Notes and to pay the costs of issuance of the Bonds. At June 30, 2020, the principal balance outstanding was \$1,150,000.

**Election of 2006, Series C-1**

On July 27, 2010, the District issued the Election of 2006, Series C-1, General Obligation Bonds in the amount of \$54,310,000. The Election of 2006, Series C-1, Bonds were issued as current interest bonds and have a final maturity on July 1, 2035, with interest rates ranging from 5.796 percent to 6.334 percent. Proceeds from the sale of the bonds were used for the construction, renovation, modernization and equipping of school facilities and to pay the costs of issuance of the Bonds. The Series C-1 bonds are being refunded on a crossover basis with the issuance of the 2016 General Obligation Refunding Bonds. The crossover date is July 1, 2020. As a result, at June 30, 2020, the principal balance outstanding was \$54,310,000.

**2013 General Obligation Refunding Bonds**

On February 7, 2013, the District issued the 2013 General Obligation Refunding Bonds in the amount of \$45,425,000. The 2013 General Obligation Refunding Bonds were issued as current interest bonds and have a final maturity on August 1, 2032, with interest rates ranging from 2.00 percent to 5.00 percent. Proceeds from the sale of the bonds were used to advance refund the 2006, Series A, General Obligation Bonds and to pay the costs of issuance of the Bonds. At June 30, 2020, the principal balance outstanding was \$41,625,000. The unamortized deferred loss on refunding was \$4,500,107. The unamortized premium was \$2,580,626.

**Election of 2006, Series D**

On April 3, 2013, the District issued the Election of 2006, Series D, General Obligation Bonds in the amount of \$82,995,327. The Election of 2006, Series D, Bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting by \$29,174,672, and an aggregate principal debt service balance of \$112,170,000. The bonds mature on July 1, 2037, with interest rates ranging from 0.17 percent to 5.00 percent. Proceeds from the sale of the bonds were used to finance the repair, upgrading, acquisition, construction, and equipping of District sites and facilities, and to pay the costs of issuance of the Bonds. In 2019 \$52,805,000 of the Election of 2006, Series D, current interest bonds were refunded. At June 30, 2020, the principal balance outstanding was \$6,785,000. The unamortized premium was \$319,522.

**Election of 2012, Series A**

On August 13, 2014, the District issued the Election of 2012, Series A, General Obligation Bonds in the amount of \$30,000,000. The Election of 2012, Series A, Bonds were issued as current interest bonds and have a final maturity on July 1, 2037, with interest rates ranging from 1.00 percent to 4.00 percent. Proceeds from the sale of the bonds were used to finance the repair, upgrading, acquisition, construction and equipping of District sites and facilities, including technology upgrades, and to pay the costs of issuance of the Bonds. At June 30, 2020, the principal balance outstanding was \$7,730,000. The unamortized premium was \$181,002.

**Election of 2012, Series B**

On July 7, 2015, the District issued the Election of 2012, Series B, General Obligation Bonds in the amount of \$60,000,000. The Election of 2012, Series B, Bonds were issued as current interest bonds and have a final maturity on August 1, 2040, with interest rates ranging from 2.00 percent to 5.00 percent. Proceeds from the sale of the bonds were used to repair, upgrading, acquisition, construction, and equipping of District sites and facilities, and to pay the costs of issuance of the Bonds. At June 30, 2020, the principal balance outstanding was \$36,280,000. The unamortized premium was \$2,773,268.

**2015 General Obligation Refunding Bonds (Crossover Refunding)**

On December 10, 2015, the District issued the 2015 General Obligation Refunding Bonds in the amount of \$47,915,000. The 2015 General Obligation Refunding Bonds were issued as current interest bonds and have a final maturity on August 1, 2034, with interest rates ranging from 3.25 percent to 5.00 percent. Proceeds from the sale of the bonds were used to advance refund, on a crossover basis, the District's Election of 2006 General Obligation Bonds, Series B-1, and to pay the costs of issuance of the Bonds. Prior to August 1, 2019 (the crossover date), the 2015 Refunding Bonds (the new debt) will be secured by and payable solely from proceeds of the 2015 Refunding Bonds deposited in an escrow account established therefor. The 2006, Series B-1 Bonds (the old debt) will continue to be payable from proceeds from the ad valorem taxes pledged for debt service. After the crossover date, the 2015 Refunding Bonds will be payable from proceeds from the ad valorem taxes pledged for debt service. At June 30, 2020, the principal balance outstanding was \$47,915,000. The unamortized premium was \$3,932,810.

**2016 General Obligation Refunding Bonds, Series A and Series B**

On October 11, 2016, the District issued the 2016 General Obligation Refunding Bonds, Series A and Series B (the Series A and Series B Bonds), in the amounts of \$28,190,000, and \$660,000. The Series A and Series B Bonds were issued as current interest bonds and have final maturities of July 1, 2035, and July 1, 2032, respectively, with interest rates ranging from 1.00 percent to 4.00 percent. Proceeds from the sale of the bonds were used to currently refund a portion of the 2006 General Obligation Refunding Bonds; advance refund portions of the District's Election of 2006 General Obligation Bonds, Series C, and Election of 2006 General Obligation Bonds, Series D; pay capitalized interest on the Series A and Series B Bonds; and pay the costs of issuing the Series A Bonds and Series B Bonds. At June 30, 2020, the principal balance outstanding on the Series A Bonds was \$27,200,000, and \$660,000 was outstanding on the Series B Bonds. The unamortized premium on the Series A bonds was \$2,965,304. The unamortized discount on the Series B bonds was \$(21,496). The unamortized gain on the refunding was \$4,149,750.

**2016 General Obligation Refunding Bonds, Series C (Crossover Refunding)**

On October 11, 2016, the District issued the 2016 General Obligation Refunding Bonds, Series C, in the amount of \$52,140,000. The 2016 General Obligation Refunding Bonds, Series C, were issued as current interest bonds and have a final maturity on July 1, 2035, with interest rates ranging from 2.00 percent to 4.00 percent. Proceeds from the sale of the bonds were used to advance refund, on a crossover basis, the District's Election of 2006 General Obligation Bonds, Series C-1, and pay the costs of issuance of the Bonds. Prior to July 1, 2020 (the crossover date), the Series C Bonds (the new debt) will be secured by and payable solely from proceeds of the Series C Bonds deposited in an escrow account established therefor. The 2006, Series C-1 Bonds (the old debt) will continue to be payable from proceeds from the ad valorem taxes pledged for debt service. After the crossover date, the Series C Bonds will be payable from proceeds from the ad valorem taxes pledged for debt service. At June 30, 2020, the principal balance outstanding was \$52,140,000. The unamortized premium was \$6,207,652.

**Election of 2012, Series C**

On June 21, 2017, the District issued the Election of 2012, Series C, General Obligation Bonds in the amount of \$60,000,000. The Election of 2012, Series C, Bonds were issued as current interest bonds and have a final maturity on July 1, 2042, with interest rates ranging from 3.125 percent to 5.00 percent. Proceeds from the sale of the bonds were used to finance the acquisition, construction, modernization, and equipping of District sites and facilities, and to pay the costs of issuance of the Bonds. At June 30, 2020, the principal balance outstanding was \$34,175,000. The unamortized premium was \$3,981,755.

**Election of 2012, Series D**

On September 6, 2018, the District issued the Election of 2012, Series D, General Obligation Bonds in the amount of \$120,000,000. The Election of 2012, Series D, Bonds were issued as current interest bonds and have a final maturity on August 1, 2043, with interest rates ranging from 3.00 percent to 5.00 percent. The net proceeds from the sale of the bonds were used to finance school facilities of the District. In 2019, \$40,650,000 of the Election of 2012, Series D, current interest bonds were refunded. At June 30, 2020, the principal balance outstanding was \$79,350,000. The unamortized premium was \$5,825,425.

**Election of 2018, Series A, School Facilities Improvement District No. 1**

On October 2, 2019, the District issued the Election of 2018, Series A, General Obligation Bonds in the amount of \$110,000,000. The Election of 2018, Series A, Bonds, SFID No. 1 were issued as current interest bonds and have a final maturity on August 1, 2049, with interest rates ranging from 2.00 percent to 4.00 percent. Proceeds from the sale of the bonds will be used to improve, repair, and modernize school facilities in the District School Facilities Improvement District No. 1 (Santa Monica schools) and to pay issuance costs of the bonds. At June 30, 2020, the principal balance outstanding was \$110,000,000. The unamortized premium was \$7,660,003.

**Election of 2018, Series A, School Facilities Improvement District No. 2**

On October 2, 2019, the District issued the Election of 2018, Series A, General Obligation Bonds in the amount of \$35,000,000. The Election of 2018, Series A, Bonds SFID No. 2 were issued as current interest bonds and have a final maturity on August 1, 2049, with interest rates ranging from 2.00 percent to 4.00 percent. Proceeds from the sale of the bonds were used to will be used to improve, repair, and modernize school facilities in the District School Facilities Improvement District No. 2 (Malibu schools) and to pay issuance costs of the bonds. At June 30, 2020, the principal balance outstanding was \$35,000,000. The unamortized premium was \$2,459,951.

**Election of 2012, Series E**

On November 6, 2019, the District issued the Election of 2012, Series E, General Obligation Bonds in the amount of \$115,000,000. The Election of 2012, Series E, Bonds were issued as current interest bonds and have a final maturity on August 1, 2036, with interest rates ranging from 3.00 percent to 4.00 percent. Proceeds from the sale of the bonds will be used to improve, repair, and modernize school facilities in the District and to pay issuance costs of the bonds. At June 30, 2020, the principal balance outstanding was \$115,000,000. The unamortized premium was \$10,343,239.

**2019 Refunding General Obligation Bonds**

On November 6, 2019, the District issued the 2019 Refunding General Obligation Bonds in the amount of \$105,915,000. The 2019 Refunding Bonds were issued as current interest bonds and have a final maturity on August 1, 2043, with interest rates ranging from 1.59 percent to 3.114 percent. Net proceeds from the sale of the bonds will be used to refinance on an advance basis certain maturities of the District's outstanding Election of 2006, Series D, General Obligation Bonds, and the Election of 2012, Series D, General Obligation Bonds, and to pay related costs of issuance. At June 30, 2020, the principal balance outstanding was \$105,915,000. The unamortized loss on refunding was \$8,436,991.



Santa Monica-Malibu Unified School District

Notes to Financial Statements

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The refunding resulted in a cumulative cash flow savings of \$15,209,003 over the life of the new debt and an economic gain of \$10,162,060 based on the difference between the present value of the existing debt service requirements and new debt service requirements discounted at 2.92 percent.

**Debt Service Requirements to Maturity**

The bonds mature through 2050 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Unaccreted Interest	Current Interest to Maturity	Total
2021	\$ 96,771,685	\$ 193,315	\$ 26,418,591	\$ 123,383,591
2022	37,580,770	569,230	23,408,686	61,558,686
2023	24,993,987	926,013	22,446,245	48,366,245
2024	21,498,260	1,096,740	21,760,836	44,355,836
2025	18,290,000	-	21,058,876	39,348,876
2026-2030	125,555,000	-	92,158,727	217,713,727
2031-2035	183,680,000	-	63,664,329	247,344,329
2036-2040	156,020,000	-	30,768,392	186,788,392
2041-2045	75,380,000	-	11,771,770	87,151,770
2046-2050	40,815,000	-	3,224,025	44,039,025
<b>Total</b>	<b>\$ 780,584,702</b>	<b>\$ 2,785,298</b>	<b>\$ 316,680,477</b>	<b>\$ 1,100,050,477</b>

**Certificates of Participation**

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Certificates Outstanding July 1, 2019 As restated	Interest Accrued	Redeemed	Certificates Outstanding June 30, 2020
11/15/2001	5/1/2025	3.5-5.2%	\$ 15,206,501	\$ 9,531,054	\$ -	\$ 474,828	\$ 8,505,882
12/1/2010	5/1/2024	2.0-5.0%	8,015,000	1,620,000	-	(295,000)	1,325,000
				<u>\$ 11,151,054</u>	<u>\$ -</u>	<u>\$ 474,828</u>	<u>\$ 9,830,882</u>

**Certificates of Participation, 2001 Series C**

In November 2001, the Los Angeles County Schools Regionalized Business Services Corporation entered into a sublease in which the Corporation leased to the District certain real property and buildings and improvements thereon. The Corporation issued the 2001 Series C Certificates of Participation consisting of \$10,740,000 current interest certificates and \$4,466,501 capital appreciation certificates, with the value of the capital appreciation certificates accreting by \$8,248,499, and an aggregate principal debt service balance of \$23,455,000. The proceeds of the issue were used to purchase real property in the District. The certificates have a final maturity to occur on 5/1/2025, with interest rates ranging from 3.50 to 5.20 percent. As of June 30, 2020, the principal balance outstanding was \$8,505,882 and unamortized premium of \$188,904.

**2010 Refunding Certificates of Participation, Series B**

In December 2010, the California School Boards Association Finance Corporation entered a sublease in which the Corporation leased to the District certain real property and buildings and improvements thereon. The Corporation issued the 2010 Refunding Certificates of Participation Series B to refund a portion of the District's outstanding Certificates of Participation, 2001 Series C, finance the construction, renovation, and modernization of school facilities, and pay the costs related to the execution and delivery of the Certificates. The Series B certificates consisted of \$8,015,000 current interest certificates. The certificates have a final maturity to occur on 5/1/2024, with interest rates ranging from 2.00 to 5.00 percent. As of June 30, 2020, the principal balance outstanding was \$1,325,000 and unamortized premium of \$11,810.

**Debt Service Requirements to Maturity**

The certificates mature through 2025 as follows:

<u>Fiscal Year</u>	<u>Principal Including Accreted Interest to Date</u>	<u>Unaccreted Interest</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2021	\$ 2,192,617	\$ 57,383	\$ 60,931	\$ 2,310,931
2022	2,111,939	153,061	48,531	2,313,531
2023	2,039,709	245,291	32,531	2,317,531
2024	1,961,471	333,529	15,531	2,310,531
2025	<u>1,525,146</u>	<u>419,854</u>	<u>-</u>	<u>1,945,000</u>
Total	<u>\$ 9,830,882</u>	<u>\$ 1,209,118</u>	<u>\$ 157,524</u>	<u>\$ 11,197,524</u>

**Supplemental Early Retirement Plan**

The District offered an early retirement incentive program in 2019. Employees who were eligible to retire from CalSTRS or CalPERS and were at least 55 years old with at least five years of service to the District by June 30, 2019, were eligible to participate in the plan. The District contributed 80 percent of each participant's annual salary for the participant's last fiscal year of employment. There are 86 participants in the plan.

At June 30, 2020, future minimum payments on supplemental early retirement incentives were as follows:

<u>Year Ending June 30,</u>	<u>Supplemental Early Retirement</u>
2021	\$ 1,014,968
2022	1,014,968
2023	1,014,968
2024	<u>1,014,968</u>
Total	<u>\$ 4,059,872</u>

**Compensated Absences**

Compensated absences (unpaid employee vacation) for the District at June 30, 2020, amounted to \$1,282,302.

**Note 10 - Net Other Postemployment Benefit (OPEB) Liability**

For the fiscal year ended June 30, 2020, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
Retiree Health Plan	\$ 52,365,011	\$ 11,541,842	\$ 2,921,623	\$ 5,369,668
Medicare Premium Payment (MPP) Program	812,832	-	-	(41,370)
Total	<u>\$ 53,177,843</u>	<u>\$ 11,541,842</u>	<u>\$ 2,921,623</u>	<u>\$ 5,328,298</u>

The details of each plan are as follows:

**Retiree Health Plan**

**Plan Administration**

The District sponsors healthcare coverage under the California Public Employees Medical and Hospital Care Act (PEMHCA), more commonly referred to as PERS Health. The Plan is an agent multi-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. Financial information for PERS Health can be found on the CalPERS website at:

<http://calpers.ca.gov/pages/forms-publications>

Management of the trustee assets is vested with the California Employers' Retiree Benefit Trust.

**Plan Membership**

At July 1, 2019, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	460
Active employees	<u>1,316</u>
Total	<u><u>1,776</u></u>

**Benefits Provided**

The District offers California Public Employees Medical and Hospital Care Act (PEMHCA) to its retirees. Certificated and management employees with at least ten years of full-time equivalent service and age 55 or over may retire with District-paid medical and dental benefits. Although the classified employee agreement does not specify minimum age and service requirements for retirement, the valuation presented here assumes that classified staff will be subject to the same provisions as the other groups. Retiree benefits are capped at the monthly premium of the least expensive health maintenance organization offered for the retiree only to age 65. Beginning at age 65 the District’s contribution is reduced to the statutory minimum contribution required under PEMHCA.

**Contributions**

The contribution requirements of the Plan members and the District are established and may be amended by the District, the Santa Monica-Malibu Classroom Teachers Association (SMMCTA), the Service Employees International Union Local 99 (SEIU), and unrepresented groups. The District contributions are based on pay-as-you-go financing requirements, which include the statutory minimum required monthly premium, plus an administrative fee, on behalf of each retiree. In addition, the District makes supplemental contributions towards eligible retirees’ premiums until age 65 according to the provisions of the District’s agreement with its various employee groups. Any additional contributions are based on availability of funds. For the measurement period of June 30, 2020, the District contributed \$1,906,398, to the Plan, all of which was used for current premiums.

**Net OPEB Liability of the District**

The District’s net OPEB liability of \$52,365,011, was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2019. The components of the net OPEB liability of the District at June 30, 2020, were as follows:

Total OPEB liability	\$ 58,438,970
Plan fiduciary net position	(6,073,959)
	<u>                    </u>
Net OPEB liability	\$ 52,365,011
	<u>                    </u>
Plan fiduciary net position as a percentage of the total OPEB liability	10.39%
	<u>                    </u>

**Actuarial Assumptions**

The total OPEB liability as of June 30, 2020, was determined by applying updated procedures to the financial reporting actuarial valuation as of July 1, 2019 and rolling forward the total OPEB liability to June 30, 2020. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00 percent
Salary increases	3.00 percent, average, including inflation
Investment rate of return	5.00 percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	5.90 percent for 2020

The retirees' share of benefit-related costs varies with the coverage selected.

The discount rate was based on the Fidelity 20 Years General Obligation Municipal Index.

Mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection. 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 reeducation. 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, 2020 valuation were based on the results of an actual experience study for the period July 1, 2017 to June 30, 2019.

**Changes in the Net OPEB Liability**

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance, June 30, 2019	\$ 50,995,517	\$ 5,869,229	\$ 45,126,288
Service cost	2,370,918	-	2,370,918
Interest	2,050,071	-	2,050,071
Employer contributions	-	1,906,398	(1,906,398)
Net investment income	-	209,781	(209,781)
Difference between expected and actual experience	(3,264,350)	-	(3,264,350)
Changes of assumptions and other inputs	8,193,212	-	8,193,212
Benefit payments	(1,906,398)	(1,906,398)	-
Administrative expense	-	(5,051)	5,051
Net change in total OPEB liability	7,443,453	204,730	7,238,723
Balance, June 30, 2020	\$ 58,438,970	\$ 6,073,959	\$ 52,365,011

Changes of assumptions and other inputs reflect a change in the healthcare cost trends rate from 5.00 percent in 2019 to 5.90 percent in 2020.

**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 (2.16%)	\$ 61,858,825
Current discount rate (3.16%)	52,365,011
1% increase (4.16%)	44,646,133

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

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

Healthcare Cost Trend Rates	Net OPEB Liability
1% decrease (4.90%)	\$ 42,969,565
Current healthcare cost trend rate (5.90%)	52,365,011
1% increase (6.90%)	64,403,880

**OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources related to OPEB**

For the year ended June 30,2020, the District recognized OPEB expense of \$5,369,668. At June 30,2020, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,875,737
Changes of assumptions	11,470,857	-
Net difference between projected and actual earnings on OPEB plan investments	70,985	45,886
Total	\$ 11,541,842	\$ 2,921,623

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	\$ 1,242,140
2022	1,242,140
2023	1,246,315
2024	1,258,827
2025	1,241,082
Thereafter	2,389,715
Total	\$ 8,620,219

**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, 2018 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 benefit payments. 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, 2020, the District reported a liability of \$812,832 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. 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 period June 30, 2019 and June 30, 2018, respectively, was 0.2183 percent, and 0.2232 percent, resulting in a net decrease in the proportionate share of 0.0049 percent.

For the year ended June 30, 2020, the District recognized OPEB expense of \$(41,370).

### Actuarial Methods and Assumptions

The June 30, 2019 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total OPEB liability to June 30, 2019, using the assumptions listed in the following table:

Measurement Date	June 30, 2020	June 30, 2019
Valuation Date	June 30, 2019	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015	July 1, 2015 through June 30, 2017
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	5.00%	5.00%
Healthcare Cost Trend Rate	5.90%	5.00%

For the valuation as of June 30, 2018, 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 our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP 2016) 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 380 or an average of 0.23 percent of the potentially eligible population (165,422).

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, 2019, 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, 2019, is 3.50 percent. 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 3.50 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2019, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 0.37 percent from 3.87 percent as of June 30, 2018.

**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:

Discount Rate	Net OPEB Liability
1% decrease (2.16%)	\$ 886,986
Current discount rate (3.16%)	812,832
1% increase (4.16%)	744,652

**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 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:

Healthcare Costs Trend Rate	Net OPEB Liability
1% decrease (4.90%)	\$ 761,867
Current Medicare costs trend rate (5.90%)	812,832
1% increase (6.90%)	914,635

Santa Monica-Malibu Unified School District

Notes to Financial Statements

June 30, 2020

**Note 11 - Fund Balances**

Fund balances are composed of the following elements:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
<b>Nonspendable</b>					
Revolving cash	\$ 20,004	\$ -	\$ -	\$ -	\$ 20,004
Stores inventories	-	-	-	42,503	42,503
Prepaid expenditures	170,362	-	-	-	170,362
Total nonspendable	<u>190,366</u>	<u>-</u>	<u>-</u>	<u>42,503</u>	<u>232,869</u>
<b>Restricted</b>					
Legally restricted programs	5,604,354	-	-	866,574	6,470,928
Food service	-	-	-	359,804	359,804
Capital projects	-	208,013,401	-	20,612,636	228,626,037
Debt services	-	-	130,405,668	-	130,405,668
Total restricted	<u>5,604,354</u>	<u>208,013,401</u>	<u>130,405,668</u>	<u>21,647,731</u>	<u>365,671,154</u>
<b>Committed</b>					
Adult education program	-	-	-	296,241	296,241
Deferred maintenance program	-	-	-	797,907	797,907
Total committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,094,148</u>	<u>1,094,148</u>
<b>Assigned</b>					
Child development	-	-	-	502,157	502,157
Retiree benefits	2,224,388	-	-	-	2,224,388
Total assigned	<u>2,224,388</u>	<u>-</u>	<u>-</u>	<u>502,157</u>	<u>2,726,545</u>
<b>Unassigned</b>					
Unassigned	22,054,105	-	-	-	22,054,105
Total	<u>\$ 30,073,213</u>	<u>\$ 208,013,401</u>	<u>\$ 130,405,668</u>	<u>\$ 23,286,539</u>	<u>\$ 391,778,821</u>

**Note 12 - Risk Management****Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2020, the District contracted the Alliance of Schools for Cooperative Insurance Programs (ASCIP) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

**Workers' Compensation**

For fiscal year 2020, the District participated in Schools Linked for Insurance Management (SLIM), an insurance purchasing pool. The intent of SLIM is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in SLIM. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts.

**Employee Medical Benefits**

The District sponsors healthcare coverage under the California Public Employees Medical and Hospital Care Act (PEMHCA), commonly referred to as PERS Health. PEMHCA provides health insurance through a variety of health maintenance organization (HMO) and preferred provider organization options. Participation in PEMHCA is financed in part by the District through contributions of amounts up to the premiums for either of the PEMHCA HMOs, including dependent coverage, plus coverage under one of the District's dental plans.

**Note 13 - 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) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

For the fiscal year ended June 30, 2020, the District reported its proportionate share of 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>Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
CalSTRS	\$ 111,436,765	\$ 28,915,751	\$ 12,475,310	\$ 12,743,857
CalPERS	64,090,590	13,915,245	2,569,251	10,303,703
Total	<u>\$ 175,527,355</u>	<u>\$ 42,830,996</u>	<u>\$ 15,044,561</u>	<u>\$ 23,047,560</u>

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 the California State Teachers' Retirement System (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, 2018, 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 percent 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 provisions and benefits in effect at June 30, 2020, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	2% at 60	2% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	60	62
Retirement age	2.0% - 2.4%	2.0% - 2.4%
Monthly benefits as a percentage of eligible compensation	10.25%	10.205%
Required employee contribution rate	17.10%	17.10%
Required employer contribution rate	10.328%	10.328%
Required state contribution rate		

**Contributions**

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the District's total contributions were \$11,507,894.

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

At June 30, 2020, 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	
Proportionate share of net pension liability	\$ 111,436,765
State's proportionate share of the net pension liability	60,796,195
Total	\$ 172,232,960

The net pension liability was measured as of June 30, 2019. 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 school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively was 0.1234 percent and 0.1243 percent, resulting in a net decrease in the proportionate share of 0.0009 percent.

Santa Monica-Malibu Unified School District

Notes to Financial Statements

June 30, 2020

For the year ended June 30, 2020, the District recognized pension expense of \$12,743,857. In addition, the District recognized pension expense and revenue of \$573,385 for support provided by the State. At June 30, 2020, 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	\$ 11,507,894	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	3,032,223	5,042,573
Differences between projected and actual earnings on pension plan investments	-	4,292,578
Differences between expected and actual experience in the measurement of the total pension liability	281,319	3,140,159
Changes of assumptions	14,094,315	-
Total	\$ 28,915,751	\$ 12,475,310

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
2021	\$ (432,981)
2022	(3,407,802)
2023	(707,512)
2024	255,717
Total	\$ (4,292,578)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	\$ 2,379,867
2022	2,867,251
2023	2,125,064
2024	3,138,086
2025	(848,342)
Thereafter	(436,801)
Total	\$ 9,225,125

**Actuarial Methods and Assumptions**

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018 and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 2010 through June 30, 2015
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 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.



The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2019, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.8%
Fixed income	12%	1.3%
Real estate	13%	3.6%
Private equity	13%	6.3%
Risk mitigating strategies	9%	1.8%
Inflation sensitive	4%	3.3%
Cash/liquidity	2%	-0.4%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.10 percent. 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 percent) 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:

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 165,436,765
Current discount rate (7.10%)	111,436,765
1% increase (8.10%)	66,244,391

**California Public Employees Retirement System (CalPERS)**

**Plan Description**

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees’ Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. 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, 2018 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: <https://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 provisions and benefits in effect at June 30, 2020, are summarized as follows:

	School Employer Pool (CalPERS)	
	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	19.721%	19.721%

### 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 the July 1 following notice of a change in the rate. Total plan contributions are calculated 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 contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the total District contributions were \$6,088,175.

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$64,090,590. The net pension liability was measured as of June 30, 2019. 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 school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively was 0.2199 percent and 0.2315 percent, resulting in a net decrease in the proportionate share of 0.0116 percent.

For the year ended June 30, 2020, the District recognized pension expense of \$10,303,703. At June 30, 2020, 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	\$ 6,088,175	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	120,609	1,974,798
Differences between projected and actual earnings on pension plan investments	-	594,453
Differences between expected and actual experience in the measurement of the total pension liability	4,655,550	-
Changes of assumptions	3,050,911	-
	<u>\$ 13,915,245</u>	<u>\$ 2,569,251</u>
Total	<u>\$ 13,915,245</u>	<u>\$ 2,569,251</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
2021	\$ 586,789
2022	(1,172,095)
2023	(177,616)
2024	168,469
Total	\$ (594,453)

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
2021	\$ 4,261,499
2022	1,452,296
2023	125,889
2024	12,588
Total	\$ 5,852,272

**Actuarial Methods and Assumptions**

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018 and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
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 percent 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 percent. 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 is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 92,382,372
Current discount rate (7.15%)	64,090,590
1% increase (8.15%)	40,620,603

### **Social Security**

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan.

### **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 in the amount of \$6,350,356 (10.328 percent of annual payroll). 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. On behalf payments have been included in the calculation of available reserves but have not been included in the budgeted amounts reported in the General Fund - Budgetary Comparison Schedule.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated an additional 2019–2020 contribution on-behalf of school employers of \$1.1 billion for CalSTRS. A proportionate share of these contributions totaling \$2,130,123 have been recorded in these financial statements. On behalf payments related to these additional contributions have been included from the calculation of available reserves but have not been included in the budgeted amounts reported in the General Fund – Budgetary Comparison Schedule.

## **Note 14 - Commitments and Contingencies**

### **Grants**

The District received 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. 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, 2020.

### **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, 2020.

## Santa Monica-Malibu Unified School District

Notes to Financial Statements

June 30, 2020

**Construction Commitments**

As of June 30, 2020, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
<b>Measure BB Projects</b>		
Webster parking lot reconfiguration	\$ 66,386	December 2020
Malibu modernization - new building	18,874,233	February 2021
Lincoln site improvement	12,154	December 2020
Olympic Modernization	82,565	December 2020
SAMOHl site improvement	55,440	December 2020
<b>Measure ES Projects</b>		
Technology	274,673	June 2022
Malibu	109,739	June 2022
SAMOHl	49,197	June 2022
Santa Monica - other	1,105,685	June 2022
Windows, floors, paint	1,909,014	September 2021
HVAC project	2,290,318	September 2021
Maple Street parking lot	2,249	December 2020
SAMOHl construction	69,036,765	September 2021
JAMS construction	5,039,504	April 2021
Lincoln construction	35,469	December 2020
Solar project	578,877	January 2021
<b>Measure SMS Projects</b>		
SMS central	360,180	Ongoing
SAMOHl interim repairs/upgrades project	1,052,898	Ongoing
SAMOHl discovery project	4,721,228	September 2021
SAMOHl phase III	6,441,687	September 2023
JAMS performing arts complex	16,199,998	April 2021
Windows, floors, paint	293,995	September 2022
HVAC project	1,041,930	September 2022
Project based learning - MBO	163,218	On hold
FF&E project	245,561	December 2021
Safety 7 security project	451,104	December 2021
Elementary school assessment project	531,136	April 2021
Middle school assessment project	124,832	April 2021
Lincoln modernization	91,148	September 2022
<b>Measure M Projects</b>		
Central	173,696	Ongoing
Malibu campus plan - phase 1	7,001,127	April 2024
Malibu schools alignment & playground project	1,167,257	January 2021
Malibu schools interim repairs	236,461	December 2020
Malibu schools HVAC projects	882,253	October 2020
FF&E project	47,600	December 2021
Safety and security projects	68,824	December 2021
Total	<u>\$ 140,818,401</u>	

**Note 15 - Participation in Public Entity Risk Pools, Joint Powers Authorities**

The District is a member of the Alliance of Schools for Cooperative Insurance Programs (ASCIP) and Schools Linked for Insurance Management (SLIM) joint powers authorities (JPA's). The District pays an annual premium to the applicable entity for its property and liability and workers' compensation coverage, respectively. The District pays premiums to ASCIP and SLIM for insurance coverage and related services received. The relationships between the District and the JPAs are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are generally available from the respective entities.

During the year ended June 30, 2020, the District made payments of \$1,306,548, and \$7,610,209 to ASCIP and SLIM, respectively for property and liability and workers' compensation coverage, respectively.

**Note 16 - Correction of an Error of Prior Year Net Position**

The District's prior year governmental activities net position, fiduciary fund net position, and fund balance of the General Fund have been restated as of June 30, 2019 to correct errors reported in the prior year financial statements. Errors related to the calculations of general obligation bonded debt related to crossover refunding bonds and associated escrow accounts, deferred amounts on bond refunding, accreted interest, accrued interest, premiums and discounts related to general obligation bonds and certificates of participation. Additional errors related to the improper exclusion of the supplementary retirement payable in the prior year, and other calculation errors related to pension and OPEB. In addition, the prior year financial statements included the District's CalPERS trust related to OPEB as part of their fiduciary funds and other cash balances related to funds held in county treasury but not part of an irrevocable trust. As such, those funds are more properly classified as governmental.



As a result of the restatements described above, the effect on the current fiscal year is as follows:

Statement of Net Position	
Net Position - Beginning	\$ 29,557,931
Reclassification of Retire Benefits Trust Fund to governmental activities	2,462,841
Deferred gain on refunding GO bonds	(4,431,089)
Deferred loss on refunding GO bonds	(11,646,467)
Accrued interest payable	(4,902,138)
General obligation bonds payable	(102,435,000)
Cash with fiscal agent - crossover bonds	106,233,465
General obligation bond interest accretion	568,851
General obligation bond premium	1,746,626
General obligation bond discount	77
Certificates of participation interest accretion	79
Certificates of participation premium	(41,836)
Supplemental early retirement payable	(5,074,840)
Net OPEB liability - MPP	(105,816)
Net pension liability	2,000
Deferred outflows - pension liability	5,744,893
Deferred inflows - pension liability	(12,221,907)
	<u>\$ 5,457,670</u>
Fiduciary Funds - Retiree Benefits Trust Fund	
Net Position - Beginning	\$ 8,332,070
Investments	(5,869,229)
Reclassification of Retire Benefits Trust Fund to governmental funds	(2,462,841)
	<u>\$ -</u>
General Fund	
Fund Balance - Beginning	\$ 27,501,458
Reclassification of Retire Benefits Trust Fund to governmental funds	2,462,841
	<u>\$ 29,964,299</u>
Bond Interest and Redemption Fund	
Fund Balance - Beginning	\$ 45,193,024
Cash with fiscal agent - crossover bonds	106,233,465
	<u>\$ 151,426,489</u>

**Note 17 - Subsequent Events**

On July 14, 2020, the District issued the 2020 Refunding General Obligation Bonds in the amount of \$74,720,000. The 2020 Refunding Bonds have a final maturity date of July 1, 2040, with interest rates ranging from 0.301 percent to 2.314 percent. The bonds were used to refinance portions of the 2013 Refunding; the Election of 2006, Series D; and the Election of 2012, Series A and Series B, General Obligation Bonds.

On December 3, 2020, the District issued the 2020 Certificates of Participation in the amount of \$25,720,000. The 2020 Certificates have a final maturity date of May 1, 2042, with an interest rate of 4.00 percent. The certificates were used to refinance outstanding 2010 Refunding Certificates of Participation Series B.

Subsequent to year-end, the District has been negatively impacted by the effects of the world-wide coronavirus pandemic. The District is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the issuance date of these financial statements, the full impact to the District's financial position is not known beyond increased cash flow monitoring due to state apportionment deferrals.

Required Supplementary Information  
June 30, 2020

**Santa Monica-Malibu Unified School  
District**

Santa Monica-Malibu Unified School District

Budgetary Comparison Schedule – General Fund

Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
<b>Revenues</b>				
Local Control Funding Formula				
State apportionments	\$ 8,585,843	\$ 8,585,843	\$ 8,585,921	\$ 78
Education protection account state aid	2,000,000	1,511,848	2,018,542	506,694
Local sources	89,769,181	92,103,896	90,896,931	(1,206,965)
Federal sources	4,172,786	4,761,827	3,824,863	(936,964)
Other State sources	3,590,548	3,843,102	12,091,562	8,248,460
Other local sources	51,440,166	52,903,966	54,428,923	1,524,957
Total revenues <sup>1</sup>	<u>159,558,524</u>	<u>163,710,482</u>	<u>171,846,742</u>	<u>8,136,260</u>
<b>Expenditures</b>				
Current				
Certificated salaries	66,754,498	67,118,031	66,265,719	852,312
Classified salaries	30,745,635	30,559,829	30,149,435	410,394
Employee benefits	42,396,766	41,015,775	49,091,652	(8,075,877)
Books and supplies	6,513,649	7,953,483	3,390,929	4,562,554
Services and operating expenditures	17,190,735	22,074,417	20,313,192	1,761,225
Other outgo	139,649	482,995	(1,186,499)	1,669,494
Capital outlay	(538,963)	(568,404)	256,911	(825,315)
Debt service				
Debt service - principal	-	71,752	-	71,752
Debt service - interest and other	-	534,739	606,489	(71,750)
Total expenditures <sup>1</sup>	<u>163,201,969</u>	<u>169,242,617</u>	<u>168,887,828</u>	<u>354,789</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,643,445)</u>	<u>(5,532,135)</u>	<u>2,958,914</u>	<u>8,491,049</u>
Other Financing Uses				
Transfers out	<u>(2,850,000)</u>	<u>(2,550,000)</u>	<u>(2,850,000)</u>	<u>(300,000)</u>
Net Change in Fund Balances	<u>(6,493,445)</u>	<u>(8,082,135)</u>	<u>108,914</u>	<u>8,191,049</u>
Fund Balance - Beginning, as restated	<u>29,964,299</u>	<u>29,964,299</u>	<u>29,964,299</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 23,470,854</u>	<u>\$ 21,882,164</u>	<u>\$ 30,073,213</u>	<u>\$ 8,191,049</u>

<sup>1</sup> On behalf payments of \$6,350,356, are included in the actual revenues and expenditures but have not been included in the budgeted amounts. In addition, on behalf payments of \$2,130,123, relating to Senate Bill 90 are included in the actual revenues and expenditures but have not been included in the budgeted amounts.

Santa Monica-Malibu Unified School District  
 Schedule of Changes in the District's Net OPEB Liability and Related Ratios  
 Year Ended June 30, 2020

	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 2,370,918	\$ 2,077,187	\$ 2,016,686
Interest	2,050,071	2,100,375	1,974,060
Difference between expected and actual experience	(3,264,350)	-	-
Changes of assumptions	8,193,212	5,561,651	-
Benefit payments	(1,906,398)	(1,484,273)	(1,445,115)
Net change in total OPEB liability	7,443,453	8,254,940	2,545,631
Total OPEB Liability - Beginning	50,995,517	42,740,577	40,194,946
Total OPEB Liability - Ending (a)	<u>\$ 58,438,970</u>	<u>\$ 50,995,517</u>	<u>\$ 42,740,577</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 1,906,398	\$ 1,484,273	\$ 2,445,115
Net investment income	209,781	343,772	311,899
Benefit payments	(1,906,398)	(1,484,273)	(1,445,115)
Administrative expense	(5,051)	(4,713)	(4,176)
Net change in plan fiduciary net position	204,730	339,059	1,307,723
Plan Fiduciary Net Position - Beginning	5,869,229	5,530,170	4,222,447
Plan Fiduciary Net Position - Ending (b)	<u>\$ 6,073,959</u>	<u>\$ 5,869,229</u>	<u>\$ 5,530,170</u>
Net OPEB Liability - Ending (a) - (b)	<u>\$ 52,365,011</u>	<u>\$ 45,126,288</u>	<u>\$ 37,210,407</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	10.39%	11.51%	12.94%
Covered Payroll	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Net OPEB Liability as a Percentage of Covered Payroll	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018

<sup>1</sup> The District's OPEB Plan is administered through a trust, however, contributions are not made based on a measure of pay. Therefore, no measure of payroll is presented.

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

Santa Monica-Malibu Unified School District  
Schedule of District Contributions for OPEB  
Year Ended June 30, 2020

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	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 3,735,294	\$ 3,767,554	\$ 3,657,819
Contribution in relation to the actuarially determined contribution	<u>1,906,398</u>	<u>1,484,273</u>	<u>2,445,115</u>
Contribution deficiency (excess)	<u>\$ 1,828,896</u>	<u>\$ 2,283,281</u>	<u>\$ 1,212,704</u>
Covered payroll	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>
Contributions as a percentage of covered payroll	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>

<sup>1</sup> Contributions are not made based on a measure of pay.  
Therefore, no measure of payroll is presented.

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

Santa Monica-Malibu Unified School District  
 Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program  
 Year Ended June 30, 2020

Year ended June 30,	2020	2019	2018
Proportion of the net OPEB liability	0.2183%	0.2232%	0.2314%
Proportionate share of the net OPEB liability	\$ 812,832	\$ 854,202	\$ 994,653
Covered payroll	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>
Plan fiduciary net position as a percentage of the total OPEB liability	-0.81%	-0.40%	0.01%
Measurement Date	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-Malibu Unified School District  
Schedule of the District's Proportionate Share of the Net Pension Liability  
Year Ended June 30, 2020

	2020	2019	2018	2017	2016	2015
<b>CalSTRS</b>						
Proportion of the net pension liability	0.1234%	0.1243%	0.1278%	0.1242%	0.1318%	0.1260%
Proportionate share of the net pension liability	\$ 111,436,765	\$ 114,272,455	\$ 118,214,471	\$ 100,480,053	\$ 88,739,307	\$ 73,375,330
State's proportionate share of the net pension liability	60,796,195	68,048,603	71,711,086	61,767,308	46,933,185	44,307,192
Total	<u>\$ 172,232,960</u>	<u>\$ 182,321,058</u>	<u>\$ 189,925,557</u>	<u>\$ 162,247,361</u>	<u>\$ 135,672,492</u>	<u>\$ 117,682,522</u>
Covered payroll	<u>\$ 67,555,147</u>	<u>\$ 67,206,168</u>	<u>\$ 67,800,668</u>	<u>\$ 63,504,492</u>	<u>\$ 60,268,419</u>	<u>57,309,309</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>164.96%</u>	<u>170.03%</u>	<u>174.36%</u>	<u>158.23%</u>	<u>147.24%</u>	<u>128.03%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>73%</u>	<u>71%</u>	<u>69%</u>	<u>70%</u>	<u>74%</u>	<u>77%</u>
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
<b>CalPERS</b>						
Proportion of the net pension liability	0.2199%	0.2315%	0.2303%	0.2312%	0.2325%	0.2310%
Proportionate share of the net pension liability	\$ 64,090,590	\$ 61,732,127	\$ 54,968,070	\$ 45,665,948	\$ 34,274,607	\$ 26,174,060
Covered payroll	<u>\$ 30,586,469</u>	<u>\$ 30,836,411</u>	<u>\$ 29,392,792</u>	<u>\$ 27,759,137</u>	<u>\$ 25,758,704</u>	<u>24,305,768</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>209.54%</u>	<u>200.19%</u>	<u>187.01%</u>	<u>164.51%</u>	<u>133.06%</u>	<u>107.69%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>71%</u>	<u>72%</u>	<u>74%</u>	<u>79%</u>	<u>83%</u>
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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



Santa Monica-Malibu Unified School District  
Schedule of the District Contributions  
Year Ended June 30, 2020

	2020	2019	2018	2017	2016	2015
<b>CalSTRS</b>						
Contractually required contribution	\$ 11,507,894	\$ 10,997,978	\$ 9,697,850	\$ 8,529,324	\$ 6,814,032	\$ 5,351,837
Less contributions in relation to the contractually required contribution	11,507,894	10,997,978	9,697,850	8,529,324	6,814,032	5,351,837
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 67,297,626	\$ 67,555,147	\$ 67,206,168	\$ 67,800,668	\$ 63,504,492	\$ 60,268,435
Contributions as a percentage of covered payroll	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
<b>CalPERS</b>						
Contractually required contribution	\$ 6,088,175	\$ 5,524,528	\$ 4,789,203	\$ 4,082,071	\$ 3,288,625	\$ 3,032,060
Less contributions in relation to the contractually required contribution	6,088,175	5,524,528	4,789,203	4,082,071	3,288,625	3,032,060
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 30,871,533	\$ 30,586,469	\$ 30,836,411	\$ 29,392,792	\$ 27,759,137	\$ 25,758,729
Contributions as a percentage of covered payroll	19.721%	18.0620%	15.5310%	13.8880%	11.8470%	11.7710%

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

**Note 1 - Purpose of Schedules**

**Budgetary Comparison Schedule**

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

**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 healthcare cost trends rate was changed from 5.00 percent to 5.90 percent since the previous valuation .

**Schedule of District Contributions for OPEB**

This schedule presents information on the District's actuarially determined contribution, contributions in relation to the actuarially determined contribution, and any excess or deficiency related to the actuarially determined contribution. In the future, as data becomes available, ten years of information will be presented.

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

This schedule presents information on the District's proportionate share of the net OPEB Liability – MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The plan rate of investment return assumption was changed from 3.87 percent to 3.50 percent 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 position 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 both CalSTRS and CalPERS.
- *Changes of Assumptions* – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

**Schedule of District Contributions**

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, 2020

**Santa Monica-Malibu Unified School  
District**

Santa Monica-Malibu Unified School District  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed Through California Department of Education (CDE)			
Adult Basic Education and ESL	84.002A	14508	\$ 25,330
Adult Secondary Education	84.002	13978	<u>12,100</u>
Subtotal			<u>37,430</u>
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	1,135,944
ESSA School Improvement (CSI) Funding for LEAs	84.010	15438	<u>1,049</u>
Subtotal			<u>1,136,993</u>
Title IV, Part A, Student Support and Academic			
Enrichment Grants	84.424	15396	45,765
Title II, Part A, Supporting Effective Instruction	84.367	14341	203,554
Title III, English Learner Student Program	84.365	14346	63,932
Carl D. Perkins Career and Technical Education:			
Secondary, Section 131	84.048	14894	47,444
Passed through Tri-City SELPA			
Special Education (IDEA) Cluster			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	2,209,191
Preschool Grants, Part B, Sec 619	84.173	13430	<u>58,885</u>
Subtotal Special Education (IDEA) Cluster			<u>2,268,076</u>
Early Intervention Grants, Part C	84.181	23761	<u>59,099</u>
Total U.S. Department of Education			<u>3,862,293</u>
U.S. Department of Health and Human Services Human Services			
Passed through Los Angeles County Office of Education			
Head Start [1]	93.600	10016	<u>16,927</u>
Total U.S. Department of Health and Human Services Human Services			<u>16,927</u>
U.S. Department of Agriculture			
Passed Through Los Angeles County Office of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	13396	625,252
School Breakfast Program - Especially Needy Breakfast	10.553	13526	107,767
School Breakfast Program - National School Breakfast	10.553	13590	2,935
National School Lunch Program - Summer Food Program	10.559	13004	149,924
National School Lunch Program - Commodity			
Supplemental Food	10.555	13396	<u>139,556</u>
Total Child Nutrition Cluster			<u>1,025,434</u>
Child and Adult Care Food Program	10.558	13393	<u>85,520</u>
Total U.S. Department of Agriculture			<u>1,110,954</u>
Total Expenditures of Federal Awards			<u>\$ 4,990,174</u>

[1] In-kind contribution - \$18,747.

**ORGANIZATION**

The Santa Monica-Malibu Unified School District was established in 1875 and consists of an area comprising the City of Santa Monica, the City of Malibu, and unincorporated areas of Malibu in Los Angeles County. The District operates nine elementary schools, three middle schools, two high schools, one continuation high school, one alternative school, one adult school, and 11 child care and development centers. There were no boundary changes during the year.

**GOVERNING BOARD**

MEMBER	OFFICE	TERM EXPIRES
Jon Kean	President	2020
Laurie Lieberman	Vice President	2022
Oscar de la Torre	Member	2022
Craig Foster	Member	2022
Maria Leon-Vazquez	Member	2020
Ralph Mechur	Member	2020
Dr. Richard Tahvildaran-Jesswein	Member	2022

**ADMINISTRATION**

NAME	TITLE
Dr. Ben Drati	Superintendent
Ms. Melody Canady	Assistant Superintendent, Fiscal and Business Services
Dr. Mark Kelly	Assistant Superintendent, Human Resources
Dr. Jacqueline Mora	Assistant Superintendent, Educational Services

Santa Monica-Malibu Unified School District  
 Schedule of Average Daily Attendance  
 Year Ended June 30, 2020

	Final Report	
	Second Period Report E9C98D4A	Annual Report D842E775
Regular ADA		
Transitional kindergarten through third	2,783.99	2,783.99
Fourth through sixth	2,212.54	2,212.54
Seventh and eighth	1,632.28	1,632.28
Ninth through twelfth	3,179.58	3,179.58
Total Regular ADA	9,808.39	9,808.39
Extended Year Special Education		
Transitional kindergarten through third	6.70	6.70
Fourth through sixth	4.30	4.30
Seventh and eighth	0.63	0.63
Ninth through twelfth	3.87	3.87
Total Extended Year Special Education	15.50	15.50
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	1.25	1.25
Fourth through sixth	2.69	2.69
Seventh and eighth	1.58	1.58
Ninth through twelfth	9.92	9.92
Total Special Education, Nonpublic, Nonsectarian Schools	15.44	15.44
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.06	0.06
Fourth through sixth	0.13	0.13
Seventh and eighth	0.24	0.24
Ninth through twelfth	0.79	0.79
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	1.22	1.22
Total ADA	9,840.55	9,840.55

Santa Monica-Malibu Unified School District

Schedule of Instructional Time

Year Ended June 30, 2020

Grade Level	1986-1987 Minutes Requirement	2019-2020 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	42,275	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		53,620	180	N/A	Complied
Grade 2		53,620	180	N/A	Complied
Grade 3		53,925	180	N/A	Complied
Grades 4 - 8	54,000				
Grade 4		54,760	180	N/A	Complied
Grade 5		54,760	180	N/A	Complied
Grade 6		55,530	180	N/A	Complied
Grade 7		55,530	180	N/A	Complied
Grade 8		55,530	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		64,950	180	N/A	Complied
Grade 10		64,950	180	N/A	Complied
Grade 11		64,950	180	N/A	Complied
Grade 12		64,950	180	N/A	Complied



Santa Monica-Malibu Unified School District  
 Reconciliation of Annual Financial and Budget Report with Audited Financial Statements  
 Year Ended June 30, 2020

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Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	General Fund	Adult Education Fund	Cafeteria Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund
Fund Balance					
Balance, June 30, 2020, Unaudited Actuals	\$ 27,848,825	\$ 851,124	\$ 402,307	\$ 15,988,916	\$ 75,090,637
Beginning balance restatement for Fund 71	2,462,841	-	-	-	-
Current year changes in Fund 71 reported in General Fund					
Decrease in investments	(239,272)	-	-	-	-
Increase in accounts receivable	4,987	61,016	49,892	-	-
Increase in accounts payable	(4,168)	-	-	-	-
Decrease in accounts receivable	-	-	-	(302,191)	-
Increase in cash with fiscal agent	-	-	-	-	55,315,031
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Balance, June 30, 2020, Audited Financial Statements	<u>\$ 30,073,213</u>	<u>\$ 912,140</u>	<u>\$ 452,199</u>	<u>\$ 15,686,725</u>	<u>\$ 130,405,668</u>

Santa Monica-Malibu Unified School District  
Schedule of Financial Trends and Analysis  
Year Ended June 30, 2020

	(Budget) 2021 <sup>1</sup>	2020	2019	2018
General Fund <sup>4</sup>				
Revenues	\$ 160,343,989	\$ 171,818,095	\$ 160,878,644	\$ 170,121,772
Other sources	250,000	-	-	-
Total Revenues and Other Sources	<u>160,593,989</u>	<u>171,818,095</u>	<u>160,878,644</u>	<u>170,121,772</u>
Expenditures	164,977,518	168,620,728	163,314,366	162,544,043
Other uses and transfers out	3,100,000	2,850,000	-	-
Total Expenditures and Other Uses	<u>168,077,518</u>	<u>171,470,728</u>	<u>163,314,366</u>	<u>162,544,043</u>
Prior-period adjustment	-	-	(8,861,132)	-
Increase/(Decrease) in Fund Balance	<u>(7,483,529)</u>	<u>347,367</u>	<u>(11,296,854)</u>	<u>7,577,729</u>
Ending Fund Balance	<u>\$ 20,365,296</u>	<u>\$ 27,848,825</u>	<u>\$ 27,501,458</u>	<u>\$ 38,798,312</u>
Available Reserves <sup>2</sup>	<u>\$ 15,032,069</u>	<u>\$ 22,054,105</u>	<u>\$ 5,017,101</u>	<u>\$ 7,464,493</u>
Available Reserves as a Percentage of Total Outgo <sup>3</sup>	<u>8.94%</u>	<u>12.86%</u>	<u>3.31%</u>	<u>4.59%</u>
Long-Term Liabilities	<u>N/A</u>	<u>\$ 1,073,872,731</u>	<u>\$ 750,514,361</u>	<u>\$ 638,341,301</u>
K-12 Average Daily Attendance at P-2	<u>9,783</u>	<u>9,841</u>	<u>10,092</u>	<u>10,303</u>

The General Fund balance has decreased by \$10,949,487 over the past two years. The fiscal year 2020-2021 budget projects a further decrease of \$7,483,529 (26.9 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years and anticipates incurring an operating deficit during the 2020-2021 fiscal year. Total long-term liabilities have increased by \$381,221,430 over the past two years.

Average daily attendance has decreased by 462 over the past two years. An additional decline of 58 ADA is anticipated during fiscal year 2020-2021.

<sup>1</sup> Budget 2021 is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

<sup>3</sup> On behalf payments of \$11,826,881, have been excluded from the calculation of available reserves for the fiscal year ending June 30, 2019.

<sup>4</sup> For purposes of this schedule, the General Fund does not include the financial activity related to the consolidation of Fund 71 as required by GASB Statement No. 54.

Santa Monica-Malibu Unified School District  
 Combining Balance Sheet – Non-Major Governmental Funds  
 June 30, 2020

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
<b>Assets</b>				
Deposits and investments	\$ 871,453	\$ 1,037,318	\$ 440,185	\$ 933,107
Receivables	2,770	47,620	3,783	2,908
Due from other governments	81,547	167,177	103,708	-
Stores inventories	-	-	42,503	-
<b>Total assets</b>	<b>\$ 955,770</b>	<b>\$ 1,252,115</b>	<b>\$ 590,179</b>	<b>\$ 936,015</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 43,630	\$ 417,145	\$ 137,980	\$ 138,108
Unearned revenue	-	21,122	-	-
<b>Total liabilities</b>	<b>43,630</b>	<b>438,267</b>	<b>137,980</b>	<b>138,108</b>
<b>Fund Balances</b>				
Nonspendable	-	-	42,503	-
Restricted	615,899	311,691	409,696	-
Committed	296,241	-	-	797,907
Assigned	-	502,157	-	-
<b>Total fund balances</b>	<b>912,140</b>	<b>813,848</b>	<b>452,199</b>	<b>797,907</b>
<b>Total liabilities and fund balances</b>	<b>\$ 955,770</b>	<b>\$ 1,252,115</b>	<b>\$ 590,179</b>	<b>\$ 936,015</b>

Santa Monica-Malibu Unified School District  
 Combining Balance Sheet – Non-Major Governmental Funds  
 June 30, 2020

	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
<b>Assets</b>			
Deposits and investments	\$ 4,943,293	\$ 15,727,778	\$ 23,953,134
Receivables	210,296	36,119	303,496
Due from other governments	-	-	352,432
Stores inventories	-	-	42,503
Total assets	\$ 5,153,589	\$ 15,763,897	\$ 24,651,565
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 529,869	\$ 77,172	\$ 1,343,904
Unearned revenue	-	-	21,122
Total liabilities	529,869	77,172	1,365,026
<b>Fund Balances</b>			
Nonspendable	-	-	42,503
Restricted	4,623,720	15,686,725	21,647,731
Committed	-	-	1,094,148
Assigned	-	-	502,157
Total fund balances	4,623,720	15,686,725	23,286,539
Total liabilities and fund balances	\$ 5,153,589	\$ 15,763,897	\$ 24,651,565

Santa Monica-Malibu Unified School District  
Combining Statement of Revenues, Expenditure, and Changes in Fund Balances – Non-Major Governmental  
Funds  
Year Ended June 30, 2020

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
<b>Revenues</b>				
Federal sources	\$ 37,430	\$ 102,447	\$ 1,025,434	\$ -
Other State sources	791,683	2,508,047	64,392	-
Other local sources	18,542	3,909,380	1,128,586	15,982
Total revenues	<u>847,655</u>	<u>6,519,874</u>	<u>2,218,412</u>	<u>15,982</u>
<b>Expenditures</b>				
<b>Current</b>				
Instruction	245,586	5,945,619	-	-
Instruction-related activities				
Supervision of instruction	-	525,584	-	-
School site administration	313,285	796,160	-	-
Pupil services				
Food services	-	277,339	2,904,512	-
All other pupil services	43,728	111,232	-	-
Administration				
All other administration	32,888	421,047	142,520	-
Plant services	33,882	132,887	-	728,094
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total expenditures	<u>669,369</u>	<u>8,209,868</u>	<u>3,047,032</u>	<u>728,094</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>178,286</u>	<u>(1,689,994)</u>	<u>(828,620)</u>	<u>(712,112)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	1,200,000	900,000	750,000
Net Financing Sources (Uses)	<u>-</u>	<u>1,200,000</u>	<u>900,000</u>	<u>750,000</u>
Net Change in Fund Balances	178,286	(489,994)	71,380	37,888
Fund Balance - Beginning	<u>733,854</u>	<u>1,303,842</u>	<u>380,819</u>	<u>760,019</u>
Fund Balance - Ending	<u>\$ 912,140</u>	<u>\$ 813,848</u>	<u>\$ 452,199</u>	<u>\$ 797,907</u>

Santa Monica-Malibu Unified School District  
 Combining Statement of Revenues, Expenditure, and Changes in Fund Balances – Non-Major Governmental  
 Funds  
 Year Ended June 30, 2020

	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
<b>Revenues</b>			
Federal sources	\$ -	\$ -	\$ 1,165,311
Other State sources	-	-	3,364,122
Other local sources	2,015,875	4,681,121	11,769,486
<b>Total revenues</b>	<b>2,015,875</b>	<b>4,681,121</b>	<b>16,298,919</b>
<b>Expenditures</b>			
<b>Current</b>			
Instruction	-	-	6,191,205
Instruction-related activities			
Supervision of instruction	-	-	525,584
School site administration	-	-	1,109,445
Pupil services			
Food services	-	-	3,181,851
All other pupil services	-	-	154,960
Administration			
All other administration	-	-	596,455
Plant services	674,564	333,898	1,903,325
Debt service			
Principal	-	1,795,000	1,795,000
Interest and other	-	72,553	72,553
<b>Total expenditures</b>	<b>674,564</b>	<b>2,201,451</b>	<b>15,530,378</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>1,341,311</b>	<b>2,479,670</b>	<b>768,541</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	2,850,000
<b>Net Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>2,850,000</b>
<b>Net Change in Fund Balances</b>	<b>1,341,311</b>	<b>2,479,670</b>	<b>3,618,541</b>
<b>Fund Balance - Beginning</b>	<b>3,282,409</b>	<b>13,207,055</b>	<b>19,667,998</b>
<b>Fund Balance - Ending</b>	<b>\$ 4,623,720</b>	<b>\$ 15,686,725</b>	<b>\$ 23,286,539</b>

**Note 1 - Purpose of Schedules**

**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 Santa Monica-Malibu Unified School District (the District) under programs of the federal government for the year ended June 30, 2020. 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 Santa Monica-Malibu Unified School District, it is not intended to and does not present the financial position, changes in net position or fund balance of the Santa Monica-Malibu Unified School District.

Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. 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. No federal financial assistance has been provided to a subrecipient.

Indirect Cost Rate

The District has not elected to use the ten percent de minimis cost rate.

Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed in the amount of \$139,556. At June 30, 2020, the fair market value of food commodities in inventory was insignificant.

SEFA Reconciliation

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of general obligation bond federal interest subsidy funds that are not required to be reported on the Schedule of Expenditures of Federal Awards.

	CFDA Number	Amount
<b>Description</b>		
Total Federal Revenues reported on the financial statements		\$ 6,721,953
Federal interest subsidy	N/A	(1,731,779)
Total schedule of expenditures of federal awards		\$ 4,990,174

**Local Education Agency Organization Structure**

This schedule provides information about the District’s boundaries and schools operated, members of the governing board, and members of the administration.

### **Schedule of Average Daily Attendance (ADA)**

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

### **Schedule of Instructional Time**

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District has met its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 46201.

Due to school closures caused by COVID-19, the District filed the COVID-19 School Closure Certification certifying that schools were closed for 52 days due to the pandemic. As a result, the District received credit for these 52 days in meeting the annual instructional days requirement. In addition, planned minutes covered by the COVID-19 School Certification were included in the Actual Minutes column but were not actually offered due to the COVID-19 school closure.

### **Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

### **Schedule of Financial Trends and Analysis**

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

### **Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances**

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balances is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.



Independent Auditor's Reports  
June 30, 2020

**Santa Monica-Malibu Unified School  
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***

To the Board of Directors  
Santa Monica-Malibu Unified School 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 governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Santa Monica-Malibu Unified School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Santa Monica-Malibu Unified School District's basic financial statements and have issued our report thereon dated \_\_\_\_\_.

**Emphasis of Matter**

As discussed in Note 16 to the financial statements, the District's prior-year governmental activities net position, fiduciary fund net position, and fund balance for the General Fund have been restated as of June 30, 2019 to correct certain errors noted during our audit of the beginning balances. Our opinions are not modified with respect to this matter.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Santa Monica-Malibu Unified School 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 Santa Monica-Malibu Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Santa Monica-Malibu Unified School 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 entity'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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify deficiencies in internal control, described in the accompanying *Schedule of Financial Statement Findings*, as items 2020-001 and 2020-002, that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Santa Monica-Malibu Unified School 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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**District’s Response to Findings**

Santa Monica-Malibu Unified School District’s response to the finding identified in our audit are described in the accompanying *Schedule of Financial Statement Findings*. Santa Monica-Malibu Unified School District’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

We noted certain matters that we reported to management of Santa Monica-Malibu Unified School District in a separate letter dated \_\_\_\_\_.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rancho Cucamonga, California  
\_\_\_\_\_, 2021

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

To the Board of Directors  
Santa Monica-Malibu Unified School District  
Santa Monica, California

**Report on Compliance for Each Major Federal Program**

We have audited Santa Monica-Malibu Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Santa Monica-Malibu Unified School District's major federal programs for the year ended June 30, 2020. Santa Monica-Malibu Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Santa Monica-Malibu Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Santa Monica-Malibu Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Santa Monica-Malibu Unified School District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Santa Monica-Malibu Unified School District’s complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

**Report on Internal Control over Compliance**

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Rancho Cucamonga, California  
\_\_\_\_\_, 2021

## Independent Auditor's Report on State Compliance

To the Board of Directors  
Santa Monica-Malibu Unified School District  
Santa Monica, California

### Report on State Compliance

We have audited Santa Monica-Malibu Unified School District's (the District) compliance with the types of compliance requirements described in the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the state laws and regulations listed in the table below for the year ended June 30, 2020.

### Management's Responsibility

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

### Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance with state laws and regulations based on our audit of the types of compliance requirements referred to below. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of the 2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on state compliance. However, our audit does not provide a legal determination of the District's compliance.

**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 laws and regulations applicable to the following items:

	Procedures Performed
<b>LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS</b>	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
<b>SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS</b>	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	No, see below
After School	No, see below
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
<b>CHARTER SCHOOLS</b>	
Attendance	No, see below
Mode of Instruction	No, see below
Nonclassroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

We did not perform procedures for Independent Study because the independent study ADA was below the materiality level that requires testing.

We did not perform procedures for Continuation Education because the ADA from the program was below the materiality level that requires testing.

The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform procedures related to Juvenile Court Schools.

The District does not have any Middle or Early College High Schools; therefore, we did not perform procedures related to Middle or Early College High Schools.

We did not perform Apprenticeship: Related and Supplemental Instruction procedures because the program is not offered by the District.

We did not perform District of Choice procedures because the program is not offered by the District.

We did not perform procedures for the After/Before School Education and Safety Program because the District does not offer the program.

The District does not offer an Independent Study - Course Based program; therefore, we did not perform any procedures related to the Independent Study - Course Based Program.

The District does not operate any Charter Schools; therefore, we did not perform procedures for Charter School Programs.

**Basis for Qualified Opinion on Unduplicated Local Control Funding Formula Pupil Counts**

As described in the accompanying Schedule of State Compliance Findings and Questioned Costs, finding 2020-003, Santa Monica-Malibu Unified School District did not comply with requirements regarding Unduplicated Local Control Funding Formula Pupil Counts. Compliance with such requirements is necessary, in our opinion, for Santa Monica-Malibu Unified School District to comply with the requirements referred to above.

**Qualified Opinion on Unduplicated Local Control Funding Formula Pupil Counts**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Santa Monica-Malibu Unified School District complied, in all material respects, with the compliance requirements referred to above for the year ended June 30, 2020.

Santa Monica-Malibu Unified School District's response to the noncompliance finding identified in our audit is described in the accompanying *Schedule of State Compliance Findings and Questioned Costs*. Santa Monica-Malibu Unified School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.



**Unmodified Opinion on Each of the Other Programs**

In our opinion, Santa Monica-Malibu Unified School District complied with the laws and regulations of the state programs referred to above for the year ended June 30, 2020, except as described in the accompanying Schedule of State Compliance Findings and Questioned Costs.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Rancho Cucamonga, California  
\_\_\_\_\_, 2021

Schedule of Findings and Questioned Costs  
June 30, 2020

**Santa Monica-Malibu Unified School  
District**

**FINANCIAL STATEMENTS**

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	No
Noncompliance material to financial statements noted?	No

**FEDERAL AWARDS**

Internal control over major program:	
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:	No

**Identification of major programs:**

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Child Nutrition Cluster Title I, Part A	10.555, 10.553, 10.559 84.010
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

**STATE COMPLIANCE**

Type of auditor's report issued on compliance for programs:	Unmodified*
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\*Unmodified for all programs except for the following program which was qualified:

<u>Name of Program</u>
Unduplicated Local Control Funding Formula Pupil Counts

The following findings represent material weaknesses related to the financial statements that are required to be reported in accordance with Government Auditing Standards. The finding has been coded as follows:

Five Digit Code

AB 3627 Finding Type

30000

Internal Control

2020-001 Code 30000

#### Criteria or Specific Requirements

Management is responsible for the design, implementation, and maintenance of internal controls to ensure the financial statements are free from material misstatement, whether due to error or fraud. Such internal controls should include a review of all adjusting entries, reclassifying entries, and conversion entries used in the preparation of the District's financial statements. The District should ensure that all applicable accounting principles are adhered to when preparing the financial statements.

#### Condition

During the course of our engagement, we identified significant misstatements of the beginning balances presented within the District's Statement of Net Position and Retiree Benefit Trust Fund, as reported on the 2018-2019 audited financial statements. The misstatements were caused by errors, which have been detailed in Note 16.

As detailed in Note 16, restatements due to errors resulted in a \$24,100,261 decrease in the District's government-wide net position, a \$5,869,229 decrease in the Retiree Benefit Trust Fund net position, a reclassification of the Retiree Benefits Trust Fund to governmental funds of \$2,462,841 as reported on the 2018-2019 audited financial statements, and a \$106,233,465 increase to the Bond Interest and Redemption Fund for the crossover bond escrow account that was not previously reported.

#### Questioned costs

There were no questioned costs associated with the condition identified.

#### Context

The conditions were identified as a result of our initial audit of the beginning balances as of July 1, 2019. During our review of available District records and audit procedures performed related to prior period ending balances, the errors noted were identified.

Effect

Due to the net effect of the conditions identified, the District's prior period ending net position was overstated by \$24,100,261, the Retiree Benefit Trust Fund balance was overstated by \$5,869,229, an additional \$2,462,841 in the Retiree Benefit Trust Fund was reclassified to governmental funds in accordance with GASB 54, and the Bond Interest and Redemption Fund was understated by \$106,233,465. The net effect of these errors resulted in misstatements that were not detected or prevented by the District's internal accounting control and review process.

Cause

The cause of the condition identified appears to be due to inadequate review processes related to the preparation of the District's year-end financial statements, which includes the related conversion entries in preparation of the government-wide financial statements.

Repeat Finding

No

Recommendation

A thorough review of the District's financial statements, including all adjusting entries, reclassifying entries, and conversion entries should take place before the financial statements are finalized by the District's business department.

Corrective Action Plan/Views of Responsible Official

The District concurs with the finding.

In order to prevent future findings related to internal control, District management will review all adjusting entries, reclassifying entries, and conversion entries for accuracy prior to the final year-end financial statements being published.

Additionally, staff will recommend an in-dept review of a draft year-end financial statement conducted by the Financial Oversight Committee and possible subcommittee.

Lastly, if necessary, the District will consult with other audit firms or independent contractors as to the accuracy and validity of the year-end financial statements specific to potential misstatements of beginning balances, government-wide conversion entries, and fund balances.

It is the view of the District, that staff can no longer depend on audit firms to accurately apply conversion entries as well as produce government-wide statements free from material error.

These additional review procedures were implemented after the finding was cited in the audit and presented to the District management.

2020-002 Code 30000

#### Criteria or Specific Requirements

Management is responsible for the design, implementation, and maintenance of internal controls to ensure the financial statements are free from material misstatement, whether due to error or fraud. Such internal controls should include a review of the year-end closing entries necessary to ensure the financial statements are fairly stated. The District should ensure that all applicable accounting principles are adhered to when preparing the financial statements.

#### Condition

During the course of our engagement, we noted that amounts that had been accurately accrued as accounts receivable as of June 30, 2019, were received during the 2019-2020 fiscal year. However, the amounts were posted as revenue during the current year rather than clearing the accrual. Additionally, during our review of cash received subsequent to June 30, 2020, we noted several items that should have been recognized as revenue for 2019-2020 and accrued as accounts receivable at year end but were not. The net effect of these adjustments was a reduction in the accounts receivable balance in the Non-Major Governmental Funds of \$191,283. In addition, accounts receivable of \$901,460 in the General Fund was also not properly cleared in the current year. While this amount was not adjusted as it was not deemed to materially misstate the General Fund, the uncorrected misstatement still reflects the material weakness described here.

#### Questioned costs

There were no questioned costs associated with the condition identified.

#### Context

The conditions were identified as a result of our audit of the financial statement balances as of June 30, 2020. During our review of available District records and audit procedures performed related to prior period and current year ending balances, the errors noted were identified.

#### Effect

The net effect of the current-year adjustments was a reduction in the accounts receivable balance in the Non-Major Governmental Funds of \$191,283.

The net effect of these errors resulted in misstatements that were not detected or prevented by the District's internal accounting control and review process.

#### Cause

The cause of the condition identified appears to be due to inadequate review processes related to the preparation of the District's year-end financial statements, which includes the review of revenues and accounts receivable to determine their proper reporting period.

Repeat Finding

No

Recommendation

A thorough review of the District's financial statements should take place before the financial statements are finalized by the District's business department. Revenue transactions should be analyzed to determine the proper reporting period for each.

Corrective Action Plan/Views of Responsible Official

The District concurs with the finding.

In order to prevent future findings related to accounts receivable accruals, District management will ensure staff maintain an active listing of current year receivables.

The receivables accrual listing will be reviewed at each of the three interim reporting periods throughout the year for First Interim, Second Interim, and Third Budget Revision to ensure accrual adjusting entries are made should the receivable materialize.

Additionally, during the year-end closing, staff will launch a financial report of all accruals and compare the accruals within the report to the maintained listing of receivable accruals. This cross-referencing will ensure each accrual entry is accounted for by year-end closing.

Lastly, if necessary, staff will seek assistance from the District's oversight agency, the Los Angeles County Office of Education (LACOE), to ensure the financial reports launched for the comparison of accruals are the most accurate report to use within the new county-wide financial system that was implemented in July of 2019.

These additional review procedures were implemented after the finding was cited in the audit and presented to the District management.

None reported.



The following finding represents instances of noncompliance and/or questioned costs relating to compliance with state laws and regulations. The findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
40000	State Compliance

2020-003 Code 40000

#### Criteria or Specific Requirements

California *Education Code* Section 42238.02(b)(4) states that local educational agencies may review and revise the submitted data on English learners, foster youth, and free or reduced-price meal eligible pupil counts to ensure the accuracy of data reflected in the California Longitudinal Pupil Achievement Data System (CALPADS).

#### Condition

The Local Control Funding Formula (LCFF) Unduplicated Pupil Percentage (UPP) submitted to the California Department of Education was inaccurate. It appears that the District has included students in the Free and Reduced-Price Meal category on the "1.18 – FRPM/English Learner/Foster Youth – Student List" report who did not qualify for free or reduced-price meals in the District's Child Nutrition program. The District was unable to provide documentation supporting the inclusion of 17 of the 66 students in the sample selected for the testing of this category. When the error rate is extrapolated to the population of students reported, it appears that 818 students may be misclassified.

#### Questioned Costs

Using CDE's penalty calculator, the projected audit penalty is \$447,271 for the 818 exceptions. Because the District is a locally funded (property tax) District, CDE will need to determine the true impact of the error.

#### Context

We identified the condition when we requested meal applications showing that students were eligible for free or reduced-price meals in the Child Nutrition program. The students were selected from a sample of pupils in the Free and Reduced-Price Meal category on the CALPADS report 1.18. The District Child Nutrition Department noted that the 17 students selected in our sample did not have meal applications on file even though they were reported on CALPADS as free or reduced-priced eligible.

Effect

The District did not update the CALPADS data the Child Nutrition program completed its eligibility review. This resulted in an overstatement of the UPP.

District Code	School Name	Total Enrollment	Total Unduplicated FRPM/EL Eligible Count	Adjustment to FRPM	Total Adjusted Unduplicated Count
19-6498	Santa Monica-Malibu Unified School District	10,349	3,175	(818)	2,357

Cause

It appears that the District did not update the CALPADS data set after the Child Nutrition Program updated eligibility rolls prior to the CALPADS census date in October 2019.

Repeat Finding

Yes – see prior year finding 2019-001

Recommendation

The District should ensure that all information in the CALPADS is updated prior to certifying.

Corrective Action Plan/View of Responsible Officials

The District concurs with the finding.

As the finding originated with data from the Food Services point of sale system, the Director of Food Services has incorporated into his departmental process that that free and reduced eligible students will be cross-referenced and reconciled with the CalPADS system. This reconciliation will ensure that the data in the Food Services point of sale system matches what is reported in CalPADS and ultimately what is included on the report entitled “1.18 – FRPM/English Learner/Foster Youth – Student List”.

Additionally, at the crux of this particular finding is the original application designation; the Food Services Administrative Assistant will ensure that each form that are marked ‘free or reduced’ is input into the food services system with the same corresponding indicator and reason code as delineated on the submitted application. Furthermore, applications with this reason code will undergo dual validation by both the Administrative Assistant and the Director of Food Services. By implementing this additional internal test specifically for ‘free and reduced benefits’, this will ensure that the District does not overstate those students who are free and reduced eligible and ultimately those whom are part of the District’s Unduplicated Pupil Percentage.

Lastly, the Director of Assessment, Research, & Evaluation will ensure that CalPADS system is receiving regular updates with the information that is pulled from the Food Services data system prior to the October census/CBEDS day certification. This confirmation of updated data will be validated by the Education Data Specialist.

These procedures were implemented after the finding was cited in the audit and presented to the District management.

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

**State Compliance Findings**

2019-001      Code 40000

Criteria or Specific Requirements

Supplemental and concentration grant amounts are calculated based on the percentage of "unduplicated pupils" enrolled in the LEA on Census Day. The percentage equals:

- Unduplicated count of pupils who (1) are English learners, (2) meet income or categorical eligibility requirements for free or reduced-price meals under the National School Lunch Program, or (3) are foster youth. "Unduplicated count" means that each pupil is counted only once even if the pupil meets more than one of these criteria (EC sections 2574(b)(2) and 42238.02(b)(1)).
- Divided by tot enrollment in the LEA (EC sections 2574(b)(1) and 42238.02(b)(5)). All pupil counts are based on Fall 1 certified enrollment reported in the CALPADS as of Census Day.

Condition

Reviewed supporting documentation for students identified as free or reduced-price meal eligibility pupil (FRPM) on the CALPADS report and noted the following:

District incorrectly classified some students that stated refused benefits in the eligibility forms as FRPM during fiscal year 2018-2019. The District generated a report from the cafeteria POS system to identify the students marked refused benefits in the reason box. The district overstated 7 FRPM students.

Questioned Costs

The amount determined by using the California Department of Education's audit penalty calculator was \$3,449.

Context

We noted a total of 7 exceptions out of a sample size of 200.

Effect

The District overstated 7 FRPM students.

Cause

Lack of communication between departments to update the student eligibility information.

Repeat Finding

No

Recommendation

The District should review the free or reduced meal eligibility forms to ensure all students are correctly reported in CALPADS.

Current status

Not implemented, see current year finding 2020-003

Management  
Santa Monica-Malibu Unified School District  
Santa Monica, California

In planning and performing our audit of the financial statements of Santa Monica-Malibu Unified School District (the District) for the year ended June 30, 2020, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated \_\_\_\_\_, 2021, on the government-wide financial statements of the District.

**Associated Student Body (ASB)**

John Adams Middle School

*Observation:*

- During our review of the ASB internal controls, we noted that of seven deposits selected for testing, five contained cash receipts that were not deposited timely. The delay in deposits ranged from 11 to 81 days from the date of the earliest receipt included.

*Recommendation:*

- Deposits should be made weekly at a minimum to minimize the amount of cash held at the site. The District should establish and communicate specific guidelines for timely deposit procedures including how often deposits should be made and the maximum cash on hand that should be maintained at the site.

Malibu High School

*Observations:*

During our review of the ASB internal controls, we noted the following:

- Of seven deposits selected for testing, two contained cash receipts that were not deposited timely. The delay in deposits ranged from 12 to 14 days from the date of the earliest receipt included.
- Revenue potential forms supply an element of internal control without which it is difficult to determine the success of a fundraiser and to track collections and items purchased for sales. Revenue potential forms were not complete for the two fundraisers selected for testing.

*Recommendations:*

- Deposits should be made weekly at a minimum to minimize the amount of cash held at the site. The District should establish and communicate specific guidelines for timely deposit procedures including how often deposits should be made and the maximum cash on hand that should be maintained at the site.
- As the revenue potential form is a vital internal control tool, it should be used to document, expenditures, potential revenue, and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the students and staff the success or failure of the completed fundraiser. Once the fundraiser is complete, the actual results should be summarized and compared to the expected results to determine if the fundraiser generated the profit expected. Discrepancies should be investigated and explained, and a determination should be made as to whether or not it is beneficial to conduct the fundraiser in the future.

Santa Monica High School

*Observation:*

- During our audit of yearend balances, we noted an investment account on the ASB Account Analysis in the amount of \$46,195. Upon inquiry, the site staff disclosed that the account had been closed in 2014, and that the proceeds were deposited into the ASB's general bank account. However, the sum of the existing bank account and the investment account materially agrees to the sum of the trust accounts listed.

*Recommendation:*

- District staff should determine whether the funds were transferred to the general bank account as stated by site staff in order to determine the correct bookkeeping entry to adjust the current financial statements. Since the investment balance is included in the trust account balances, these must be reduced to reflect the reduced cash/investment balance.

We will review the status of the current year comments during our next audit engagement.

Rancho Cucamonga, California  
\_\_\_\_\_, 2021

Performance Audit  
Quality Education Funding Renewal Measure (Measure R)  
June 30, 2020  
**Santa Monica-Malibu Unified School  
District**



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**Independent Auditor's Report on Performance**

Governing Board and  
Financial Oversight Committee on Measure R  
Santa Monica-Malibu Unified School District  
Santa Monica, California

We were engaged to conduct a performance audit of the Santa Monica-Malibu Unified School District's Quality Education Funding Renewal Measure (Measure R) funds for the year ended June 30, 2020.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Our audit was limited to the objectives listed within the report which includes determining the District's compliance with the performance requirements as referred to in the Santa Monica-Malibu Schools Quality Education Funding Renewal Measure and outlined in the Measure R ballot text. Management is responsible for the District's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of the Santa Monica-Malibu Schools Quality Education Funding Renewal Measure as outlined in the Measure R ballot text, but not for the purpose of expressing an opinion of the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

The result of our tests indicated that the District expended Santa Monica-Malibu Schools Quality Education Funding Renewal Measure funds only for the specific expenditures approved by the voters, in accordance with the Santa Monica-Malibu Schools Quality Education Funding Renewal Measure as outlined in the ballot text for Measure R.

Rancho Cucamonga, California  
\_\_\_\_\_, 2021

**Authority for Issuance**

On February 5, 2008, the District voters passed the Santa Monica-Malibu Schools Quality Education Funding Renewal Measure (Measure R) which replaced the previous parcel tax Measure S and Measure Y. The results of the passage of Measure R include a tax of \$435.06 per parcel, as of June 30, 2020, adjusted annually for inflation by the Consumer Price Index-All Urban Consumers with exemptions for parcels owned and occupied by persons age 65 or older.

**Purpose of Issuance**

The revenues raised by Measure R shall be used by Santa Monica-Malibu Unified School District exclusively for the following purposes:

1. To preserve programs and replace funds lost or reduced due to inadequate state funding (including state budget reductions that are the result of reduced federal funding of state programs)
2. To sustain achievement in reading, writing, and mathematics for all students at all grade levels and to fulfill the District’s core curriculum which includes music, arts, and athletics
3. To attract and retain highly qualified teachers
4. To protect the taxpayers’ investment in education and ensure District accountability by providing for special citizen financial oversight and independent annual audits of revenues and expenditures

**Objectives of the Audit**

1. Determine whether the School District properly accounted for the revenues and expenditures of the Santa Monica-Malibu Schools Quality Education Funding Renewal Measure.
2. Determine whether expenditures charged to the Santa Monica-Malibu Schools Quality Education Funding Renewal Measure have been made in accordance with the ballot language approved by the voters through the approval of Measure R.
3. Determine whether expenditures were maintained and expended in compliance with the Adopted Annual Plan.

**Scope of the Audit**

The scope of our performance audit covered the period of July 1, 2019 to June 30, 2020. The population of expenditures tested included all object codes associated with the Santa Monica-Malibu Schools Quality Education Funding Renewal Measure. The propriety of expenditures funded through other State or local funding sources other than the Santa Monica-Malibu Schools Quality Education Funding Renewal Measure were not included within the scope of the audit. Expenditures subsequent to June 30, 2020 were not reviewed or included within the scope of our audit or in this report.

**Methodology**

We obtained the adopted annual plan, general ledger and expenditure reports prepared by the District for the fiscal year ended June 30, 2020 for Measure R. Within the fiscal year audited, we obtained the actual invoices, purchase orders, and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of the Measure R ballot language and adopted annual plan. We performed the following procedures:

1. We identified the total budgeted and actual revenues and expenditures charged to Measure R by obtaining a detailed general ledger report. We verified that revenues and expenditures are recorded in a separate unrestricted general fund specific resource entitled Resource 00001 as required by Measure R ballot text. In addition, we obtained the adopted annual plan for the current fiscal year. With this information, we verified that the current year budgeted amounts were established based on the adopted annual plan by agreeing the budgeted amounts reported in the general ledger to the adopted annual plan. We also verified that the proposed annual plan was made available for public review 90 days prior to board adoption.
  
2. We obtained an understanding of the internal controls over calculating and recording revenues related to Measure R. In addition, we recalculated the total revenue based on the current year parcel tax rate and number of parcels and verified the total revenues were properly recorded in the general ledger. A summary schedule of the revenues and expenditures as compared to the prior year and current year budget for the year-ended June 30, 2020 is as follows:

	June 30, 2019 Actual	June 30, 2020 Budget	June 30, 2020 Actual
<b>Income</b>			
Parcel tax proceeds	\$ 12,359,440	\$ 12,160,249	\$ 12,771,266
<b>Expenditures</b>			
Fine art and music programs	\$ 1,510,820	\$ 1,504,915	\$ 1,563,034
Physical education programs	909,099	901,711	968,980
Library program	1,362,952	1,397,644	1,358,616
Community services	81,576	80,897	85,977
Technology	2,569,139	2,497,917	2,458,469
Costs to administer	17,255	23,500	15,471
Total expenditures	\$ 6,450,841	\$ 6,406,584	\$ 6,450,547
Balance used for general education teacher compensation	\$ 5,908,599	\$ 5,753,665	\$ 6,320,719

3. Next, we selected a sample of expenditures using the following criteria:
  - a. We considered all expenditures recorded in all object codes, including any transfers out.
  - b. We considered all expenditures recorded in the period starting July 1, 2019 and ending June 30, 2020.
  - c. We selected all expenditures that were individually significant expenditures. Individually significant expenditures were identified as individual transactions (expenditures) that exceeded approximately two percent of the total expenditures incurred.
  - d. For all items below the individually significant threshold identified in item 2c, we judgmentally selected expenditures based on risk assessment and consideration of coverage of all object codes, including transfers out for the period starting July 1, 2019 and ending June 30, 2020.
4. Our sample included transactions totaling \$1,953,080. This represents 30 percent of the total expenditures of \$6,450,547.
5. We obtained an understanding of the internal controls over compliance and reviewed expenditures for actual compliance. In consideration of the internal controls over compliance and actual compliance with expenditure requirements, we reviewed invoices and other supporting documentation to determine that:
  - a. Expenditures were supported by invoices or other appropriate support, with evidence of proper approval and documentation of receipting of goods and services.
  - b. Expenditures were expended in accordance with the adopted annual plan and within budgeted allocations.
  - c. Expenditures were expended in accordance with Measure R ballot text.
  - d. For salaries charged, we verified that the positions were supported by Measure R and the adopted annual plan.
6. We determined that the District has met the compliance requirements of Measure R if supporting documents for expenditures were aligned with the Measure R ballot text and adopted annual plan.

### **Conclusion**

The results of our tests indicated that, in all significant respects, the Santa Monica-Malibu Unified School District properly accounted for the expenditures held in the Santa Monica-Malibu Schools Quality Education Funding Renewal Measure (Measure R) and that such expenditures were made for authorized activities noted in the ballot text and adopted annual plan.

None reported.

Santa Monica-Malibu Unified School District  
Quality Education Funding Renewal Measure (Measure R)  
Summary Schedule of Prior Audit Findings  
June 30, 2020

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

SANTA MONICA-MALIBU  
UNIFIED SCHOOL DISTRICT

	A	B	C	D	E	F	G	H	AA	BB	CC	DD	I	J	K	L	M	N	O	P	Q
	OBJECT	BUDGET	ACTUALS	ACTUALS	ACTUALS	ACTUALS	ACTUALS	ACTUALS	ACTUALS	ACTUALS	ACTUALS	ACTUALS	ACTUALS	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	TOTAL
2	ACTUALS BY MONTH:	AS OF	JULY	AUG	SEP	OCT	NOV	NOV 1-15	NOV 16-30	DEC 1-15	DEC 16-31	DEC	JAN	FEB	MAR	APR	MAY	JUNE	ACCRUAL		
3	A. BEGINNING CASH	9110	10/31/2020	35,980,944.74	24,050,961.08	22,274,594.67	19,976,797.85	14,873,890.82	14,873,890.82	5,279,022.25	8,341,872.42	3,831,195.29	8,341,872.42	40,677,640.77	35,421,140.09	29,785,401.01	17,650,737.34	32,663,743.91	25,352,165.21	30,019,454.38	
4	B. RECEIPTS																				
5	REVENUE LIMIT/LCFF																				
6	PRINCIPAL APPORTIONMENT	8010-8019	10,585,843.00	429,292.00	429,292.00	1,277,362.00	772,726.00	772,726.00	0.00	772,726.00	0.00	1,277,361.00	1,277,361.00	772,726.00	363,182.00	643,726.00	139,091.00	139,091.00	504,635.00	0.00	7,521,210.00
7	TAX RELIEF SUBVENTIONS	8020-8079	90,804,345.68	43,237.32	2,993,199.89	-	986,647.92	0.00	986,647.92	0.00	986,647.92	0.00	30,985,349.28	30,985,349.28	14,513,059.97	5,622,104.37	(55,284.49)	20,556,367.49	5,051,424.75	10,108,239.18	90,804,345.68
8	COUNTY & DISTRICT TAXES	8080-8085	3,412,475.32	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,557,197.50	0.00	0.00	0.00	0.00	0.00	0.00	1,855,277.82	0.00	3,412,475.32
9	REVENUE LIMIT TRANSFERS	8090-8099	(287,000.00)	-	-	-	-	-	-	-	-	-	-	-	(19,000.00)	-	-	-	(249,000.00)	(19,000.00)	(287,000.00)
10	FEDERAL REVENUE	8100-8299	10,244,359.00	10,841.00	37,861.85	4,513,799.93	202,478.22	139,735.08	46,391.84	93,343.24	0.00	671,184.00	671,184.00	233,000.00	260,000.00	15,000.00	15,000.00	160,000.00	1,126,621.33	2,858,837.59	10,244,359.00
11	OTHER STATE REVENUE	8300-8599	4,947,392.00	0.00	0.00	1,562,947.82	611,824.00	411,655.00	0.00	411,655.00	0.00	502,374.05	502,374.05	200,000.00	0.00	304,070.00	225,846.00	200,547.00	437,449.18	490,678.95	4,947,392.00
12	OTHER LOCAL REVENUE	8600-8799	50,980,340.01	(1,083,312.88)	2,203,360.97	4,791,674.17	1,579,038.02	902,308.84	0.00	902,308.84	4,974,605.80	6,667,929.86	11,642,535.66	4,846,097.85	3,093,420.55	2,255,928.82	9,720,000.00	3,481,341.18	5,824,775.71	1,723,171.11	50,980,340.01
13	OTHER RECEIPTS/NON-REVENUE																				0.00
14	TOTAL RECEIPTS		170,687,755.01	(599,942.56)	5,663,714.71	12,145,783.92	3,166,066.24	3,213,072.84	46,391.84	3,166,681.00	4,974,605.80	40,104,198.19	45,078,803.99	22,122,081.32	9,319,706.92	3,163,440.33	30,656,304.49	9,032,403.93	19,607,998.22	5,053,687.65	167,623,122.01
15	C. DISBURSEMENTS																				
16	CERTIFICATED SALARIES	1000-1999	65,682,420	0.00	1,084,032.06	5,617,298.34	5,659,538.46	5,605,996.71	5,602,636.36	3,360.35	5,609,828.27	2,091.62	5,611,919.89	5,775,000.00	5,775,000.00	5,775,000.00	5,775,000.00	5,775,000.00	5,775,000.00	5,775,000.00	65,682,420.00
17	CLASSIFIED SALARIES	2000-2999	32,114,876	1,158,531.67	1,980,237.33	2,713,006.64	3,010,261.14	2,732,243.66	76,341.09	2,655,902.57	84,612.60	2,641,898.70	2,726,511.30	2,900,000.00	2,900,000.00	2,900,000.00	2,900,000.00	2,900,000.00	2,900,000.00	2,900,000.00	32,114,876.00
18	EMPLOYEE BENEFITS	3000-3999	43,009,619	603,964.63	1,583,156.63	3,758,574.51	3,503,821.58	3,748,269.67	2,269,670.07	1,478,599.60	2,263,790.96	1,486,768.79	3,750,559.75	3,750,000.00	3,750,000.00	3,750,000.00	3,750,000.00	3,750,000.00	3,750,000.00	3,750,000.00	43,009,619.00
19	BOOKS AND SUPPLIES	4000-4999	9,999,092	18,986.50	272,636.03	436,513.81	282,755.35	209,053.89	90,560.93	118,492.96	260,317.76	19,452.25	279,770.01	1,250,000.00	1,250,000.00	1,250,000.00	1,450,000.00	1,450,000.00	1,849,376.41	0.00	9,999,092.00
20	SERV. & OTHER OPER. EXPEN	5000-5999	21,897,683	1,322,123.26	1,140,952.11	2,527,844.32	1,378,954.09	1,341,903.70	774,319.37	567,584.33	822,150.42	434,661.96	1,256,812.38	2,000,000.00	2,000,000.00	2,000,000.00	2,000,000.00	2,652,617.64	2,276,475.50	0.00	21,897,683.00
21	CAPITAL OUTLAY	6000-6999	237,323	0.00	157,871.47	19,341.78	5,538.01	12,638.82	12,638.82	0.00	12,105.68	5,100.18	17,205.86	20,000.00	0.00	0.00	1,932.92	0.00	2,794.14	0.00	237,323.00
22	OTHER DISBURSEMENTS	7000-7999	(353,271)	5,035.00	1,023.00	1,841.00	1,841.00	1,841.00	1,841.00	1,841.00	1,841.00	1,841.00	1,841.00	0.00	0.00	0.00	0.00	0.00	(366,693.00)	0.00	(353,271.00)
23	TRANSFER OUT	7600-7699	3,848,000	-	-	450,000.00	-	-	-	-	-	-	-	3,398,000.00	-	-	-	-	-	-	3,848,000.00
24	OTHER DISBURSEMENTS/NON-EXPENSES		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00
25	TOTAL DISBURSEMENTS		176,435,742	3,108,641.06	6,219,908.63	15,074,420.40	14,292,709.63	13,651,947.45	8,826,166.64	4,825,780.81	9,052,805.69	4,591,814.50	13,644,620.19	19,093,000.00	15,675,000.00	15,675,000.00	15,876,932.92	16,527,617.64	16,186,953.05	11,408,991.03	176,435,742.00
26	RECEIPTS-DISBURSEMENTS		(5,747,987)	(3,708,584)	(556,194)	(2,928,636)	(11,126,643)	(10,438,875)	(8,779,775)	(1,659,100)	(4,078,200)	35,512,384	31,434,184	3,029,081	(6,355,293)	(12,511,560)	14,779,372	(7,495,214)	3,421,045	(6,355,303)	(8,812,620)
27	D. BALANCE SHEET TRANSACTIONS		(5,747,987)	(3,708,583.62)	(556,193.92)	(2,928,636.48)	(11,126,643.39)	(10,438,874.61)	(8,779,774.80)	(1,659,099.81)	(4,078,199.89)	35,512,383.69	31,434,183.80	3,029,081.32	(6,355,293.08)	(12,511,559.67)	14,779,371.57	(7,495,213.71)	3,421,045.17	(6,355,303.38)	(8,812,619.99)
28	ASSETS																				
29	CASH NOT IN TREASURY	9111-9199	20,003.34	-	-	(0.08)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20,003.34
30	ACCOUNTS RECEIVABLE	9200-9299	9,193,882.80	2,556,137.62	348,779.62	1,224,358.91	299,341.25	54,858.33	54,858.33	-	356,412.00	-	356,412.00	20,000.00	419,554.00	658,635.00	633,635.00	633,635.00	772,726.00	(5,053,687.65)	9,193,882.80
31	DUE FROM OTHER FUNDS	9310-9310	-	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
32	STORES	9320-9321	-	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
33	PREPAID EXPENDITURES	9330-9330	170,362.38	0.00	0.00	0.00	170,362.38	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	170,362.38
34	OTHER CURRENT ASSETS	9340-9342	3,063,231.94	2,991,243.00	-	544.50	-	544.50	-	-	-	-	-	-	-	-	-	-	-	-	2,991,787.50
35	SUBTOTAL ASSETS		12,447,480.46	5,547,380.62	348,779.62	1,224,358.83	469,703.63	55,402.83	55,402.83	0.00	356,412.00	0.00	356,412.00	20,000.00	419,554.00	658,635.00	633,635.00	633,635.00	772,726.00	(5,053,687.65)	6,086,534.88
36	LIABILITIES																				
37	ACCOUNTS PAYABLE	9500-9599	19,346,858.32	(13,560,070.79)	(1,566,079.11)	(198,606.50)	554,032.73	851,453.38	(870,496.60)	1,721,949.98	(788,889.24)	1,334,061.79	545,172.55	(305,582.00)	300,000.00	(281,739.00)	(400,000.00)	(450,000.00)	473,518.00	11,408,991.03	(2,628,909.71)
38	DUE TO OTHER FUNDS	9610-9610	-	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
39	CURRENT LOANS	9640-9640	-	0.00	0.00	0.00	5,000,000.00	3,000,000.00	3,000,000.00	3,000,000.00	3,000,000.00	3,000,000.00	3,000,000.00	3,000,000.00	3,000,000.00	3,000,000.00	3,000,000.00	3,000,000.00	3,000,000.00	3,000,000.00	3,000,000.00
40	DEFERRED REVENUES	9650-9650	1,232,742.67	-	-	(394,912.67)	-	-	-	-	-	-	-	-	-	-	-	0.00	0.00	0.00	(394,912.67)
41	SUBTOTAL LIABILITIES		20,579,600.99	(13,560,070.79)	(1,566,079.11)	(593,519.17)	5,554,032.73	3,851,453.38	(870,496.60)	4,721,949.98	(788,889.24)	1,334,061.79	545,172.55	(8,305,582.00)	300,000.00	(281,739.00)	(400,000.00)	(450,000.00)	473,518.00	11,408,991.03	(3,023,822.38)
42	FUND BALANCE ADJ.	9910 (Suspense Clearing Account)	(208,709.87)	-	(2,873.00)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00
43	TOTAL BALANCE SHEET		(8,132,120.53)	(8,221,400.04)	(1,220,172.49)	630,839.66	6,023,736.36	3,906,856.21	(815,093.77)	4,721,949.98	(432,477.24)	1,334,061.79	901,584.55	(8,285,582.00)	719,554.00	376,896.00	233,635.00	183,635.00	1,246,244.00	6,355,303.38	3,062,712.50
44	E. NET INCREASE/DECREASE																				
45	(B-C+D)			(11,929,983.66)	(1,776,366.41)	(2,297,796.82)	(5,102,907.03)	(6,532,018.40)	(9,594,868.57)	3,062,850.17	(4,510,677.13)	36,846,445.48	32,335,768.35								



# CERBT Account Update

Santa Monica-Malibu Unified School District

as of December 31, 2020

# OPEB Valuation Report Summary

OPEB Actuarial Valuation Report by Demsey, Filliger, and Associates	
Total OPEB Liability (TOL)	\$48,696,722
Valuation Assets	\$5,864,788
Net OPEB Liability (NOL)	\$42,831,934
Funded Status	12%
Actuarially Determined Contribution (ADC)	\$0
CERBT Asset Allocation Strategy	Strategy 1
Discount Rate	4.09%

# CERBT Account Summary

As of December 31, 2020	
Additional contributions	\$3,500,000
Disbursements	\$0
CERBT expenses	(\$18,569)
Investment earnings	\$2,129,732
Total assets	\$7,111,163
Money-weighted annualized net rate of return	9.73%

## Cash Flow Summary by Fiscal Year

Fiscal Year	Contributions	Disbursements	Cumulative Investment Gains (Losses)	Cumulative Fees	Cumulative Ending Assets
2006-07	\$0	\$0	\$0	\$0	\$0
2007-08	\$0	\$0	\$0	\$0	\$0
2008-09	\$0	\$0	\$0	\$0	\$0
2009-10	\$0	\$0	\$0	\$0	\$0
2010-11	\$0	\$0	\$0	\$0	\$0
2011-12	\$0	\$0	\$0	\$0	\$0
2012-13	\$0	\$0	\$0	\$0	\$0
2013-14	\$0	\$0	\$0	\$0	\$0
2014-15	\$0	\$0	\$0	\$0	\$0
2015-16	\$1,500,000	\$0	(\$8,990)	(\$24)	\$1,490,986
2016-17	\$2,500,000	\$0	\$224,277	(\$1,830)	\$4,222,447
2017-18	\$1,000,000	\$0	\$536,176	(\$6,006)	\$5,530,170
2018-19	\$0	\$0	\$879,948	(\$10,719)	\$5,869,229
2019-20	\$0	\$0	\$1,089,729	(\$15,770)	\$6,073,959
as of 12/31/20	\$0	\$0	\$2,129,732	(\$18,569)	\$7,111,163

## CERBT Expected Rates of Return & Risk

Portfolios	Strategy 1	Strategy 2	Strategy 3
Expected Time-Weighted Net Return, Near Term	5.85%	5.22%	4.41%
Expected Time-Weighted Blended Net Return, Longer Term	7.59%	7.01%	6.22%
Standard Deviation of Expected Investment Returns	11.83%	9.24%	7.28%

Near term is 10 years. Longer term is 60 years. Expected returns are net of fees. CERBT total fees are 10 bps. CERBT data use 2018 capital market assumptions. Standard deviation is 10 years.

## CERBT Asset Class Target Allocations

Asset Classification	Benchmark	Strategy 1	Strategy 2	Strategy 3
Global Equity	MSCI All Country World Index	59% ±5%	40% ±5%	22% ±5%
Fixed Income	Barclays Capital Long Liability Index	25% ±5%	43% ±5%	49% ±5%
Global Real Estate (REITs)	FTSE EPRA/NAREIT Developed Liquid Index	8% ±5%	8% ±5%	8% ±5%
Treasury Inflation Protected Securities (TIPS)	Barclays Capital Global Real: US TIPS Index	5% ±3%	5% ±3%	16% ±3%
Commodities	S&P GSCI Total Return Index	3% ±3%	4% ±3%	5% ±3%
Cash	3-Month Treasury Bill	0% +2%	0% +2%	0% +2%

## Total Participation Cost Fee Rate

- Total all-inclusive cost of participation
  - Combines administrative, custodial, and investment fees
  - 10 basis points of assets under management
  - Self-funded, fee rate may change in the future
  - Fee is applied daily to assets under management

## CERBT Fee Rate History

Fiscal Year	Total Participation Cost
2007-2008	2.00 basis points
2008-2009	6.00 basis points
2009-2010	9.00 basis points
2010-2011	12.00 basis points
2011-2012	12.00 basis points
2012-2013	15.00 basis points
2013-2014	14.00 basis points
2014-2015	10.00 basis points
2015-2016	10.00 basis points
2016-2017	10.00 basis points
2017-2018	10.00 basis points
2018-2019	10.00 basis points
2019-2020	10.00 basis points
2020-2021	10.00 basis points

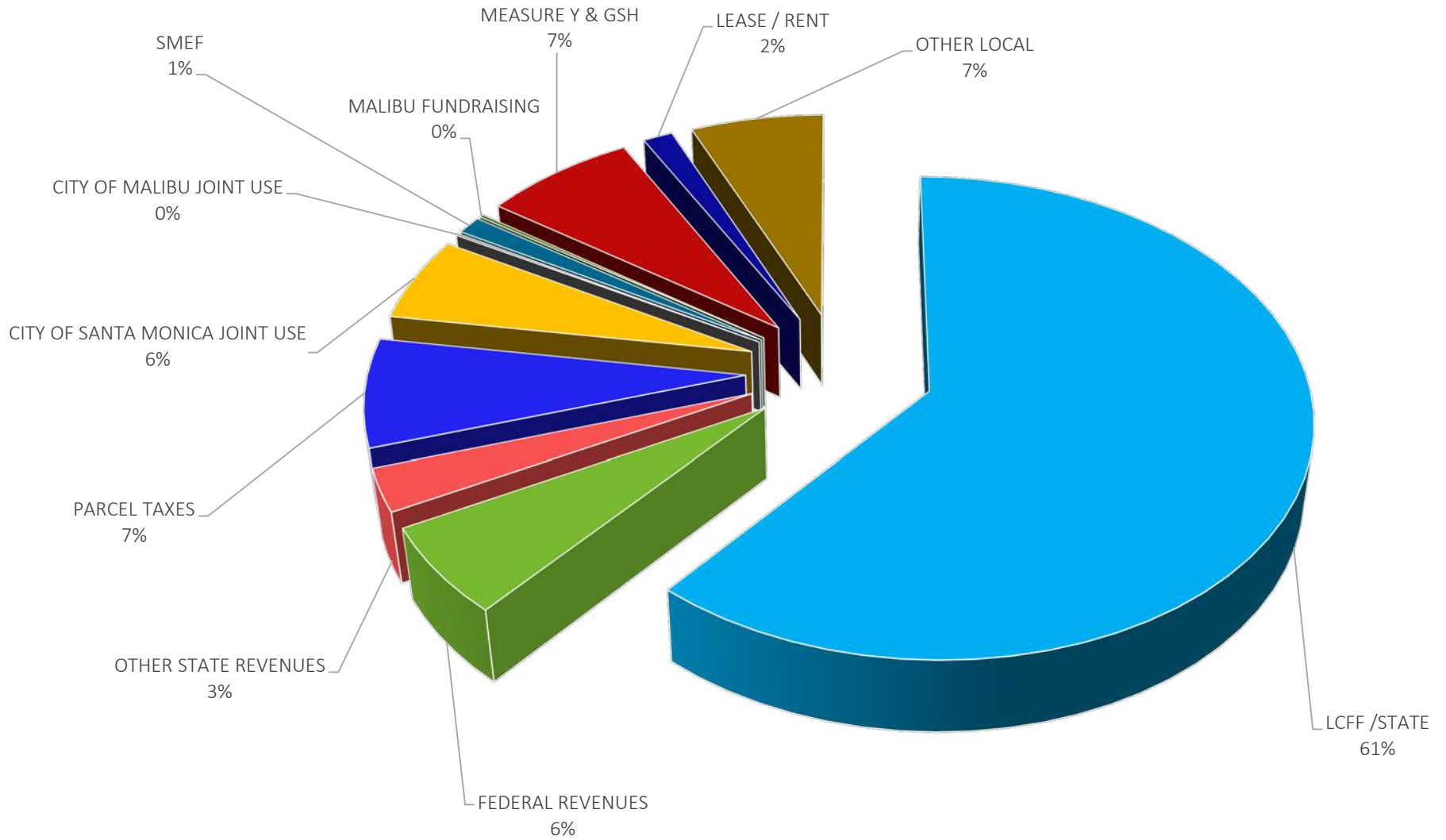
## Questions? Where to Get Trust Fund Information?

Name	Title	E mail	Desk	Mobile
Matt Goss	Outreach & Support Program Manager	<a href="mailto:Matthew.Goss@calpers.ca.gov">Matthew.Goss@calpers.ca.gov</a>	(916) 795-9071	(916) 382-6487
Karen Lookingbill	Outreach & Support Manager	<a href="mailto:Karen.Lookingbill@calpers.ca.gov">Karen.Lookingbill@calpers.ca.gov</a>	(916) 795-1387	(916) 501-2219
Bob Honer	Outreach & Support Manager	<a href="mailto:Robert.Honer@calpers.ca.gov">Robert.Honer@calpers.ca.gov</a>	(916) 795-0531	(279) 203-5563
Jasper Jacobs	Outreach & Support Analyst	<a href="mailto:Jasper.Jacobs@calpers.ca.gov">Jasper.Jacobs@calpers.ca.gov</a>	(916) 795-0432	(916) 717-3886
Jean MacDonald	Outreach & Support Analyst	<a href="mailto:Jean.MacDonald@calpers.ca.gov">Jean.MacDonald@calpers.ca.gov</a>	(916) 795-0675	(916) 291-1325
Colleen Cain-Herrback	Administration & Reporting Program Manager	<a href="mailto:Colleen.Cain-Herrback@calpers.ca.gov">Colleen.Cain-Herrback@calpers.ca.gov</a>	(916) 795-2474	(916) 505-2506
Adan deCastro-Lobisser	Administration & Reporting Manager	<a href="mailto:Adan.deCastro-Lobisser@calpers.ca.gov">Adan.deCastro-Lobisser@calpers.ca.gov</a>	(916) 795-9478	

Program E mail Addresses	Prefunding Programs Webpages
<a href="mailto:CERBT4U@calpers.ca.gov">CERBT4U@calpers.ca.gov</a> – Questions & Document Submittal	<a href="http://www.calpers.ca.gov/CERBT">www.calpers.ca.gov/CERBT</a>
<a href="mailto:CEPPT4U@calpers.ca.gov">CEPPT4U@calpers.ca.gov</a> – Questions & Document Submittal	<a href="http://www.calpers.ca.gov/CEPPT">www.calpers.ca.gov/CEPPT</a>
<a href="mailto:CERBTACCOUNT@calpers.ca.gov">CERBTACCOUNT@calpers.ca.gov</a> – Online Record Keeping System	

Ask us about prefunding pension costs.  
[CEPPT4U@calpers.ca.gov](mailto:CEPPT4U@calpers.ca.gov).

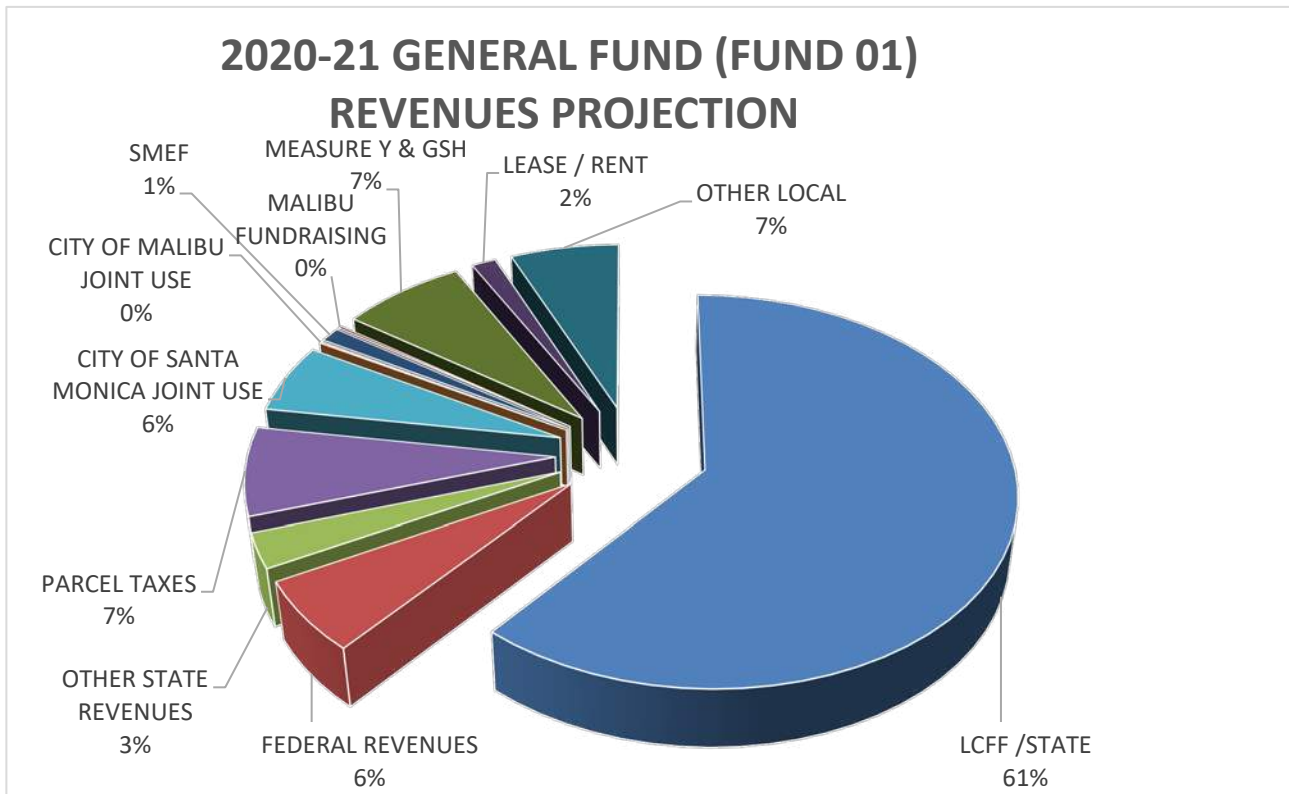
# 2020-21 GENERAL FUND (FUND 01) REVENUES



**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
2020-21 FIRST INTERIM BUDGET  
COMBINED RESTRICTED & UNRESTRICTED GENERAL FUND**

**REVENUES**

<b>BEGINNING BALANCE</b>	<b>\$</b>	<b>27,848,825</b>
LCFF /STATE	\$	104,515,664
FEDERAL REVENUES	\$	10,244,359
OTHER STATE REVENUES	\$	4,947,392
PARCEL TAXES	\$	12,568,316
CITY OF SANTA MONICA JOINT USE	\$	9,799,171
CITY OF MALIBU JOINT USE	\$	246,827
SMEF	\$	2,068,155
MALIBU FUNDRAISING	\$	337,543
MEASURE Y & GSH	\$	12,537,500
LEASE / RENT	\$	2,450,000
OTHER LOCAL	\$	10,972,828
<b>TOTAL REVENUES</b>	<b>\$</b>	<b>170,687,755</b>
<b>TOTAL AVAILABLE FUNDS</b>	<b>\$</b>	<b>198,536,580</b>





A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	
Fund/Sub-Fund	Resource/Project Yr	Goal/Categorical	Function/Activity	District/Agency Revenue Object	District/Agency Revenue Object Desc	School Location	School Location Desc	Resource Desc	Current Operating Budget	Income Amount	Remaining Balance	% FYTD Time Passed	% FYTD of Earned Revenue Over	% Under/Ov er FYTD Time Passed	
1	01.0	00000.0	00000	00000	8625	Community Redevelopment Funds	0000000	District-Wide	Unrestricted Resource	0.00	0.00	0.00	33.33%	0.00%	(33.33%)
2	01.0	00000.0	00000	00000	8629	TBD	0000000	District-Wide	Unrestricted Resource	0.00	0.00	0.00	33.33%	0.00%	(33.33%)
3	01.0	00000.0	00000	00000	8634	Local Food Service Sales	0000000	District-Wide	Unrestricted Resource	0.00	0.00	0.00	33.33%	0.00%	(33.33%)
4	01.0	00000.0	00000	00000	8660	Interest	0000000	District-Wide	Unrestricted Resource	500,000.00	21,542.99	478,457.01	33.33%	4.31%	(29.02%)
5	01.0	00000.0	00000	00000	8699	All Other Local Revenue	0000000	District-Wide	Unrestricted Resource	1,086,827.00	329,859.67	756,967.33	33.33%	30.35%	(2.98%)
6	01.0	00000.0	00000	36000	8675	Transp Fees from Individuals	0000000	District-Wide	Unrestricted Resource	0.00	(577.17)	577.17	33.33%	0.00%	(33.33%)
7	01.0	00000.0	00000	36000	8699	All Other Local Revenue	0000000	District-Wide	Unrestricted Resource	5,000.00	3,600.00	1,400.00	33.33%	72.00%	38.67%
8	01.0	00000.0	50010	36000	8699	All Other Local Revenue	0000000	District-Wide	Unrestricted Resource	0.00	0.00	0.00	33.33%	0.00%	(33.33%)
9	01.0	65000.0	50010	00000	8791	TRF OF APPORTION FROM DISTRICT	0000000	District-Wide	Special Education	6,325,739.00	594,314.00	5,731,425.00	33.33%	9.40%	(23.94%)
10	01.0	90100.0	00000	00000	8650	Leases And Rentals	0000000	District-Wide	Other Local Income	205,113.00	8,627.02	196,485.98	33.33%	4.21%	(29.13%)
11	01.0	90100.0	00000	00000	8699	All Other Local Revenue	0000000	District-Wide	Other Local Income	0.00	79.00	(79.00)	33.33%	0.00%	(33.33%)
12	01.0	90110.0	00000	00000	8650	Leases And Rentals	0000000	District-Wide	Permits	2,091,001.00	169,748.43	1,921,252.57	33.33%	8.12%	(25.22%)
13	01.0	90120.0	00000	00000	8699	All Other Local Revenue	0040000	Mckinley Elementary School	Gifts	450.00	750.00	(300.00)	33.33%	166.67%	133.33%
14	01.0	90120.0	00000	00000	8699	All Other Local Revenue	0090000	Smash School	Gifts	1,930.00	1,929.50	0.50	33.33%	99.97%	66.64%
15	01.0	90120.0	00000	00000	8699	All Other Local Revenue	0100000	Malibu Hlgh School	Gifts	706.00	705.46	0.54	33.33%	99.92%	66.59%
16	01.0	90120.0	00000	00000	8699	All Other Local Revenue	0120000	Lincoln Middle School	Gifts	250.00	15.00	235.00	33.33%	6.00%	(27.33%)
17	01.0	90120.0	00000	00000	8699	All Other Local Revenue	0150000	Santa Monica High School	Gifts	3,099.00	4,198.80	(1,099.80)	33.33%	135.49%	102.16%
18	01.0	90120.0	00000	00000	8699	All Other Local Revenue	0250000	PERSONNEL SERVICES	Gifts	4,375.00	4,375.00	0.00	33.33%	100.00%	66.67%
19	01.0	90120.0	00000	00000	8699	All Other Local Revenue	0300000	Curriculum and IMC	Gifts	0.00	9,710.00	(9,710.00)	33.33%	0.00%	(33.33%)
20	01.0	90120.0	00000	00000	8699	All Other Local Revenue	0430000	SPECIAL ED	Gifts	10,000.00	0.00	10,000.00	33.33%	0.00%	(33.33%)
21	01.0	90120.0	00000	00000	8699	All Other Local Revenue	0510000	FISCAL SERVICES	Gifts	0.00	2,620.00	(2,620.00)	33.33%	0.00%	(33.33%)
22	01.0	90120.0	17000	00000	8699	All Other Local Revenue	0300000	Curriculum and IMC	Gifts	0.00	14,000.00	(14,000.00)	33.33%	0.00%	(33.33%)
23	01.0	90120.0	17100	00000	8699	All Other Local Revenue	0110000	John Adams Middle School	Gifts	1,058.00	70.00	988.00	33.33%	6.62%	(26.72%)
24	01.0	90120.0	17100	00000	8699	All Other Local Revenue	0300000	Curriculum and IMC	Gifts	46,510.00	146.10	46,363.90	33.33%	0.31%	(33.02%)
25	01.0	90120.0	17110	00000	8699	All Other Local Revenue	0120000	Lincoln Middle School	Gifts	0.00	0.00	0.00	33.33%	0.00%	(33.33%)
26	01.0	90120.0	17120	00000	8699	All Other Local Revenue	0120000	Lincoln Middle School	Gifts	0.00	0.00	0.00	33.33%	0.00%	(33.33%)
27	01.0	90120.0	17200	00000	8699	All Other Local Revenue	0120000	Lincoln Middle School	Gifts	15.00	0.00	15.00	33.33%	0.00%	(33.33%)
28	01.0	90120.0	19210	00000	8699	All Other Local Revenue	0150000	Santa Monica High School	Gifts	1,100.00	0.00	1,100.00	33.33%	0.00%	(33.33%)
29	01.0	90140.0	00000	00000	8699	All Other Local Revenue	0100000	Malibu Hlgh School	Reimbursed By ASB	23,469.00	0.00	23,469.00	33.33%	0.00%	(33.33%)
30	01.0	90140.0	00000	00000	8699	All Other Local Revenue	0110000	John Adams Middle School	Reimbursed By ASB	5,428.00	0.00	5,428.00	33.33%	0.00%	(33.33%)
31	01.0	90140.0	00000	00000	8699	All Other Local Revenue	0120000	Lincoln Middle School	Reimbursed By ASB	6,975.00	0.00	6,975.00	33.33%	0.00%	(33.33%)
32	01.0	90140.0	00000	00000	8699	All Other Local Revenue	0150000	Santa Monica High School	Reimbursed By ASB	155,910.00	0.00	155,910.00	33.33%	0.00%	(33.33%)
33	01.0	90141.0	00000	00000	8699	All Other Local Revenue	0100000	Malibu High School	MALIBU SHARK FUND	27,561.00	27,560.76	0.24	33.33%	100.00%	66.67%
34	01.0	90142.0	17000	00000	8699	All Other Local Revenue	0150000	Santa Monica High School	SANTA MONICA ARTS PARENTS ASS	1,020.00	0.00	1,020.00	33.33%	0.00%	(33.33%)
35	01.0	90142.0	17110	00000	8699	All Other Local Revenue	0150000	Santa Monica High School	SANTA MONICA ARTS PARENTS ASS	43,258.00	0.00	43,258.00	33.33%	0.00%	(33.33%)
36	01.0	90142.0	17120	00000	8699	All Other Local Revenue	0150000	Santa Monica High School	SANTA MONICA ARTS PARENTS ASS	57,000.00	1,795.80	55,204.20	33.33%	3.15%	(30.18%)
37	01.0	90150.0	00000	00000	8699	All Other Local Revenue	0010000	Edison Elementary School	Reimbursed By PTA	45,198.00	0.00	45,198.00	33.33%	0.00%	(33.33%)
38	01.0	90150.0	00000	00000	8699	All Other Local Revenue	0020000	Franklin Elementary School	Reimbursed By PTA	48,700.00	0.00	48,700.00	33.33%	0.00%	(33.33%)
39	01.0	90150.0	00000	00000	8699	All Other Local Revenue	0030000	Grant Elementary School	Reimbursed By PTA	47,125.00	0.00	47,125.00	33.33%	0.00%	(33.33%)
40	01.0	90150.0	00000	00000	8699	All Other Local Revenue	0040000	Mckinley Elementary School	Reimbursed By PTA	50,096.00	0.00	50,096.00	33.33%	0.00%	(33.33%)
41	01.0	90150.0	00000	00000	8699	All Other Local Revenue	0070000	Roosevelt Elementary School	Reimbursed By PTA	3,094.00	0.00	3,094.00	33.33%	0.00%	(33.33%)
42	01.0	90150.0	00000	00000	8699	All Other Local Revenue	0080000	Webster Elementary School	Reimbursed By PTA	5,200.00	0.00	5,200.00	33.33%	0.00%	(33.33%)
43	01.0	90150.0	00000	00000	8699	All Other Local Revenue	0090000	Smash School	Reimbursed By PTA	17,500.00	0.00	17,500.00	33.33%	0.00%	(33.33%)
44	01.0	90150.0	00000	00000	8699	All Other Local Revenue	0110000	John Adams Middle School	Reimbursed By PTA	24,533.00	0.00	24,533.00	33.33%	0.00%	(33.33%)
45	01.0	90150.0	00000	00000	8699	All Other Local Revenue	0120000	Lincoln Middle School	Reimbursed By PTA	77,265.00	0.00	77,265.00	33.33%	0.00%	(33.33%)
46	01.0	90150.0	00000	00000	8699	All Other Local Revenue	0150000	Santa Monica High School	Reimbursed By PTA	36,850.00	0.00	36,850.00	33.33%	0.00%	(33.33%)
47	01.0	90150.0	00000	00000	8699	All Other Local Revenue	0180000	Malibu Elementary School	Reimbursed By PTA	6,000.00	0.00	6,000.00	33.33%	0.00%	(33.33%)
48	01.0	90260.0	71100	00000	8677	Interagency: Regional Occup Pr	0430000	SPECIAL ED	SP ED INTERAGENCY CONTRACT	80,000.00	0.00	80,000.00	33.33%	0.00%	(33.33%)
49	01.0	90810.0	00000	00000	8699	All Other Local Revenue	0000000	District-Wide	Sm Ed Foundation Teacher Grant	20,000.00	0.00	20,000.00	33.33%	0.00%	(33.33%)
50	01.0	90820.0	00000	00000	8699	All Other Local Revenue	0000000	District-Wide	Sm Ed Foundation Library Grant	0.00	0.00	0.00	33.33%	0.00%	(33.33%)
51	01.0	90820.0	17100	00000	8699	All Other Local Revenue	0000000	District-Wide	Sm Ed Foundation Library Grant	148,300.00	0.00	148,300.00	33.33%	0.00%	(33.33%)
52	01.0	90830.0	17100	00000	8699	All Other Local Revenue	0000000	District-Wide	SMMEF - DREAM WINDS	6,000.00	0.00	6,000.00	33.33%	0.00%	(33.33%)

**11,219,655.00**

Other Local **10,972,828.00**  
City of Malibu Joint Use **246,827.00** (01-0-00000-8699)  
**11,219,655.00**

A	B	C	D	E	F	G	H	I		
Object Name	School Location	School Location Name	Pd	Record Date	Resource Desc	Doc ID	Document Description	Accounting Line Description	Revenue	
1	All Other Local Revenue	0000000	District-Wide	1	07/15/2020	Unrestricted Resource	JVA,STALE00057001,1.00,22	Journal ID LED0057	All Other Local Revenue-- PSFS Journal Line Number 107	2,861.02
2	All Other Local Revenue	0000000	District-Wide	1	07/27/2020	Unrestricted Resource	JV,210000000048,1.00,2	Re-class from 9200 to 8699. Over-payment from City Inv. #479	Re-class from 9200 to 8699. Over-payment from City Inv. #479	(124.11)
3	All Other Local Revenue	0000000	District-Wide	1	07/30/2020	Unrestricted Resource	JV,210000000113,1.00,2	Re-class from 9200 to 8699. Over-payment from City Inv. #479	Re-class from 9200 to 8699. Over-payment from City Inv. #479	124.11
4	All Other Local Revenue	0000000	District-Wide	2	08/07/2020	Unrestricted Resource	JVA,REIWT01720001,1.00,7	Journal ID WT0172	All Other Local Revenue-- PSFS Journal Line Number 16	(295.54)
5	All Other Local Revenue	0000000	District-Wide	2	08/10/2020	Unrestricted Resource	JVDEP,210000000003,1.00,22	Deposits to LACOE	CR20-001, RN 39886□ CK# 0005018292□ fedex	45.11
6	All Other Local Revenue	0000000	District-Wide	2	08/10/2020	Unrestricted Resource	JVDEP,210000000003,1.00,80	Deposits to LACOE	CR21-007, RN 39911, CK#1034□ HALE MEDICAL SUPPLY DISCOUNTED PPE SUPPLIES AFTER THE PURCHASE ON AMEX	1,550.00
7	All Other Local Revenue	0000000	District-Wide	2	08/10/2020	Unrestricted Resource	JVDEP,210000000003,1.00,84	Deposits to LACOE	CR21-007, RN 39905□ CK# 1669□	20.25
8	All Other Local Revenue	0000000	District-Wide	2	08/10/2020	Unrestricted Resource	JVDEP,210000000003,1.00,90	Deposits to LACOE	CR21-007, RN 39908□ CK# 827626□ CA STATE UNIVERSITY OF LONG BEACH MENTOR TEACHER STIPEND SPRING20	300.00
9	All Other Local Revenue	0000000	District-Wide	2	08/12/2020	Unrestricted Resource	JVA,REIWT01840001,1.00,3	Journal ID WT0184	All Other Local Revenue-- PSFS Journal Line Number 24	(1,805.44)
10	All Other Local Revenue	0000000	District-Wide	2	08/13/2020	Unrestricted Resource	JVDEP,210000000004,1.00,26	Deposit to LACOE	CR21-009, RN 39930, CK# 14392535□ SPRINT REBATE	2,407.05
11	All Other Local Revenue	0000000	District-Wide	2	08/17/2020	Unrestricted Resource	JVA,STALE0247001,1.00,20	Journal ID LED0247	All Other Local Revenue-- PSFS Journal Line Number 113	1,168.46
12	All Other Local Revenue	0000000	District-Wide	3	09/08/2020	Unrestricted Resource	JVDEP,210000000006,1.00,68	DEPOSIT TO LACOE	CR21-016, RN 39973□ CHK# 019663□ EDUCATIONAL & INSTITUTIONAL GROWTH INCENTIVE FROM GRAINGER	207.82
13	All Other Local Revenue	0000000	District-Wide	3	09/08/2020	Unrestricted Resource	JVDEP,210000000006,1.00,70	DEPOSIT TO LACOE	CR21-016, RN 39974□ CHK# 019313□ EDUCATIONAL & INSTITUTIONAL GROWTH INCENTIVE FROM GRAINGER	272.96
14	All Other Local Revenue	0000000	District-Wide	3	09/08/2020	Unrestricted Resource	JVDEP,210000000006,1.00,72	DEPOSIT TO LACOE	CR21-016, RN 39975□ CHK# 1149411□ SMART & FINAL	2.71
15	All Other Local Revenue	0000000	District-Wide	3	09/14/2020	Unrestricted Resource	GAX,210000000875,1.00,1	Technology E-waste	Technology E-waste	(255.00)
16	All Other Local Revenue	0000000	District-Wide	3	09/15/2020	Unrestricted Resource	JVA,FRGRY04520001,1.00,2	Journal ID RY0452	All Other Local Revenue-- PSFS Journal Line Number 3	1,805.44
17	All Other Local Revenue	0000000	District-Wide	3	09/15/2020	Unrestricted Resource	JVDEP,210000000009,1.00,34	Deposit to IACOE	CR21-024, RN 40010□ CHK# 144969□ CITY OF SANTA MONICA INV#542 SPORTS FIELD REIM	118,800.42
18	All Other Local Revenue	0000000	District-Wide	3	09/15/2020	Unrestricted Resource	JVDEP,210000000009,1.00,4	Deposit to IACOE	cr21-024, rn 39996□ chk# 6215□ recycle international technology e-waste	255.00
19	All Other Local Revenue	0000000	District-Wide	3	09/18/2020	Unrestricted Resource	JVA,STALE0545001,1.00,20	Journal ID LED0545	All Other Local Revenue-- PSFS Journal Line Number 107	1,466.67
20	All Other Local Revenue	0000000	District-Wide	3	09/29/2020	Unrestricted Resource	JVDEP,210000000010,1.00,36	Deposits to Lacoee.	CR21-052, RN 40015□ CHK# 0046547169□ CLEAN POWER ALLIANCE□ CREDITS/REBATE	346.50
21	All Other Local Revenue	0000000	District-Wide	3	09/29/2020	Unrestricted Resource	JVDEP,210000000010,1.00,40	Deposits to Lacoee.	CR21-052, RN 40017□ CHK# 53029□ EDUCATIONAL & INSTITUTIONAL COOP-REBATE	188.02
22	All Other Local Revenue	0000000	District-Wide	3	09/29/2020	Unrestricted Resource	JVDEP,210000000010,1.00,42	Deposits to Lacoee.	CR21-052, RN 40018□ CHK# 0043799432□ CLEAN POWER ALLIANCE OF SOUTHERN CAL-REBATE/CREDITS	346.50

A	B	C	D	E	F	G	H	I		
Object Name	School Location	School Location Name	Pd	Record Date	Resource Desc	Doc ID	Document Description	Accounting Line Description	Revenue	
23	All Other Local Revenue	0000000	District-Wide	3	09/29/2020	Unrestricted Resource	JVDEP,210000000010,1.00,44	Deposits to Laco.	CR21-052, RN 40019 CHK# 1058 ATTY AT LAW WITNESS APPEARANCE/SUB POENA FEE	290.00
24	All Other Local Revenue	0000000	District-Wide	3	09/29/2020	Unrestricted Resource	JVDEP,210000000010,1.00,66	Deposits to Laco.	CR21-021, RN 39982 CHK# 14405393 SPRINT REBATE	2,407.05
25	All Other Local Revenue	0000000	District-Wide	3	09/29/2020	Unrestricted Resource	JVDEP,210000000010,1.00,76	Deposits to Laco.	CR21-021, RN 39987 CHK#1868 RECORDS	338.50
26	All Other Local Revenue	0000000	District-Wide	4	10/12/2020	Unrestricted Resource	GAX,210000001092,1.00,1	Frontier CTF adj	Frontier CTF Adj	34.56
27	All Other Local Revenue	0000000	District-Wide	4	10/12/2020	Unrestricted Resource	GAX,210000001093,1.00,1	Frontier CTF adj	Frontier CTF adj	1,345.90
28	All Other Local Revenue	0000000	District-Wide	4	10/13/2020	Unrestricted Resource	JVDEP,210000000011,1.00,10	Deposit to Laco	CR21-053, RN 40047 VARIOUS REDORDS	30.00
29	All Other Local Revenue	0000000	District-Wide	4	10/18/2020	Unrestricted Resource	JVA,STALE0787001,1.00,22	Journal ID LED0787	All Other Local Revenue-- PSFS Journal Line Number 121	16,351.79
30	All Other Local Revenue	0000000	District-Wide	4	10/20/2020	Unrestricted Resource	JVDEP,210000000014,1.00,10	Deposit to LACOE	CR21-061, RN 40080 CHK# 061552 CITY OF MALIBU SANTA MONICA JOINT USER AGREEMENT JULY SEPT 2020	50,662.80
31	All Other Local Revenue	0000000	District-Wide	4	10/20/2020	Unrestricted Resource	JVDEP,210000000014,1.00,2	Deposit to LACOE	CR21-061 RN 40085 CHK# 1282323 RICOH REBATE	31.91
32	All Other Local Revenue	0000000	District-Wide	4	10/27/2020	Unrestricted Resource	JVDEP,210000000015,1.00,14	Deposits to LACOE	CR21-064, RN 40095 CHK# 04-387415 STATE OF CALIFORNIA STATE TEACHER'S RETIREMENT	119,714.87
33	All Other Local Revenue	0000000	District-Wide	4	10/27/2020	Unrestricted Resource	JVDEP,210000000015,1.00,18	Deposits to LACOE	CR21-064 RN 40089 CHK#6286 RECYCLE INT'L E-WASTE REBATE FROM I.T.	130.00
34	All Other Local Revenue	0000000	District-Wide	4	10/27/2020	Unrestricted Resource	JVDEP,210000000015,1.00,22	Deposits to LACOE	CR21-064 RN 40091 ALLIANCE OF SCHOOLS HEALTH BENEFITS REBATE FY 2019-20	5,495.00
35	All Other Local Revenue	0000000	District-Wide	4	10/27/2020	Unrestricted Resource	JVDEP,210000000015,1.00,88	Deposits to LACOE	CR21-059 RN 40074 CHK#999992 STAPLES REBATE	932.29
36	All Other Local Revenue	0000000	District-Wide	4	10/27/2020	Unrestricted Resource	JVDEP,210000000015,1.00,90	Deposits to LACOE	CR21-059 RN 40075 CHK#14418656 SPRINT REBATE	2,407.05
									<b>329,859.67</b>	



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October 16, 2020

Board of Education  
Santa Monica-Malibu Unified School District  
1651 16th Street  
Santa Monica, California 90404

**Re: Opinion of Counsel Fagen Friedman & Fulfroft, LLP  
Compliance with Measure R Parcel Tax**

To the Members of the Santa Monica-Malibu Unified School District Board of Education:

As legal counsel to the Santa Monica-Malibu Unified School District (“District”) Board of Education (“Board”), we have been requested to review and opine on whether the District and the Board have acted in compliance with the Santa Monica-Malibu Schools Quality Education Funding Renewal Measure, commonly referred to as “Measure R.”

Please note that Fagen Friedman & Fulfroft, LLP (“F3”) did not previously advise the Board in connection with the passage of Measure R and the opinions expressed herein are solely based on F3’s review and analysis of the information and documents recently provided by the District, including but not limited to the Audit Report for the fiscal year ended June 30, 2019 and the Revised Proposed Annual Plan of Measure R Expenditures for 2021-20, dated March 10, 2020 and revised on June 11, 2020, and analysis of existing laws of the State of California. The opinions may be affected by actions or events occurring, or not occurring, after the date hereof. We have not undertaken to determine whether or not any such actions or events will occur.

With your permission, in connection with the opinion herein, we have assumed, without investigation: (i) the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as copies, and the authenticity of the originals from which such copies were made; (ii) the truth and accuracy of all of the representations and warranties made by the District in the Annual Plan of Measure R Expenditures; and (iii) that there are no relevant, unknown facts that would have an effect on the opinions rendered herein.

Based on and subject to the foregoing, and in reliance thereon, we are of the following opinions:

**I. The Relevant Background of Measure R**

Section 4 of Article XIII A of the California Constitution and Government Code section 50075, *et seq.* authorize a school district, following notice and a public hearing, to levy a tax for specified purposes upon approval of at least two-thirds of the electorate voting on the measure.

On or about August 9, 2007, the Board established a Parcel Tax Renewal Feasibility Committee (“Feasibility Committee”). The Feasibility Committee was charged with bringing a recommendation to the Board on the feasibility of renewing one or both of the parcel tax Measures “S” and “Y” and which election date the renewal should be placed. On or about October 25, 2007, the Feasibility Committee made a recommendation to the Board (“Recommendation No. A.02”), recommending that the Board adopt Resolution No. 07-09 – Renewal of Special Taxes to be Placed on the February 5, 2008, Ballot for Voter Approval (“Resolution No. 07-09”).

On or about October 25, 2007, the District’s Board accepted the recommendations of the Feasibility Committee and adopted Resolution No. 07-09, which provided the foundation for Measure R. In relevant part, the Board’s Resolution “determined that there is a continuing and urgent need for the local revenues generated by these parcel taxes to make up for state funding shortfalls and provide stable financial support on an on-going basis and thereby enable the District to continue to provide its students with a high quality education; and... these revenues are critically necessary to attract and retain highly qualified teachers, maintain reduced class size, protect academic achievement in math, science, technology, arts, music, and reading programs, and to sustain school libraries[.]”

Accordingly, the ballot language of Measure R states its purpose as follows:

1. TITLE AND PURPOSE

The revenues raised by the “Santa Monica-Malibu Quality Education Funding Renewal Measure” (the “Funding Measure”) shall be used to prevent serious deterioration in the quality of public education in Santa Monica and Malibu in the face of inadequate state funding for public schools and to promote continued student achievement in the core curriculum.

2. SPECIFIC PURPOSES

The revenues raised by this Funding Measure shall be used by the Santa Monica-Malibu Unified School District (the “District”) exclusively for the following purposes:

- A. To preserve programs and replace funds lost or reduced due to inadequate state funding (including state budget reductions that are the result of reduced federal funding of state programs);
- B. To sustain achievement in reading, writing, and mathematics for all students at all grade levels and to fulfill the District’s core curriculum which includes music, arts, and athletics;
- C. To attract and retain highly qualified teachers; and
- D. To protect the taxpayers’ investment in education and ensure District accountability by providing for special citizen financial oversight and independent annual audits of revenues and expenditures... (Measure R, §§ 1 – 2.)

In the California State Election held on February 5, 2008 (“Election”), the voters of Santa Monica and Malibu approved the Measure R parcel tax by 73.03%, surpassing the statutory two-thirds threshold. On or about April 3, 2008, the District’s Board passed Resolution No. 07-21, acknowledging that Measure R received the required number of votes to pass and authorizing the County Clerk to sign and deliver a Certificate of Statement of Votes Cast.

**II. The District’s Financial Oversight Committee Operates in Accordance with the Requirements Set Forth in Measure R**

Section 5(A) of the Measure R ballot text requires the District’s Board to appoint a special citizen financial oversight committee charged with reviewing the District’s administration of and compliance with the terms of Measure R (also called the “Independent Citizens Oversight Committee”). Measure R does not expressly require that the committee be created solely for the purposes of Measure R.

The District’s Financial Oversight Committee (“FOC”) was created on or before 2004, prior to the Measure R parcel tax. The FOC consists of 11 members, appointed by the Board. FOC members are selected based on multiple criteria, including but not limited to individuals possessing a broad perspective of the District, as well as financial, management or legal expertise/experience and an ability to understand school district finances.

In accordance with the language of Measure R, the FOC’s Statement of Purpose declares that one of the FOC’s Roles and Responsibilities is to “[s]erve as the Measure R Independent Citizens Oversight Committee charged with reviewing the District’s administration of and compliance with the terms of Measure R,” as well as reviewing any matters potentially having a significant impact on District finances before the Board takes action. (See the FOC Roles and Responsibilities, <https://www.smmusd.org/Page/3901>; FOC’s Statement of Purpose, § 4.)

It is our understanding, and District personnel have confirmed, that since the approval of Measure R in 2008, the FOC meets regularly during the school year to discuss expenditures and allocation of funds as related to Measure R. The FOC's Agendas and Minutes for the 2020-2021 school year are publicly available at the following link: <https://www.smmusd.org/Page/6163>. Archived Agendas and Minutes for the FOC for prior years are publicly available at the following link: <https://www.smmusd.org/Page/5921>.

The FOC also reports annually to the Board on Measure R and other oversight activities. Once a year, the FOC approves the Annual Plan for Measure R. The FOC then makes a recommendation to the Board to adopt the Annual Plan. Each year since 2008, the Board has adopted the Proposed Annual Plan. The Proposed Annual Plans are publicly available on the District's website at the following link: <https://www.smmusd.org/Page/3905>.

On the basis that the District has duly held regular FOC meetings to ensure proper oversight, expenditures, and allocation of Measure R funds, as well as FOC annual recommendations to the Board for the adoption of the publicly available Proposed Annual Plan, it is our opinion that the operations of the District's FOC are in compliance with Measure R.

### **III. The District Has Duly Posted an Annual Plan for Public Review**

In the context of a local parcel tax, Government Code section 50075.1 mandates accountability measures including, in pertinent part, "[a]n annual report pursuant to Section 50075.3." (Gov. Code, § 50075.1(d).) Government Code section 50075.3 states that the annual report shall include the amount of funds collected and expended and the status of any project authorized to be funded by the parcel tax.

In accordance with statutory law, the Measure R ballot text requires that the District develop an annual expenditure plan ("Proposed Annual Plan") in consultation with the Independent Citizens Oversight Committee, to recommend expenditures of the parcel tax proceeds that are consistent with the intent of Measure R, which shall be made available for public review ninety (90) calendar days prior to the Board's adoption of its annual budget. (Measure R, § 5(B).)

As stated above in Section I, the intent of Measure R broadly includes the following: preserving programs and replacing funds reduced or lost due to inadequate state funding; sustaining achievement in reading, writing, mathematics; fulfilling the District's core curriculum including music, arts, and athletics; and attracting and retaining teachers. The Board's Resolution No. 07-09 further clarifies that the revenues from the parcel tax are critical to, *inter alia*, reduced class size, sustaining school libraries, and protecting academic achievement in technology, math, science, arts, music, and reading.

Each year since the passage of Measure R in 2008, the District has prepared and posted its Proposed Annual Plan on the District's website for public review. The most recent Proposed

Annual Plan, and Proposed Annual Plans for prior years, are publicly available at the following link: <https://www.smmusd.org/Page/3905>.

In addition, section 5(D) of Ballot Measure R requires that the District make available to the public and the Independent Citizens Oversight Committee updated budget and financial expenditure reports, separate and apart from the published Annual Plan. The District's current Chief Financial Officer, Melody Kanady, participates in the preparation and compilation of financials and financial reports related to the Measure R expenditures and allocation of funds. Specifically, these financial reports are included in the overall financials of the District which are reported by the Board three times per year as part of the District's interim budget reporting process. Further, Ms. Kanady also is involved in and has oversight over the FOC's expenditures report related to Measure R, that is independently presented to the Board.

It is our opinion that the expenditures identified in the Proposed Annual Plan are in compliance with those expenditures set forth in Measure R and Board Resolution No. 07-09, including those expenditures that may be used to sustain academic achievement, fulfill the District's core curriculum, attract and retain teachers, and preserve programs and replace funds insufficient due to inadequate state funding.

#### **IV. The District's Accounting Procedures Are in Accordance with Standard Industry Practice**

For purposes of accountability, Government Code section 50075.1 requires, in relevant part, "The creation of an account into which the proceeds shall be deposited." (Gov. Code, § 50075.1(c).) Accordingly, section 3 of the ballot text for Measure R states that "revenues raised by this Funding Measure shall be deposited in a separate account in accordance with Government Code section 50075.1 (or applicable successor law) and shall be expended solely for the specific purposes identified above." (Measure R, § 3.)

Following communications with District personnel, we confirmed that there is an industry standard practice adhered to by school districts wherein funds for a specific parcel tax are deposited into the school district's general fund using a separate, distinct accounting resource code limited to the revenues and expenditures for the parcel tax. This procedure of using separate resource codes is considered a proper accounting measure which creates a de facto separate account specific to the parcel tax.

Here, the District's Measure R funds are deposited into the District's General Fund with a separate tax account resource code specific to the Measure R parcel tax revenue and expenditures. The District makes an adjustment from the General Fund at the end of each year for Measure R expenditures. The District has represented and confirmed that all funds that have been placed in the District's general fund have been spent as directed by Measure R.



Throughout the time period in which Measure R has been in effect, as depicted in prior Annual Plans, the District included a line item for “Balance used to preserve programs and replace funds due to inadequate state funding.” The District has refined its reporting spreadsheet and the District’s current Proposed Annual Plan eliminates this line item and itemizes each expenditure category with the purpose of identifying all expenditures and their related allocations.

As shown in the attached Revised Proposed Annual Plan of Measure R Expenditures for 2020-21, the Proposed Annual Plan sets forth the revenues and expenditures for the Measure R budget, with expenditures including the Cost to Administer, Physical Education, Community Services, Technology, Art and Music Programs, Library Program, and General Education Teachers (TK-12th Grades).

Thus, in accordance with Measure R and Government Code section 50075.1, it is our opinion that the specific resource code used for Measure R serves as a separate account to properly account for Measure R revenues and expenditures.

**V. An Independent Audit Report is Prepared Each Year in Accordance with Measure R**

Section 5(E) of the Measure R ballot text requires that the District retain an independent auditor who shall annually review the District’s records to determine that Measure R funds have been maintained and expended in accordance with the Adopted Annual Plan and that other conditions of Measure R have been satisfied. The audit is to be conducted in accordance with Measure R, generally accepted accounting principles, and the Standards and Procedures for Audits of K-12 Local Agencies. If Measure R funds have been spent for purposes other than those purposes identified and specified in Measure R, or if other Measure R conditions have not been satisfied, the independent auditor is required to submit a “Finding of Violation” to the District’s Board.

Since 2008, the District has retained an independent auditor to prepare an annual Independent Auditor’s Report on Measure “R” Schedule of Revenues and Expenditures (“Audit Report”). The Audit Report is published each December. The most recent Audit Report for the Fiscal Year Ended June 30, 2019, and Audit Reports for prior years, are publicly available at the following link: <https://www.smmusd.org/Page/3900>.

The Audit Report tests all ballot language in compliance with Measure R. Since the passage of Measure R in 2008, there have been no exceptions or Findings of Violations regarding Measure R. *As identified in the attached Audit Report for the Fiscal Year Ended June 30, 2019, the independent auditor has expressly found the District’s Measure R revenues and expenditures are in conformity with generally accepted accounting and financial audit principles*, including those prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. [Emphasis added.]

**VI. Conclusion**

Following F3's review, as outlined hereinabove, we have confirmed that the District's Board, the FOC members appointed by the Board, and an independent auditor have each independently determined that the District and the Board have acted in full compliance with the requirements of Measure R.

Pursuant to the foregoing, it is our opinion that the District and the Board have acted appropriately and in compliance with the Measure R parcel tax and applicable statutory laws. On behalf of the Board, the District has duly held regular FOC meetings, properly accounted for the Measure R funds and expenditures, performed yearly audits, and made Audit Reports and Annual Plans available to the public since the passage and inception of Measure R through the present.

This opinion is furnished solely for your benefit and solely with respect to the matter contained herein, upon the understanding, as we have advised you and as you have agreed, that we are not hereby assuming any professional responsibility to any other person whatsoever. This opinion is limited to the matters expressly set forth above, and no opinion is implied or may be inferred beyond the matters expressly so stated. This opinion is issued with all the exclusions and limitations set forth above. This opinion is delivered to you in connection with the above-referenced matter for your information and is not to be relied upon by any other person other than the Board, identified District personnel and its assigns. Please note that our opinion herein is not to be used, circulated, quoted, or otherwise referred to for any other purpose without our express written permission.

Best Regards,

FAGEN FRIEDMAN & FULFROST, LLP



Jessica Ehrlich



Mark S. Williams

Attachments: Revised Proposed Annual Plan of Measure R Expenditures for 2020-21  
Audit Report for the Fiscal Year Ended June 30, 2019

cc: Melody Canady, Assistant Superintendent of Business and Fiscal Services, Santa Monica-Malibu Unified School District  
Gerardo Cruz, Director, Fiscal Services, Santa Monica-Malibu Unified School District



SANTA MONICA - MALIBU UNIFIED SCHOOL DISTRICT

Office of Melody Canady, Assistant Superintendent  
Business and Fiscal Services

TO: For Public Review  
FROM: Melody Canady  
RE: Revised Proposed Annual Plan of Measure R Expenditures for 2020-21  
DATE: March 10, 2020; June 11, 2020 (revised plan date)

In accordance with *The Santa Monica-Malibu Schools Quality Education Funding Renewal Measure* (Measure R) Section 5.B, Accountability, Planning, Public Information, and Compliance Review Provisions-Annual Plan, the District must develop a Proposed Annual Plan to recommend expenditures of the tax proceeds that are consistent with the intent of Measure R, which shall be made available for public review ninety (90) calendar days prior to Board adoption of its annual budget.

Below is the Proposed Annual Plan of Measure R Expenditures for the 2020-21 fiscal year:

SANTA MONICA MALIBU UNIFIED SCHOOL DISTRICT  
PARCEL TAX - MEASURE "R" BUDGET

	2019-20 BUDGET		2020-21 PROPOSED	
	FTE		FTE	
<b>REVENUE:</b>		<b>12,160,249</b>		<b>12,568,316</b>
<b>EXPENDITURES:</b>				
COST TO ADMINISTER		23,500		24,500
PHYSICAL EDUCATION	17.00	901,711	16.250	976,407
COMMUNITY SERVICES	1.00	80,897	1.000	78,721
TECHNOLOGY	18.00	2,497,917	18.000	2,543,242
ART AND MUSIC PROGRAMS	15.75	1,504,915	18.875	1,562,621
LIBRARY PROGRAM	18.125	1,397,644	16.375	1,300,491
GENERAL EDUCATION TEACHERS (TK-12 <sup>TH</sup> GRADES)			44.000	6,082,334
<b>SUBTOTAL EXPENDITURES FOR MEASURE "R"</b>	<b>69.875</b>	<b>6,406,584</b>	<b>114.500</b>	<b>12,568,316</b>
BALANCE USED TO PRESERVE PROGRAMS AND REPLACE FUNDS LOST DUE TO INADEQUATE STATE FUNDING		5,753,665		0
<b>TOTAL BUDGET MEASURE "R"</b>		<b>12,160,249</b>		<b>12,568,316</b>

In accordance with Section 5.C-Public Comment Process, the Board shall hold a noticed public hearing on this plan no fewer than 60 calendar days before the annual budget is adopted for the subsequent fiscal year. Public notice will be published for the public hearing, to be held at the April 3, 2019 Board Meeting at the District's Administration Offices Board Room, 1651 16<sup>th</sup> Street, Santa Monica, CA 90404-3891. Section 5.C also states that no fewer than 30 days prior to the annual budget adoption, the Independent Citizens Oversight Committee will review the public hearing findings and make its recommendation to the Board.

**SANTA MONICA MALIBU UNIFIED SCHOOL DISTRICT**  
**2020-21 PROPOSED BUDGET**

6/11/2020

*New Expenditure **Increased Expenditure	2019-20 BUDGET		2020-21 PROPOSED BUDGET	
<b>REVENUE:</b>	12,160,249		12,568,316	
<b>EXPENDITURES:</b>	<b>FTE</b>	<b>AMOUNT</b>	<b>FTE</b>	<b>AMOUNT</b>
<b>GENERAL EDUCATION:</b>				
GENERAL EDUCATION TEACHERS		5,753,665	44.0000	6,082,334
Teachers Salaries & Benefits - TK-3rd Grades			14.0000	1,904,030
Teachers Salaries & Benefits - 4th & 5th Grades			8.0000	1,029,543
Teachers Salaries & Benefits - 6th-8th (Middle School) Grades			10.0000	1,471,555
Teachers Salaries & Benefits - 9th-12th (High School) Grades			12.0000	1,677,206
<b>TOTAL FOR UNRESTRICTED TEACHERS</b>	-	<b>5,753,665</b>	<b>44.0000</b>	<b>6,082,334</b>

MEASURE "R" AUDIT		2,500		4,000
MEASURE "R" EXEMPTION PROCESSING COST		4,500		4,500
SUPPLIES		1,000		1,000
SERVICES AND OTHER OPERATING COSTS		2,000		2,000
MEASURE R ASSESTMENT FEES		13,500		13,000
<b>ADMINISTRATION COST</b>		<b>23,500</b>		<b>24,500</b>

<b>01-00001-0-17100-10000-1110-030-1501</b>				
<b>ART &amp; MUSIC PROGRAM</b>				
ELEMENTARY MUSIC TEACHERS	10.0000	790,475	10.0000	775,777
EXTRA DUTY UNIT -EDU		12,009		12,009
OTHER HOURLY		700		700
*TEACHER SUBS		-		3,000
*MARIACHI LEADS & STAFF		-		8,580
SPECIAL SERVICES		600		600
BENEFITS		307,124		309,157
<b>ACCOMPANIST/MUSIC AIDES / SECONDARY</b>				
ADAMS	1.4375	79,185	2.0000	79,023
LINCOLN	1.3750	61,550	2.0000	66,882
SMASH (CHANGED TO OBJ-2917)		6,000		6,000
MALIBU	1.4375	80,462	2.8750	85,696
SAMOHI	1.5000	93,509	2.0000	83,219
*MARIACHI LEADS & STAFF		-		21,613
SECURITY O/T		-		-
<b>NON-PERSONNEL ELEMENTARY &amp; SECONDARY</b>				
SUPPLIES		13,200		13,200
*Instruments		-		7,966
*Textbooks		-		200
*Sheet Music		-		500
*Other Supplies		-		1,000
*Monos		-		500
MILEAGE		2,500		2,500
**REPAIR BY VENDOR		40,000		50,000
**DIRECT COST-PRINTING & SCHOOL BUS		1,000		4,200
**TRANSPORTATION		1,300		5,000
*RENTS & LEASES		-		800
**CONSULTANT		15,000		20,000
*Professional Development/Recruitment		-		4,000
OTHER OPERATING COSTS		300		500
<b>TOTAL BUDGET FOR MUSIC PROGRAM:</b>	<b>15.7500</b>	<b>1,504,915</b>	<b>18.8750</b>	<b>1,562,621</b>

**SANTA MONICA MALIBU UNIFIED SCHOOL DISTRICT**  
**2020-21 PROPOSED BUDGET**

6/11/2020

*New Expenditure **Increased Expenditure	2019-20 BUDGET		2020-21 PROPOSED BUDGET	
<b>REVENUE:</b>	12,160,249		12,568,316	
<b>EXPENDITURES:</b>	<b>FTE</b>	<b>AMOUNT</b>	<b>FTE</b>	<b>AMOUNT</b>
01-00001-0-19480-10000-2xxx-030-1501				
<b>PE PROGRAM</b>				
<b>ELEMENTARY</b>				
PHYSICAL ACTIVITY SPECIALIST	14.6250	524,425	13.8750	545,715
BENEFITS		240,885		230,799
TEACHER HOURLY & SUB	-	2,500	-	15,000
PAS- SUB		15,000		20,000
BENEFITS		5,665		10,189
PE SUPPLIES		1,200		1,200
<b>SECONDARY</b>				
ADAMS	0.8750	36,169	0.8750	37,607
LINCOLN	0.7500	33,118	0.7500	32,097
MALIBU	0.7500	42,749	0.7500	42,024
*6TH & 7TH ISPE STUDENT SUPPORT STAFF		-		29,777
*7TH ISPE SUPPLIES/MATERIALS/NON-CAP EQUIP		-		12,000
<b>TOTAL BUDGET FOR PE PROGRAM:</b>	<b>17.0000</b>	<b>901,711</b>	<b>16.2500</b>	<b>976,407</b>

01-00001-0-19530-24200-1210/2410/2910				
<b>LIBRARY PROGRAM</b>				
<b>ELEMENTARY</b>				
LIBRARY ASSISTANT	9.1250	356,257	7.3750	292,678
<b>SECONDARY</b>				
LIBRARIANS	4.5000	381,934	4.5000	395,628
LIBRARY ASSISTANT/TEXBOOK COORDINATOR	4.5000	170,471	4.5000	177,111
BENEFITS		433,982		372,575
*YOUNG ADULT LIBRARY ASSOCIATION CONFERENCE		-		7,500
MAINTENANCE AGREEMENT		-		-
OTHER OPERATING COST		-		-
PROQUEST INFORMATION & LEARNING		55,000		55,000
<b>TOTAL BUDGET FOR LIBRARY PROGRAM:</b>	<b>18.1250</b>	<b>1,397,644</b>	<b>16.3750</b>	<b>1,300,491</b>

01-000010-0-81000-54000-2910-046-1501				
<b>COMMUNITY SERVICES</b>				
MEDIA TECHNICIAN/BARNUM HALL	1.00	80,897	1.00	78,721
<b>TOTAL BUDGET FOR COMMUNITY SERVICES</b>				

**SANTA MONICA MALIBU UNIFIED SCHOOL DISTRICT**  
**2020-21 PROPOSED BUDGET**

6/11/2020

*New Expenditure **Increased Expenditure	2019-20 BUDGET		2020-21 PROPOSED BUDGET	
<b>REVENUE:</b>	12,160,249		12,568,316	
<b>EXPENDITURES:</b>	<b>FTE</b>	<b>AMOUNT</b>	<b>FTE</b>	<b>AMOUNT</b>
01-00001-0-19100-xxxxx-xxxx-xxx-xxxx <b>TECHNOLOGY</b>				
TECHNOLOGY SUPPORT ASSISTANT	14.0000	950,808	14.0000	951,000
NETWORK ENGINEER	2.0000	220,956	2.0000	225,924
SYSTEMS ANALYST	1.0000	84,432	1.0000	86,328
AV TECHNICIAN	1.0000	43,728	1.0000	51,756
TECHNICIAN- HOURLY & OT				3,000
BENEFITS		570,993		472,734
**SUPPLIES		5,000		10,000
**NON-CAPITAL EQUIPMENT		-		10,000
MILEAGE		1,000		500
**CONFERENCE		1,000		2,000
INTERFUND TRANSFER		-		-
MAINTENANCE AGREEMENT		525,000		700,000
INDEPENDENT CONTRACTOR FOR APPLE		75,000		-
REPAIR BY VENDOR		-		10,000
OTHER OPERATING COSTS		20,000		20,000
EQUIPMENT		-		-
<b>TOTAL BUDGET FOR TECHNOLOGY</b>	<b>18.0000</b>	<b>2,497,917</b>	<b>18.0000</b>	<b>2,543,242</b>
<b>TOTAL REVENUE FOR MEASURE "R":</b>		<b>12,160,249</b>		<b>12,568,316</b>
<b>TOTAL EXPENDITURE FOR MEASURE "R":</b>	<b>69.875</b>	<b>6,406,584</b>	<b>114.500</b>	<b>12,568,316</b>

**MEASURE “R”**

QUALITY EDUCATION FUNDING RENEWAL MEASURE

**SANTA MONICA-MALIBU UNIFIED  
SCHOOL DISTRICT**

AUDIT REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2019

**MEASURE “R” QUALITY EDUCATION FUNDING RENEWAL MEASURE  
SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
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June 30, 2019**

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MOSS, LEVY & HARTZHEIM LLP

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**INDEPENDENT AUDITOR'S REPORT  
ON MEASURE "R" SCHEDULE OF REVENUES AND EXPENDITURES**

Governing Board Members and  
Santa Monica-Malibu Unified School District  
Santa Monica, California

**Report on the Schedule of Revenues and Expenditures**

We have audited the accompanying Measure "R" Schedule of Revenues and Expenditures of Santa Monica-Malibu Unified School District for the fiscal year ended June 30, 2019 and June 30, 2018, and the related notes to the schedule specific to the Measure "R" Quality Education Funding Renewal Measure.

***Management's Responsibility for the Schedule of Revenues and Expenditures***

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

***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts in the schedule of revenues and expenditures. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule of revenues and expenditures, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the schedule of revenues and expenditures 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 entity's internal control.

***Auditor's Responsibility (continued)***

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the schedule of revenues and expenditures. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the schedule. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the schedule presents only the revenues and expenditures specific to the Santa Monica-Malibu Unified School District's Quality Education Funding Renewal Measure, as approved by the voters on February 5, 2008, and is not intended to present fairly the financial position and results of operations of the Santa Monica-Malibu Unified School District in conformity with generally accepted accounting principles.

***Opinion***

In our opinion, the schedule of revenues and expenditures referred to above present fairly, in all material respects, the respective financial information of Santa Monica-Malibu Unified School District's Quality Education Funding Renewal Measure "R" for the fiscal year ended June 30, 2019 and June 30, 2018 in accordance with accounting principles generally accepted in the United States of America.

*Moss, Levy & Hartzheim*

Moss, Levy & Hartzheim, LLP  
Culver City, California  
January 23, 2020

**MEASURE "R" QUALITY EDUCATION FUNDING RENEWAL MEASURE  
SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
Measure "R" Schedule of Revenues and Expenditures  
For the Fiscal Year Ended June 30, 2019 and 2018**

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	<u>2017-18 REPORTED</u>	<u>2018-19 BUDGET</u>	<u>2018-19 REPORTED</u>
<b>Revenues Collected</b>			
Measure "R" Taxes Collected by the County	\$ 11,920,265	\$ 12,205,124	\$ 12,359,440
<b>Reported Expenditures</b>			
Fine Art and Music Programs	1,420,598	1,532,694	1,510,820
Physical Education Programs	943,633	938,459	909,099
Library Programs	1,340,138	1,425,240	1,362,952
Community Services	77,476	76,918	81,576
Technology	2,463,030	2,587,870	2,569,139
Costs to Administer	<u>27,614</u>	<u>29,483</u>	<u>17,255</u>
Total Expenditures	<u>6,272,489</u>	<u>6,590,664</u>	<u>6,450,841</u>
Total Measure "R" Revenues Spent	<u>6,272,489</u>	<u>6,590,664</u>	<u>6,450,841</u>
Balance Used to Preserve Programs and Replace			
Funds Lost Due to Inadequate State Funding	\$ <u>5,647,776</u>	\$ <u>5,614,460</u>	\$ <u>5,908,599</u>

The accompanying notes are an integral part of this schedule.

**MEASURE "R" QUALITY EDUCATION FUNDING RENEWAL MEASURE  
SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
Notes to Financial Schedule  
June 30, 2019**

---

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

**A. Reporting Entity**

The accounting policies of the Santa Monica-Malibu Unified School District, (the "District") conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. The Santa Monica-Malibu Unified School District accounts for their financial transactions in accordance with the policies and procedures of the California School Accounting Manual.

**B. Financial Reporting Entity**

On February 5, 2008, the District voters passed the "Santa Monica-Malibu Unified School District Quality Education Funding Renewal Measure" (Measure "R") which replaced the previous parcel tax Measures "S" and Measure "R" results in a tax of \$410.49 per parcel, as of June 30, 2019, adjusted annually for inflation by the Consumer Price Index-All Urban Consumers with exemptions for parcels owned and occupied by persons age 65 or older. The revenues raised by Measure "R" shall be used to prevent deterioration in the quality of public education in Santa Monica and Malibu in the face of cuts in funding for public schools, and to promote continued student achievement in the core curriculum.

**C. Financial Presentation**

Measure "R" requires that an annual expenditure plan be developed to recommend expenditures of the tax proceeds that are consistent with the intent of the Measure. For financial presentation purposes, the District has reported the District's Annual Measure "R" Schedule of Revenues and Expenditures.

**D. Accounting Method**

Revenue is recorded under the modified accrual method of accounting. Revenue consists of the special secured tax levy that attaches as an enforceable lien on property as of January 1st. Taxes are payable in two installments on November 1st and February 1st. The property taxes are payable in one installment on or before August 31st. The Los Angeles County Treasury and collects the taxes for the District. The District recognizes tax revenues when received. Expenditures are recorded under the modified accrual basis of accounting.



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

Governing Board  
Santa Monica-Malibu Unified School District  
Santa Monica, California

We have performed the agreed-upon procedures enumerated in Exhibit A, which was agreed to by the Santa Monica-Malibu Unified School District for the purpose of determining compliance with the Santa Monica-Malibu Unified School District Quality Education Funding Renewal Measure "R", as approved by the voters February 5, 2008 for the fiscal year ended June 30, 2019. This engagement to perform Agreed-Upon Procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and the associated results, findings and recommendations are described in this report as Exhibits A & B, respectively.

This report is intended for the information and use of the Governing Board, and management of Santa Monica-Malibu Unified School District, and is not intended to be and should not be used by anyone other than these specified parties who have agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

*Moss, Levy & Hartzheim*

Moss, Levy & Hartzheim, LLP  
Culver City, California  
January 22, 2020

**MEASURE “R” QUALITY EDUCATION FUNDING RENEWAL MEASURE  
SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
Exhibit A – Agreed-Upon Procedures  
For the Fiscal Year Ended June 30, 2019**

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The Santa Monica-Malibu Unified School District requested that the following agreed-upon procedures be performed.

- A. Reconcile the Measure "R" Schedule of Revenues and Expenditures to the District's general ledger.
- B. Obtain an understanding of the internal controls over the recording of revenues collected by the County.
- C. Obtain an understanding of the internal controls over the recording of expenditures and observe support for the allocations report for Measure “R”.
- D. Review the compliance with the expenditure provisions/restrictions in the Santa Monica-Malibu Unified School District Quality Education Funding Renewal Measure.

**MEASURE "R" QUALITY EDUCATION FUNDING RENEWAL MEASURE  
SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
Exhibit B – Findings and Recommendations  
For the Fiscal Year Ended June 30, 2019**

---

The following results are based-upon, the performance of the agreed-upon procedures as discussed in Exhibit A.

**Agreed-Upon Procedure A:** Reconcile the Measure "R" Schedule of Revenues and Expenditures to the District's general ledger.

**Results:** For the year fiscal year ended June 30, 2019, revenues and expenditures reported by the Santa Monica-Malibu Unified School District for Measure "R" are included in the general ledger of the District.

**Agreed-Upon Procedure B:** Obtain an understanding of the internal controls over the recording of revenues collected by the County.

**Results:** For the year fiscal year ended June 30, 2019, there were no exceptions noted over revenues reported by the Santa Monica-Malibu Unified School District for Measure "R."

**Agreed-Upon Procedure C:** Obtain an understanding of the internal controls over the recording of expenditures and observe support for the allocations reported for Measure "R."

**Results:** For the year fiscal year ended June 30, 2019, there were no exceptions noted over expenditures reported by the Santa Monica-Malibu Unified School District for Measure "R."

**Agreed-Upon Procedure D:** Review the compliance with the expenditure provisions/restrictions in the Santa Monica-Malibu Unified School District Quality Education Funding Renewal Measure.

**Results:** We reviewed salary and benefits of fifteen (15) employees charged to Measure which included teachers' salaries and non-administrative classified salaries, as well as selected ten (10) non-payroll disbursements made during 2018-19. We evaluated the selected expenditures for Measure "R" allowability, adequacy of supporting documentation, and appropriate Standardized Account Code Structure (SACS) account coding. There were no exceptions noted in the testing.

**MEASURE “R” QUALITY EDUCATION FUNDING RENEWAL MEASURE  
SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
Exhibit C – Prior Year Findings and Recommendations  
For the Fiscal Year Ended June 30, 2019**

---

*There were no exceptions noted within the findings and recommendations for agreed-upon procedures performed over the Santa Monica-Malibu Unified School District’s Measure “R” for the year ended June 30, 2018.*