

**SANTA MONICA-MALIBU UNIFIED  
SCHOOL DISTRICT**

**AUDIT REPORT  
JUNE 30, 2014**

**San Diego**

**Los Angeles**

**San Francisco  
Bay Area**

**christywhite**  
A PROFESSIONAL  
ACCOUNTANCY CORPORATION *associates*

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
OF LOS ANGELES COUNTY**

**SANTA MONICA, CALIFORNIA**

**JUNE 30, 2014**

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The Santa Monica-Malibu Unified School District was established in 1875. The District's boundaries encompass all of the City of Santa Monica and part of Los Angeles County from the Ventura County line on the west: the Malibu area to approximately the top of the Santa Monica Mountains on the north. The boundaries exclude those portions of the north section that are included in the Las Virgenes Unified School District and those portions of Pacific Palisades that are included in the Los Angeles Unified School District. There was no change in the boundaries of the District during the current year. The District is currently operating ten elementary schools, two middle schools, two high schools, one continuation high school, one alternative school, one adult education center, and fifteen child care and development centers.

**GOVERNING BOARD**

<b>Member</b>	<b>Office</b>	<b>Term Expires</b>
Maria Leon Vazquez	President	December 2016
Ralph Mechur	Vice President	December 2014
Ben Allen	Member	December 2016
Oscar de la Torre	Member	December 2014
Jose Escarce	Member	December 2016
Laurie Lieberman	Member	December 2014
Nimish Patel	Member	December 2014

**DISTRICT ADMINISTRATORS**

Sandra Lyon  
*Superintendent*

Jan Maez  
*Associate Superintendent, Business & Fiscal Services*  
*Chief Financial Officer*

Debra Moore-Washington  
*Assistant Superintendent, Human Resources*

Dr. Terry Deloria  
*Assistant Superintendent, Educational Services*

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

Christy White, CPA

Michael Ash, CPA

Tanya M. Rogers, CPA, CFE

John Whitehouse, CPA

Heather Rubio

SAN DIEGO

LOS ANGELES

SAN FRANCISCO/BAY AREA

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*Licensed by the California  
State Board of Accountancy*

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, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the Santa Monica-Malibu Unified School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Santa Monica-Malibu Unified School 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 did not audit the financial statements of the Santa Monica-Malibu Education Foundation, which represent the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Santa Monica-Malibu Education Foundation, is based solely on the report of the other auditors. 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, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Santa Monica-Malibu Unified School District, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 4 through 11, the budgetary comparison information on page 54, and the schedule of funding progress on page 55 be presented to supplement the basic financial statements. Such information, although not 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 appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Santa Monica-Malibu Unified School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2014 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, and grant agreements and other matters. The purpose of that report is 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 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.

A handwritten signature in cursive script that reads "Christy White Associates".

San Diego, California  
December 15, 2014



# SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

## INTRODUCTION

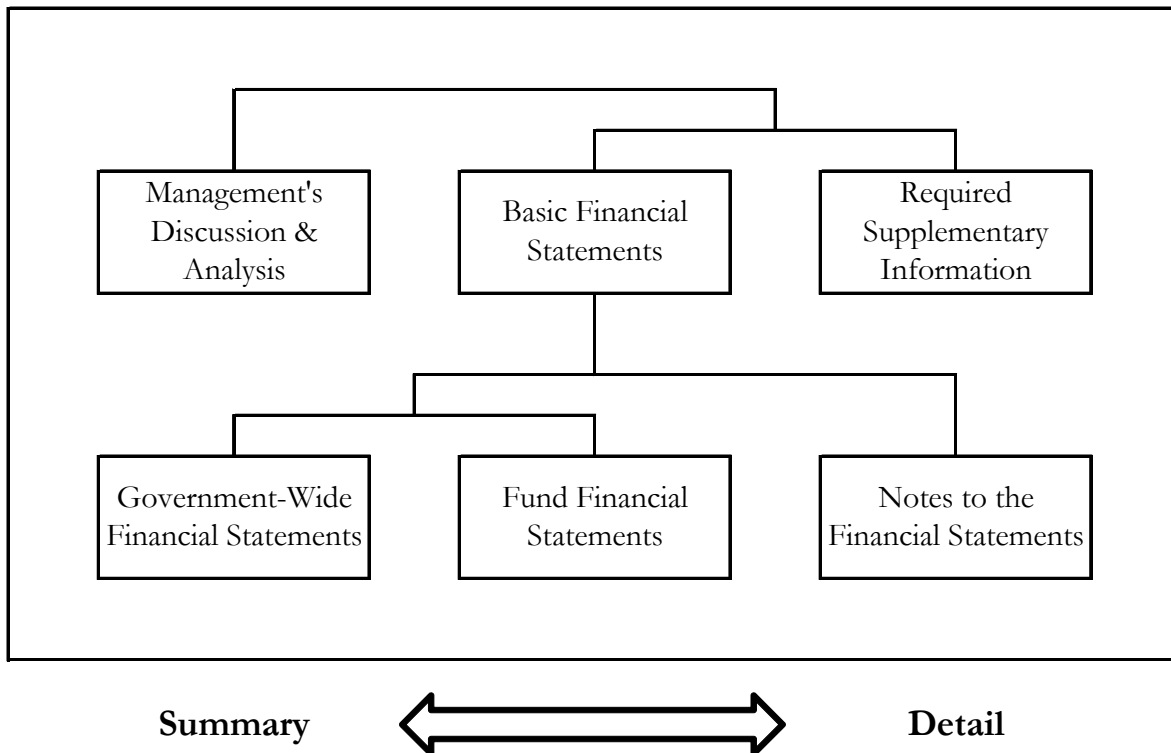
Our discussion and analysis of Santa Monica-Malibu Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2014. It should be read in conjunction with the District's financial statements, which follow this section.

## FINANCIAL HIGHLIGHTS

- ▶ Total net position for the primary government was \$136,577,912 at June 30, 2014. This was an increase of \$6,717,740 from the prior year.
- ▶ Overall revenues were \$173,460,909 which exceeded expenses of \$164,073,832.

## OVERVIEW OF FINANCIAL STATEMENTS

### Components of the Financials Section



**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2014**

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This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- ▶ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.
  
- ▶ **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
  - ▶ **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.
  - ▶ **Proprietary Funds** report services for which the District charges customers a fee. Like the government-wide statements, they provide both long- and short-term financial information.
  - ▶ **Fiduciary Funds** report balances for which the District is a custodian or *trustee* of the funds, such as Associated Student Bodies and pension funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required and other supplementary information that further explain and support the financial statements.

### **Government-Wide Statements**

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District include governmental activities. All of the District's basic services are included here, such as regular education, food service, maintenance and general administration. Revenue limit funding and federal and state grants finance most of these activities.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2014**

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**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE**

**Net Position**

The District's combined net position was \$136,577,912 at June 30, 2014, as reflected in Table A-1 below. Of this amount, \$7,858,308 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 that net position for day-to-day operations.

**Table A-1  
Santa Monica-Malibu Unified School District's Net Position**

	<b>Governmental Activities</b>		
	<b>2014</b>	<b>2013</b>	<b>Net Change</b>
<b>ASSETS</b>			
Current and other assets	\$ 178,449,058	\$ 216,813,988	\$ (38,364,930)
Capital assets	337,853,972	298,440,068	39,413,904
<b>Total Assets</b>	<b>516,303,030</b>	<b>515,254,056</b>	<b>1,048,974</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>6,944,447</b>	<b>7,309,944</b>	<b>(365,497)</b>
<b>LIABILITIES</b>			
Current liabilities	43,243,311	41,278,855	1,964,456
Long-term liabilities	343,426,254	344,115,029	(688,775)
<b>Total Liabilities</b>	<b>386,669,565</b>	<b>385,393,884</b>	<b>1,275,681</b>
<b>NET POSITION</b>			
Net investment in capital assets	87,311,739	89,726,329	(2,414,590)
Restricted	57,124,481	47,695,999	9,428,482
Unrestricted	(7,858,308)	(7,562,156)	(296,152)
<b>Total Net Position</b>	<b>\$ 136,577,912</b>	<b>\$ 129,860,172</b>	<b>\$ 6,717,740</b>

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2014**

**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)**

**Changes in Net Position**

The results of this year's operations for the District as a whole are reported in the Statement of Activities. Table A-2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly, so you can see our total revenues, expenses, and special items for the year.

**Table A-2  
Santa Monica-Malibu Unified School District's Changes in Net Position**

	<b>Governmental Activities</b>		
	<b>2014</b>	<b>2013</b>	<b>Net Change</b>
<b>REVENUES</b>			
Program revenues			
Charges for services	\$ 6,802,917	\$ 6,360,895	\$ 442,022
Operating grants and contributions	26,685,250	30,546,687	(3,861,437)
General revenues			
Property taxes	110,328,245	103,245,265	7,082,980
Unrestricted federal and state aid	9,050,356	13,430,119	(4,379,763)
Other	20,594,141	15,782,974	4,811,167
<b>Total Revenues</b>	<b>173,460,909</b>	<b>169,365,940</b>	<b>4,094,969</b>
<b>EXPENSES</b>			
Instruction	86,586,592	81,499,781	5,086,811
Instruction-related services	16,696,200	16,044,106	652,094
Pupil services	14,925,665	14,426,213	499,452
General administration	11,409,561	8,251,664	3,157,897
Plant services	16,649,696	14,627,067	2,022,629
Ancillary and community services	2,496,301	2,153,310	342,991
Debt service	15,582,377	15,103,673	478,704
Other Outgo	(272,560)	182,703	(455,263)
<b>Total Expenses</b>	<b>164,073,832</b>	<b>152,288,517</b>	<b>11,785,315</b>
Transfers & special items	-	-	-
<b>Change in net position</b>	<b>9,387,077</b>	<b>17,077,423</b>	<b>(7,690,346)</b>
<b>Net Position - Beginning, as Restated*</b>	<b>127,190,835</b>	<b>112,782,749</b>	<b>14,408,086</b>
<b>Net Position - Ending</b>	<b>\$ 136,577,912</b>	<b>\$ 129,860,172</b>	<b>\$ 6,717,740</b>

\* Restatement to Beginning Net Position relates to the 2014 year only

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2014**

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**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)**

**Changes in Net Position (continued)**

The total cost of all our governmental activities this year was \$164,073,832 and the net cost of activities was \$130,585,665 (refer to Table A-3). The amount that our taxpayers ultimately financed for these activities through taxes was only \$110,328,245 because the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions (\$26,685,250).

**Table A-3  
Santa Monica-Malibu Unified School District's Cost of Services**

	<b>Cost of Services</b>	
	<b>Total</b>	<b>Net</b>
Instruction	\$ 86,586,592	\$ 65,620,757
Instruction-related services	16,696,200	14,985,642
Pupil services	14,925,665	9,466,001
General administration	11,409,561	10,762,640
Plant services	16,649,696	15,948,352
Ancillary and community services	2,496,301	2,301,810
Debt service	15,582,377	15,582,377
Transfers to other agencies	(272,560)	(4,081,914)
<b>Total Expenses</b>	<b>\$ 164,073,832</b>	<b>\$ 130,585,665</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 year, its governmental funds reported a combined fund balance of \$145,011,760, which is less than last year's ending fund balance of \$186,008,707. The District's General Fund had \$797,677 less in operating revenues than expenditures for the year ended June 30, 2014. The District's Building Fund had \$47,315,345 less in operating revenues than expenditures due to significant increase in expenditures towards facilities acquisition and maintenance during the year ended June 30, 2014. Also for the year ended June 30, 2014, the District's Bond Interest & Redemption Fund had \$7,852,900 more in operating revenues than expenditures.

**CURRENT YEAR BUDGET 2013-14**

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a monthly basis to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District's financial projections and current budget based on State and local financial information

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2014**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2013-14 the District had invested \$337,853,972 in capital assets, net of accumulated depreciation.

**Table A-4  
Santa Monica-Malibu Unified School District's Capital Assets**

	Governmental Activities		
	2014	2013	Net Change
<b>CAPITAL ASSETS</b>			
Land	\$ 10,128,802	\$ 10,128,802	\$ -
Construction in progress	181,044,206	153,790,180	27,254,026
Land improvements	16,812,343	14,590,080	2,222,263
Buildings & improvements	210,244,214	201,349,541	8,894,673
Furniture & equipment	20,107,255	12,683,990	7,423,265
Accumulated depreciation	(100,482,848)	(94,102,525)	(6,380,323)
<b>Total Capital Assets</b>	<b>\$ 337,853,972</b>	<b>\$ 298,440,068</b>	<b>\$ 39,413,904</b>

**Long-Term Liabilities**

At year-end, the District had \$343,426,254 in long-term liabilities, a decrease of 4% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

**Table A-5  
Santa Monica-Malibu Unified School District's Long-Term Liabilities**

	Governmental Activities		
	2014	2013	Net Change
<b>LONG-TERM LIABILITIES</b>			
Total general obligation bonds	\$ 327,589,226	\$ 330,739,522	\$ (3,150,296)
Total certificates of participation	16,902,731	17,608,338	(705,607)
Capital leases	92,802	117,155	(24,353)
Compensated absences	916,886	887,502	29,384
Net OPEB obligation	8,786,641	7,193,811	1,592,830
Less: current portion of long-term debt	(10,862,032)	(12,431,299)	1,569,267
<b>Total Long-term Liabilities</b>	<b>\$ 343,426,254</b>	<b>\$ 344,115,029</b>	<b>\$ (688,775)</b>

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2014**

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health.

Landmark legislation passed in Year 2013 reformed California school district finance by creating the new Local Control Funding Formula (LCFF). The District continues to analyze the impact of the LCFF on funding for our program offerings and services. The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low income brackets, those that are English language learners and foster youth. The State anticipates all school districts to reach the statewide targeted base funding levels by 2020-21, but the annual amount funded to meet the target is uncertain.

Factors related to LCFF that the District is monitoring include: (1) estimates of funding in the next budget year and beyond; (2) the Local Control and Accountability Plan (LCAP) that aims to link student accountability measurements to funding allocations; (3) ensuring the integrity of reporting student data through the California Longitudinal Pupil Achievement Data System (CALPADs); and, (4) meeting new compliance and audit requirements.

The State's economy is expected to grow at a modest rate of about 3% annually over the next two years, according to the UCLA Anderson Economic Forecast for September 2014. In the California forecast, Senior Economist Jerry Nickelsburg writes, "The California economy is moving forward in an expansion from the depths of the Great Recession. But, even though the number of jobs is now higher than any time in the past, the state remains below its potential in output and employment. That we are entering the sixth year of expansion illustrates just how painfully plodding this recovery process has been." The ability of the State to fund the LCFF and other programs is largely dependent on the strength of the State's economy and remains uncertain.

GASB 68, *Accounting and Financial Reporting for Pensions*, will be effective in the following fiscal year, 2014-15. The new standard requires the reporting of annual pension cost using an actuarially determined method and a net pension liability is expected to result. The District participates in state employee pensions plans, PERS and STRS, and both are underfunded. The District's proportionate share of the liability will be reported in the Statement of Net Position as of June 30, 2015. The amount of the liability is unknown at this time but is anticipated to be material to the financial position of the District. To address the underfunding issues, the pension plans intend to raise employer rates in future years and the increased costs could be significant.

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, inter-district transfers in or out, economic conditions and housing values. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

All of these factors were considered in preparing the District's budget for the 2014-15 fiscal year.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2014**

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**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, 2014**

	<b>Primary Government</b>		<b>June 30, 2013</b>	
	<b>Governmental</b>		<b>Discretely Presented</b>	
	<b>Activities</b>		<b>Component Unit</b>	
<b>ASSETS</b>				
Cash and cash equivalents	\$	164,382,244	\$	237,312
Investments		-		8,805,781
Accounts receivable		11,436,222		44,120
Inventory		33,679		-
Prepaid expenses		72,311		25,086
Other current assets		2,524,602		-
Capital assets, not depreciated		191,173,008		-
Capital assets, net of accumulated depreciation		146,680,964		14,975
<b>Total Assets</b>		<b>516,303,030</b>		<b>9,127,274</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred amount on refunding		6,944,447		-
<b>LIABILITIES</b>				
Accrued liabilities		31,312,574		925,116
Unearned revenue		1,068,705		-
Long-term liabilities, current portion		10,862,032		-
Long-term liabilities, non-current portion		343,426,254		-
<b>Total Liabilities</b>		<b>386,669,565</b>		<b>925,116</b>
<b>NET POSITION</b>				
Net investment in capital assets		87,311,739		-
Restricted:				
Capital projects		17,782,456		-
Debt service		33,773,115		-
Educational programs		5,502,053		5,283,262
All other programs		66,857		-
Unrestricted		(7,858,308)		2,147,982
<b>Total Net Position</b>	<b>\$</b>	<b>136,577,912</b>	<b>\$</b>	<b>8,202,158</b>

The accompanying notes are an integral part of these financial statements.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

Function/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position	June 30, 2013
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Discretely Presented Component Unit
<b>GOVERNMENTAL ACTIVITIES</b>					
Instruction	\$ 86,586,592	\$ 3,355,237	\$ 17,610,598	\$ (65,620,757)	
Instruction-related services					
Instructional supervision and administration	4,970,277	90,536	906,910	(3,972,831)	
Instructional library, media, and technology	1,389,395	404	95,137	(1,293,854)	
School site administration	10,336,528	159,630	457,941	(9,718,957)	
Pupil services					
Home-to-school transportation	2,022,394	7	14	(2,022,373)	
Food services	3,523,389	1,516,944	1,653,062	(353,383)	
All other pupil services	9,379,882	2,359	2,287,278	(7,090,245)	
General administration					
Centralized data processing	907,583	-	-	(907,583)	
All other general administration	10,501,978	146,961	499,960	(9,855,057)	
Plant services	16,649,696	142,333	559,011	(15,948,352)	
Ancillary services	865,724	13,714	25,831	(826,179)	
Community services	1,630,577	53,734	101,212	(1,475,631)	
Interest on long-term debt	15,582,377	-	-	(15,582,377)	
Other Outgo	(272,560)	1,321,058	2,488,296	4,081,914	
<b>Total Governmental Activities</b>	<b>\$ 164,073,832</b>	<b>\$ 6,802,917</b>	<b>\$ 26,685,250</b>	<b>(130,585,665)</b>	
<b>DISCRETELY PRESENTED COMPONENT UNIT</b>					
Santa Monica-Malibu Education Foundation	\$ 1,754,613	\$ -	\$ 6,488,512		\$ 4,733,899
<b>Total</b>	<b>\$ 1,754,613</b>	<b>\$ -</b>	<b>\$ 6,488,512</b>		<b>4,733,899</b>
General revenues					
Taxes and subventions					
				65,814,146	-
				31,024,112	-
				13,489,987	-
				9,050,356	-
				169,562	111,773
				20,424,579	-
				<b>139,972,742</b>	<b>111,773</b>
<b>Subtotal, General Revenue</b>					
<b>CHANGE IN NET POSITION</b>				<b>9,387,077</b>	<b>4,845,672</b>
<b>Net Position - Beginning, as Restated</b>				<b>127,190,835</b>	<b>3,356,486</b>
<b>Net Position - Ending</b>				<b>\$ 136,577,912</b>	<b>\$ 8,202,158</b>

The accompanying notes are an integral part of these financial statements.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2014**

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 36,874,095	\$ 71,434,162	\$ 33,773,115	\$ 19,014,726	\$ 161,096,098
Accounts receivable	10,153,884	284,310	-	991,765	11,429,959
Stores inventory	14,570	-	-	19,109	33,679
Prepaid expenditures	72,311	-	-	-	72,311
Other current assets	2,524,602	-	-	-	2,524,602
<b>Total Assets</b>	<b>\$ 49,639,462</b>	<b>\$ 71,718,472</b>	<b>\$ 33,773,115</b>	<b>\$ 20,025,600</b>	<b>\$ 175,156,649</b>
<b>LIABILITIES</b>					
Accrued liabilities	\$ 21,418,119	\$ 6,070,670	\$ -	\$ 1,587,395	\$ 29,076,184
Unearned revenue	943,928	-	-	124,777	1,068,705
<b>Total Liabilities</b>	<b>22,362,047</b>	<b>6,070,670</b>	<b>-</b>	<b>1,712,172</b>	<b>30,144,889</b>
<b>FUND BALANCES</b>					
Nonspendable	106,881	-	-	19,109	125,990
Restricted	5,502,053	65,647,802	33,773,115	17,849,313	122,772,283
Committed	-	-	-	438,725	438,725
Assigned	6,182,613	-	-	6,281	6,188,894
Unassigned	15,485,868	-	-	-	15,485,868
<b>Total Fund Balances</b>	<b>27,277,415</b>	<b>65,647,802</b>	<b>33,773,115</b>	<b>18,313,428</b>	<b>145,011,760</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 49,639,462</b>	<b>\$ 71,718,472</b>	<b>\$ 33,773,115</b>	<b>\$ 20,025,600</b>	<b>\$ 175,156,649</b>

The accompanying notes are an integral part of these financial statements.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT  
OF NET POSITION  
JUNE 30, 2014**

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**Total Fund Balance - Governmental Funds** \$ 145,011,760

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets:

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:

Capital assets	\$ 438,336,820	
Accumulated depreciation	<u>(100,482,848)</u>	337,853,972

Deferred amount on refunding:

In governmental funds, the net effect of refunding bonds is recognized when debt is issued, whereas this amount is deferred and amortized in the government-wide financial statements:

6,944,447

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmaturing interest owing at the end of the period was:

(2,236,390)

Long-term liabilities:

In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Total general obligation bonds	\$ 327,589,226	
Total certificates of participation	16,902,731	
Capital leases	92,802	
Compensated absences	<u>916,886</u>	(345,501,645)

Internal service funds:

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds is:

(5,494,232)

**Total Net Position - Governmental Activities** \$ 136,577,912

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2014**

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
LCFF sources	\$ 69,622,777	\$ -	\$ -	\$ 262,628	\$ 69,885,405
Federal sources	4,336,823	-	2,254,908	2,833,613	9,425,344
Other state sources	7,844,697	-	153,512	2,993,990	10,992,199
Other local sources	43,171,067	1,044,250	31,063,810	7,866,140	83,145,267
<b>Total Revenues</b>	<b>124,975,364</b>	<b>1,044,250</b>	<b>33,472,230</b>	<b>13,956,371</b>	<b>173,448,215</b>
<b>EXPENDITURES</b>					
Current					
Instruction	77,229,692	-	-	5,669,484	82,899,176
Instruction-related services					
Instructional supervision and administration	4,353,524	-	-	413,251	4,766,775
Instructional library, media, and technology	1,340,311	-	-	-	1,340,311
School site administration	9,165,051	-	-	803,125	9,968,176
Pupil services					
Home-to-school transportation	1,953,176	-	-	-	1,953,176
Food services	23,765	-	-	3,373,939	3,397,704
All other pupil services	8,928,933	-	-	116,518	9,045,451
General administration					
Centralized data processing	882,031	-	-	-	882,031
All other general administration	6,838,018	-	-	480,003	7,318,021
Plant services	12,617,154	213	-	2,149,950	14,767,317
Facilities acquisition and maintenance	-	48,359,382	-	222,825	48,582,207
Ancillary services	835,991	-	-	-	835,991
Community services	1,580,805	-	-	-	1,580,805
Enterprise activities	-	-	-	-	-
Transfers to other agencies	-	-	-	-	-
Debt service					
Principal	24,353	-	11,044,386	1,090,000	12,158,739
Interest and other	237	-	14,574,944	374,101	14,949,282
<b>Total Expenditures</b>	<b>125,773,041</b>	<b>48,359,595</b>	<b>25,619,330</b>	<b>14,693,196</b>	<b>214,445,162</b>
<b>Excess (Deficiency) of Revenues</b>					
<b>Over Expenditures</b>	<b>(797,677)</b>	<b>(47,315,345)</b>	<b>7,852,900</b>	<b>(736,825)</b>	<b>(40,996,947)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	-	-	307,452	307,452
Transfers out	(307,452)	-	-	-	(307,452)
<b>Net Financing Sources (Uses)</b>	<b>(307,452)</b>	<b>-</b>	<b>-</b>	<b>307,452</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(1,105,129)</b>	<b>(47,315,345)</b>	<b>7,852,900</b>	<b>(429,373)</b>	<b>(40,996,947)</b>
<b>Fund Balance - Beginning</b>	<b>28,382,544</b>	<b>112,963,147</b>	<b>25,920,215</b>	<b>18,742,801</b>	<b>186,008,707</b>
<b>Fund Balance - Ending</b>	<b>\$ 27,277,415</b>	<b>\$ 65,647,802</b>	<b>\$ 33,773,115</b>	<b>\$ 18,313,428</b>	<b>\$ 145,011,760</b>

The accompanying notes are an integral part of these financial statements.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

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**Net Change in Fund Balances - Governmental Funds** \$ (40,996,947)

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay:

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay:	\$ 48,704,588	
Depreciation expense:	<u>(6,380,323)</u>	42,324,265

Debt service:

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

13,824,353

Deferred amounts on refunding:

In governmental funds, deferred amounts on refundings are recognized in the period they are incurred. In the government-wide statements, the deferred amounts on refundings are amortized over the life of the debt. The net effect of the deferred amounts on refundings during the period was:

(365,497)

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:

973,501

Accreted interest on long-term debt:

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period.

(3,272,210)

Compensated absences:

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was:

(29,384)

The accompanying notes are an integral part of these financial statements.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF  
ACTIVITIES, continued  
FOR THE YEAR ENDED JUNE 30, 2014**

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Cost write-off for canceled capital projects:

If a planned capital project is canceled and will not be completed, costs previously capitalized as Work-in-progress must be written off to expense. Costs written off for canceled projects were: (2,910,361)

Amortization of debt issuance premium or discount:

In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is: 638,057

Internal Service Funds:

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was: (798,700)

**Change in Net Position of Governmental Activities**

\$ 9,387,077

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2014

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	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 3,286,146
Accounts receivable	6,263
Total current assets	<u>3,292,409</u>
<b>Total Assets</b>	<u>3,292,409</u>
 <b>LIABILITIES</b>	
Non-current liabilities	<u>8,786,641</u>
<b>Total Liabilities</b>	<u>8,786,641</u>
 <b>NET POSITION</b>	
Unrestricted	<u>(5,494,232)</u>
<b>Total Net Position</b>	<u>\$ (5,494,232)</u>

The accompanying notes are an integral part of these financial statements.



**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2014**

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	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b>OPERATING REVENUE</b>	
Charges for services	\$ 1,770,575
Other local revenues	34,423
<b>Total operating revenues</b>	<b>1,804,998</b>
 <b>OPERATING EXPENSE</b>	
Professional services	2,616,392
<b>Total operating expenses</b>	<b>2,616,392</b>
<b>Operating income/(loss)</b>	<b>(811,394)</b>
 <b>NON-OPERATING REVENUES/(EXPENSES)</b>	
Interest income	12,694
<b>Total non-operating revenues/(expenses)</b>	<b>12,694</b>
 <b>CHANGE IN NET POSITION</b>	<b>(798,700)</b>
Net Position - Beginning	(4,695,532)
<b>Net Position - Ending</b>	<b>\$ (5,494,232)</b>

The accompanying notes are an integral part of these financial statements.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2014**

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	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
<b>Cash flows from operating activities</b>	
Cash received (paid) from assessments made to (from) other funds	\$ 1,800,842
Cash payments for payroll, insurance, and operating costs	(1,023,562)
Net cash provided by (used for) operating activities	<u>777,280</u>
<b>Cash flows from investing activities</b>	
Interest received	12,694
Net cash provided by (used for) investing activities	<u>12,694</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>789,974</u>
 <b>CASH AND CASH EQUIVALENTS</b>	
Beginning of year	2,496,172
End of year	<u>\$ 3,286,146</u>
 <b>Reconciliation of operating income (loss) to cash provided by (used for) operating activities</b>	
Operating income (loss)	\$ (811,394)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(4,156)
Increase (decrease) in non-current liabilities	1,592,830
<b>Net cash provided by (used for) operating activities</b>	<u>\$ 777,280</u>

The accompanying notes are an integral part of these financial statements.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
 FIDUCIARY FUNDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2014

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	<u>Agency Funds</u>	
	<u>Warrant/Pass- through Fund</u>	<u>Student Body Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 344,621
Stores inventory	-	19,743
Prepaid expenses	409,575	3,548
<b>Total Assets</b>	<u>\$ 409,575</u>	<u>\$ 367,912</u>
<b>LIABILITIES</b>		
Deficit cash	\$ 409,575	\$ -
Accrued liabilities	-	53,501
Due to student groups	-	314,411
<b>Total Liabilities</b>	<u>\$ 409,575</u>	<u>\$ 367,912</u>

The accompanying notes are an integral part of these financial statements.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

The Santa Monica-Malibu Unified School 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 K – 12 as mandated by the State and/or Federal agencies. The District operates ten elementary schools, two middle schools, two high schools, one continuation high school, one alternative school, one adult education center, and fifteen child care and development centers.

The District operates under a locally elected Board form of government and provides educational services to grades K-12 as mandated by the state. 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 and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

**B. 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. The District has the following discretely presented component unit:

The Santa Monica-Malibu Education Foundation (Foundation) is a legally separate, tax-exempt component unit of the District. The Foundation was established in 1982 in response to devastating federal and state education budget cuts. The Foundation was founded by a dedicated group of parents, community leaders, and local business owners to enhance and supplement the curriculum of the District. The Foundation is run by a fourteen-member Board of Directors. 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 the activities of the District by the donors. Because these restricted resources held by the Foundation can be used only by, or for the benefit of, the District, the Foundation is considered a component unit of the District and is discretely presented in the District's financial statements.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2014

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation

**Government-Wide Statements.** The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for 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 of 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.

**Fund Financial Statements.** The fund financial statements provide information about the District's funds, including its proprietary and fiduciary funds. Separate statements for each fund category – governmental, proprietary and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the District, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting.

Fiduciary funds are used to account for assets held by the District in a trustee or agency capacity for others that cannot be used to support the District's own programs.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2014

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

C. Basis of Presentation (*continued*)

Major Governmental Funds

**General Fund:** The General Fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of the District's activities are reported in the General Fund unless there is a compelling reason to account for an activity in another fund. A District may have only one General Fund.

**Building Fund:** This 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. Other authorized revenues to the Building Fund are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code Section 17462*) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code Section 41003*).

**Bond Interest and Redemption Fund:** This fund is used for the repayment of bonds issued for the District (*Education Code Sections 15125–15262*). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund of the District. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund of the District. The county auditor maintains control over the District's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

Non-Major Governmental Funds

**Special Revenue Funds:** Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District maintains the following special revenue funds:

**Adult Education Fund:** This fund is used to account separately for federal, state, and local revenues for adult education programs. Money in this fund shall be expended for adult education purposes only. Moneys received for programs other than adult education shall not be expended for adult education (*Education Code Sections 52616[b] and 52501.5[a]*).

**Child Development Fund:** This fund is used to account separately for federal, state, and local revenues to operate child development programs. All moneys received by the District for, or from the operation of, child development services covered under the Child Care and Development Services Act (*Education Code Section 8200 et seq.*) shall be deposited into this fund. The moneys may be used only for expenditures for the operation of child development programs. The costs incurred in the maintenance and operation of child development services shall be paid from this fund, with accounting to reflect specific funding sources (*Education Code Section 8328*).

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2014

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

**Special Revenue Funds (continued)**

**Cafeteria Special Revenue Fund:** This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code Sections 38090–38093*). The Cafeteria Special Revenue Fund shall be 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:** This fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes (*Education Code Sections 17582–17587*). In addition, whenever the state funds provided pursuant to *Education Code Sections 17584 and 17585* (apportionments from the State Allocation Board) are insufficient to fully match the local funds deposited in this fund, the governing board of a school district may transfer the excess local funds deposited in this fund to any other expenditure classifications in other funds of the District (*Education Code Sections 17582 and 17583*).

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

**Capital Facilities Fund:** This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code Sections 17620–17626*). The authority for these levies may be county/city ordinances (*Government Code Sections 65970–65981*) or private agreements between the District and the developer. Interest earned in the Capital Facilities Fund is restricted to that fund (*Government Code Section 66006*).

**Special Reserve Fund for Capital Outlay Projects:** This fund exists primarily to provide for the accumulation of General Fund moneys for capital outlay purposes (*Education Code Section 42840*).

**Proprietary Funds**

**Internal Service Funds:** Internal service funds are created principally to render services to other organizational units of the District on a cost-reimbursement basis. These funds are designed to be self-supporting with the intent of full recovery of costs, including some measure of the cost of capital assets, through user fees and charges.

**Self-Insurance Fund:** Self-insurance funds are used to separate moneys received for self-insurance activities from other operating funds of the District. Separate funds may be established for each type of self-insurance activity, such as workers' compensation, health and welfare, and deductible property loss (*Education Code Section 17566*).

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2014

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

C. Basis of Presentation (*continued*)

Fiduciary Funds

**Trust and Agency Funds:** Trust and agency funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the District's own programs. 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.

**Warrant/Pass-Through Fund:** The Warrant/Pass-Through Fund is an agency fund that exists primarily to account separately for amounts collected from employees for federal taxes, state taxes, transfers to credit unions, and other contributions. It is also used to account for those receipts for transfer to agencies which the LEA is acting simply as a "cash conduit."

**Student Body Fund:** The Student Body Fund is an agency fund and, therefore, consists only of accounts such as cash and balancing liability accounts, such as due to student groups. The student body itself maintains its own general fund, which accounts for the transactions of that entity in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (*Education Code Sections 48930–48938*).

D. Basis of Accounting – Measurement Focus

**Government-Wide, Proprietary, and Fiduciary Financial Statements**

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net position should be reported as restricted when constraints placed on its use 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 results from special revenue funds and the restrictions on their use.

Proprietary funds distinguish operating revenues and expenses from non operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges to other funds for self insurance costs. Operating expenses for internal service funds include the costs of insurance premiums and claims related to self-insurance.



SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2014

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

D. Basis of Accounting – Measurement Focus (*continued*)

**Governmental Funds**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified accrual basis of accounting.

**Revenues – Exchange and Non-Exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under 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 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. Generally, "available" means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursements grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**Unearned Revenue**

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Certain grants received that have not met eligibility requirements are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2014

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

D. Basis of Accounting – Measurement Focus (*continued*)

**Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position

**Cash and Cash Equivalents**

The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash held in the county treasury is recorded at cost, which approximates fair value.

**Investments**

Investments with original maturities greater than one year 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 and State investment pools are determined by the program sponsor.

**Inventories**

Inventories are valued at average cost. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

**Capital Assets**

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined in GASB Statement No. 34. 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. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2014

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

**Capital Assets, continued**

Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	25 – 50 years
Furniture and Equipment	5 – 15 years
Vehicles	8 years

**Interfund Balances**

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

**Compensated Absences**

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. 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 resource. These amounts are recorded in the fund from which the employees who have accumulated leave are paid.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken because such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations 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 obligations of the funds.

**Premiums and Discounts**

In the government-wide and proprietary fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2014

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (*continued*)

**Deferred Outflows/Deferred Inflows of Resources**

In addition to assets, the District will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the District will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

**Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

*Restricted* - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

*Committed* - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2014

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

**E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (*continued*)**

*Assigned* - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

*Unassigned* - In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**F. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses 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 and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities columns of the statement of activities.

**G. 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.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2014

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

**H. Budgetary Data**

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. 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. For purposes of the budget, on-behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

**I. 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 Auditor-Controller bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

**J. New Accounting Pronouncements**

**GASB Statement No. 61** – In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statement No.14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity and modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement is effective for periods beginning after June 15, 2012. The District has implemented GASB Statement No. 61 for the year ended June 30, 2013.

**GASB Statement No. 65** – In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Statement is effective for periods beginning after December 15, 2012. The District has implemented GASB Statement No. 65 for the year ended June 30, 2014.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2014

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

J. New Accounting Pronouncements (*continued*)

**GASB Statement No. 68** – In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Statement is effective for periods beginning after June 15, 2014. The District has not yet determined the impact on the financial statements.

**GASB Statement No. 71** – In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This standard seeks to clarify certain implementation issues related to amounts that are deferred and amortized at the time GASB 68 is first adopted. It applies to situations in which the measurement date of an actuarial valuation differs from the government's fiscal year. The Statement is effective for periods beginning after June 15, 2014. The District has not yet determined the impact on the financial statements

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2014

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NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Funds	Internal Service Funds	Total Governmental Activities	Fiduciary Funds
Cash in county	\$ 159,531,571	\$ 3,286,146	\$ 162,817,717	\$ -
Cash on hand and in banks	1,544,527	-	1,544,527	344,621
Cash in revolving fund	20,000	-	20,000	-
<b>Total</b>	<b>\$ 161,096,098</b>	<b>\$ 3,286,146</b>	<b>\$ 164,382,244</b>	<b>\$ 344,621</b>

B. 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; collateralized mortgage obligations; and the County Investment Pool.

**Investment in County Treasury** – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section 41001*. The Los Angeles County Treasurer’s pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County’s investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District’s investment in the pool is 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.



SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, *continued*  
 JUNE 30, 2014

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NOTE 2 – CASH AND INVESTMENTS (*continued*)

C. General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

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

D. 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 Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$162,817,717 and an amortized book value of \$162,103,380. The average weighted maturity for this pool is 741 days.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2014

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NOTE 2 – CASH AND INVESTMENTS (continued)

E. 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 investments in the County Treasury are not required to be rated. As of June 30, 2014, the pooled investments in the County Treasury were not rated.

F. 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. 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 agencies. 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, 2014, the District's bank balance was not exposed to custodial credit risk.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2014 consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Funds	Total Governmental Activities
Federal Government					
Categorical aid	\$ 2,713,959	\$ -	\$ 267,745	\$ -	\$ 2,981,704
State Government					
Apportionment	2,732,654	-	-	-	2,732,654
Categorical aid	1,984,011	-	116,271	-	2,100,282
Lottery	505,920	-	-	-	505,920
Local Government					
Other local sources	2,217,340	284,310	607,749	6,263	3,115,662
<b>Total</b>	\$ 10,153,884	\$ 284,310	\$ 991,765	\$ 6,263	\$ 11,436,222

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2014**

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 10,128,802	\$ -	\$ -	\$ 10,128,802
Construction in progress	153,790,180	48,211,219	20,957,193	181,044,206
Total Capital Assets not Being Depreciated	163,918,982	48,211,219	20,957,193	191,173,008
Capital assets being depreciated				
Land improvements	14,590,080	2,222,263	-	16,812,343
Buildings & improvements	201,349,541	8,894,673	-	210,244,214
Furniture & equipment	12,683,990	7,423,265	-	20,107,255
Total Capital Assets Being Depreciated	228,623,611	18,540,201	-	247,163,812
Less Accumulated Depreciation				
Land improvements	10,944,467	397,994	-	11,342,461
Buildings & improvements	72,500,239	4,849,366	-	77,349,605
Furniture & equipment	10,657,819	1,132,963	-	11,790,782
Total Accumulated Depreciation	94,102,525	6,380,323	-	100,482,848
<b>Governmental Activities</b>				
<b>Capital Assets, net</b>	<b>\$ 298,440,068</b>	<b>\$ 60,371,097</b>	<b>\$ 20,957,193</b>	<b>\$ 337,853,972</b>

Total depreciation expense of \$6,380,323 is allocated by function as follows:

Instruction	\$ 3,279,437
Instruction-related services	
Instructional supervision and administration	177,229
Instructional library, media, and technology	38,339
School site administration	317,269
Pupil services	
Home-to-school transportation	58,425
Food services	112,654
All other pupil services	279,488
General administration	
Centralized data processing	22,387
All other general administration	214,824
Plant services	1,815,941
Ancillary services	25,319
Community services	39,011
<b>Total</b>	<b>\$ 6,380,323</b>

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2014

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NOTE 5 – INTERFUND TRANSACTIONS

Operating Transfers

Interfund transfers for the year ended June 30, 2014 consisted of \$307,452 transferred from the General Fund to the Child Development Fund to cover deficit spending.

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2014 consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	District-Wide	Total Governmental Activities	Total Fiduciary
Payroll	\$ 12,026,942	\$ 41,652	\$ 613,305	\$ -	\$ 12,681,899	\$ -
Construction	-	6,029,018	869,600	-	6,898,618	-
Vendors payable	2,343,134	-	104,424	-	2,447,558	53,501
Unmatured interest	-	-	-	2,236,390	2,236,390	-
Apportionment overpayment	7,042,374	-	-	-	7,042,374	-
State sales and use tax	5,669	-	66	-	5,735	-
<b>Total</b>	<b>\$ 21,418,119</b>	<b>\$ 6,070,670</b>	<b>\$ 1,587,395</b>	<b>\$ 2,236,390</b>	<b>\$ 31,312,574</b>	<b>\$ 53,501</b>

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2014, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal sources	\$ 96,052	\$ -	\$ 96,052
Local sources	847,876	124,777	972,653
<b>Total</b>	<b>\$ 943,928</b>	<b>\$ 124,777</b>	<b>\$ 1,068,705</b>

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2014**

**NOTE 8 – LONG-TERM DEBT**

A schedule of changes in long-term debt for the year ended June 30, 2014 consisted of the following:

	Balance			Balance	Balance Due
	July 1, 2013	Additions	Deductions	June 30, 2014	In One Year
<b>Governmental Activities</b>					
General obligation bonds	\$ 325,249,149	\$ 2,842,609	\$ 12,710,000	\$ 315,381,758	\$ 10,244,593
Unamortized premium	12,800,317	-	592,849	12,207,468	592,849
Deferred amount on refunding	(7,309,944)	-	(7,309,944)	-	-
Total general obligation bonds	330,739,522	2,842,609	5,992,905	327,589,226	10,837,442
Certificates of participation	17,133,654	429,601	1,090,000	16,473,255	-
Unamortized premium	474,684	-	45,208	429,476	-
Total certificates of participation	17,608,338	429,601	1,135,208	16,902,731	-
Capital leases	117,155	-	24,353	92,802	24,590
Compensated absences	887,502	29,384	-	916,886	-
Net OPEB obligation	7,193,811	2,616,392	1,023,562	8,786,641	-
<b>Total</b>	<b>\$ 356,546,328</b>	<b>\$ 5,917,986</b>	<b>\$ 8,176,028</b>	<b>\$ 354,288,286</b>	<b>\$ 10,862,032</b>

**A. Bonded Debt**

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
					Outstanding July 1, 2013	Additions	Deductions	Outstanding June 30, 2014
1998 Refunding Bonds	6/18/1998	8/1/2028	3.75% - 5.25%	\$ 68,145,000	\$ 26,655,000	\$ -	\$ 4,105,000	\$ 22,550,000
Election 1998, Series 1999	5/26/1999	8/1/2023	3.20% - 5.38%	38,000,034	43,758,822	2,253,241	3,230,000	42,782,063
2006 Refunding Bonds	2/23/2006	8/1/2025	3.50% - 4.15%	3,285,000	2,915,000	-	185,000	2,730,000
Election 2006, Series A	10/2/2007	8/1/2032	4.00% - 5.50%	60,000,000	3,325,000	-	435,000	2,890,000
Election 2006, Series B	7/23/2009	8/1/2019	1.50% - 5.00%	11,875,000	7,710,000	-	645,000	7,065,000
Election 2006, Series B-1	7/23/2009	8/1/2034	5.65% - 7.56%	48,125,000	48,125,000	-	-	48,125,000
Election 2006, Series C	7/14/2010	7/1/2023	3.00% - 5.00%	10,690,000	10,030,000	-	355,000	9,675,000
Election 2006, Series C-1	7/14/2010	7/1/2035	5.80% - 6.63%	54,310,000	54,310,000	-	-	54,310,000
2013 Refunding Bonds	1/8/2013	8/1/2032	2.00% - 5.00%	45,425,000	45,425,000	-	210,000	45,215,000
Election 2006, Series D	3/19/2013	7/1/2037	0.17% - 5.00%	82,995,327	82,995,327	589,368	3,545,000	80,039,695
					<b>\$ 325,249,149</b>	<b>\$ 2,842,609</b>	<b>\$ 12,710,000</b>	<b>\$ 315,381,758</b>

**Series 1998 Refunding Bonds**

On June 18, 1998, the District issued \$68,145,000 of General Obligation Refunding Bonds Series 1998, with interest rates ranging from 3.75% to 5.25%. The bonds were issued to refund and defease all of the 1991A Bonds and 1993 Bonds maturing after August 1, 1998. The original issuance consisted entirely of current interest serial bonds. Interest on the bonds is payable semi-annually each February 1 and August 1, commencing February 1, 1999, principal on the bonds is payable annually each August 1, commencing August 1, 1999 through the final maturity date of August 1, 2018. The principal balance outstanding on Santa Monica-Malibu Unified School District June 30, 2014 amounted to \$22,550,000.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2014

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NOTE 8 – LONG-TERM DEBT (*continued*)

A. Bonded Debt (*continued*)

**Election 1998**

In an election held November 3, 1998, the voters authorized the District to issue and sale \$42,000,000 of principal amount of general obligation bonds. These bonds were issued for the purpose of financing the rehabilitation, construction, and renovation of school facilities to improve learning conditions, removing asbestos, making earthquake safety improvements and providing handicapped access, as well as paying the costs of issuance incurred in connection with the issuance of the bonds. There is one issuance outstanding under this election:

Series 1999, which was issued on May 26, 1999 for \$38,000,034 with interest rates ranging from 3.20% to 4.50%. The original issuance consisted of \$15,825,000 in current interest serial bonds and \$22,175,034 in capital appreciation serial bonds. Interest on the current interest bonds accrues from its dated date and is payable semi-annually each February 1 and August 1, commencing February 1, 2000, principal on the bonds is payable annually each August 1, commencing August 1, 2000 through the final maturity date of August 1, 2011. The capital appreciation bonds accrue interest from its dated date, compounded semi-annually on February 1 and August 1 of each year, principal on the bonds is payable annually each August 1, commencing August 1, 2012 through the final maturity date of August 1, 2023. The principal balance outstanding on June 30, 2014 amounted to \$42,782,063.

**2006 General Obligation Refunding Bonds**

On February 23, 2006, the District issued \$3,285,000 of 2006 General Obligation Refunding Bonds, with interest rates ranging from 3.50% to 4.00%. The bonds were issued to refund all or a portion of the District's outstanding General Obligation Bonds, Election of 1998, Series 2001 and pay costs of issuance of the bonds. The original issuance consisted of \$605,000 in current interest serial bonds and \$2,680,000 in current interest term bonds. Interest on the bonds is payable semi-annually each February 1 and August 1, commencing August 1, 2006, principal on the bonds is payable annually each August 1, commencing August 1, 2006 through the final maturity date of August 1, 2025. The principal balance outstanding on June 30, 2014 amounted to \$2,730,000.

**Election 2006**

In an election held November 7, 2006, the voters authorized the District to issue and sale \$268,000,000 of principal amount of general obligation bonds. These bonds were issued for the purpose of financing the construction, renovation, modernization, and equipping of school facilities and to pay costs of issuance associated with the bonds. There were six issuances under this election:

Series A, which was issued on October 2, 2007 for \$60,000,000 with interest rates ranging from 4.00% to 5.00%. The original issuance consisted of \$45,835,000 in current interest serial bonds and \$14,165,000 in current interest term bonds. Interest on the bonds is payable semi-annually each February 1 and August 1, commencing February 1, 2008, principal on the bonds is payable annually each August 1, commencing August 1, 2008 through the final maturity date of August 1, 2032. The principal balance outstanding on June 30, 2014 amounted to \$2,890,000.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2014**

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**NOTE 8 – LONG-TERM DEBT (continued)**

**A. Bonded Debt (continued)**

**Election 2006, continued**

Series B, which was issued on July 23, 2009 for \$11,875,000 with interest rates ranging from 1.50% to 5.00%. The original issuance consisted entirely of current interest serial bonds. Interest on the bonds is payable semi-annually each February 1 and August 1, commencing February 1, 2010, principal on the bonds is payable annually each August 1, commencing August 1, 2010 through the final maturity date of August 1, 2019. The principal balance outstanding on June 30, 2014 amounted to \$7,065,000.

Series B-1 (Build America Bonds – Direct Payment to District – Federally Taxable), which was issued on July 23, 2009 for \$48,125,000 with interest rates ranging from 5.645% to 7.556%. The bonds are designated “Build America Bonds” for purposes of the American Recovery and Reinvestment Act of 2009. Pursuant to the Recovery Act, the District expects to receive a cash subsidy payment from the United States Treasury equal to 35% of the interest payable on the bonds on or about each interest payment date. The original issuance consisted of \$6,140,000 in current interest serial bonds and \$41,985,000 in current interest term bonds. Interest on the bonds is payable semi-annually each February 1 and August 1, commencing February 1, 2010, principal on the bonds is payable annually each August 1, commencing August 1, 2020 through the final maturity date of August 1, 2034. As of June 30, 2014, the full principal balance of \$48,125,000 remained outstanding.

Series C, which was issued on July 14, 2010 for \$10,690,000 with interest rates ranging from 3.00% to 5.00%. The original issuance consisted entirely of current interest serial bonds. Interest on the bonds is payable semi-annually each January 1 and July 1, commencing January 1, 2011, principal on the bonds is payable annually each July 1, commencing July 1, 2011 through the final maturity date of July 1, 2023. The principal balance outstanding on June 30, 2014 amounted to \$9,675,000.

Series C-1 (Build America Bonds – Direct Payment to District – Federally Taxable), which was issued on July 14, 2010 for \$54,310,000 with interest rates ranging from 5.796% to 6.634%. The bonds are designated “Build America Bonds” for purposes of the American Recovery and Reinvestment Act of 2009. Pursuant to the Recovery Act, the District expects to receive a cash subsidy payment from the United States Treasury equal to 35% of the interest payable on the bonds on or about each interest payment date. The original issuance consisted entirely of current interest term bonds. Interest on the bonds is payable semi-annually each January 1 and July 1, commencing January 1, 2011, principal on the bonds is payable annually each July 1, commencing July 1, 2025 through the final maturity date of July 1, 2035. As of June 30, 2014, the full principal balance of \$54,310,000 remained outstanding.

Series D, which was issued on March 19, 2013 for \$82,995,327 with interest rates ranging from 0.17% to 5.00%. The original issuance consisted of \$42,780,000 in current interest serial bonds, \$24,200,000 in current interest term bonds and \$16,015,327 in capital appreciation serial bonds. Interest on the current interest bonds is payable semi-annually each January 1 and July 1, commencing July 1, 2013, principal on the bonds is payable annually each July 1, commencing July 1, 2013 through the final maturity date of July 1, 2037. The principal balance outstanding on June 30, 2014 amounted to \$80,039,695.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2014

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NOTE 8 – LONG-TERM DEBT (continued)

A. Bonded Debt (continued)

**2013 General Obligation Refunding Bonds**

On January 8, 2013, the District issued \$45,425,000 of 2013 General Obligation Refunding Bonds, with interest rates ranging from 2.00% to 5.00%. The bonds were issued to refund all or a portion of the District's outstanding General Obligation Bonds, Election of 2006, Series A and pay costs of issuance of the bonds. The original issuance consisted entirely of current interest serial bonds. Interest on the bonds is payable semi-annually each February 1 and August 1, commencing August 1, 2013, principal on the bonds is payable annually each August 1, commencing August 1, 2013 through the final maturity date of August 1, 2013. The principal balance outstanding on June 30, 2014 amounted to \$45,215,000.

The net proceeds of \$49,131,456 (after issuance costs of \$526,513 and premium of \$4,232,970) were used to refund a portion of the District's Election 2006, Series A general obligation bonds and to pay certain costs of issuance associated with the Refunding Bonds. The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities.

This advanced refunding was undertaken to reduce total debt service payments and results in an economic gain. Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred outflows of resources on the statement of net position and are amortized to interest expense over the life of the liability. See Note 14 on deferred outflows of resources.

B. Debt Service Requirements to Maturity – Bonds

The bonds mature through 2038 as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 10,244,593	\$ 14,541,734	\$ 24,786,327
2016	9,331,050	14,294,652	23,625,702
2017	9,127,107	14,048,503	23,175,610
2018	9,465,096	14,286,062	23,751,158
2019	10,321,117	14,031,230	24,352,347
2020 - 2024	42,039,497	71,876,131	113,915,628
2025 - 2029	55,415,000	32,821,335	88,236,335
2030 - 2034	82,243,373	23,691,426	105,934,799
2035 - 2038	62,881,954	27,108,724	89,990,678
Accretion	24,312,971	(24,312,971)	-
<b>Total</b>	<b>\$ 315,381,758</b>	<b>\$ 202,386,826</b>	<b>\$ 517,768,584</b>



SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2014

NOTE 8 – LONG-TERM DEBT (continued)

C. Certificates of Participation (COPs)

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Certificates			Certificates
					Outstanding July 1, 2013	Additions	Deductions	Outstanding June 30, 2014
2001 Series C	11/15/2001	5/1/2025	3.50% - 5.40%	\$ 15,206,501	\$ 8,118,654	\$ 429,601	\$ -	\$ 8,548,255
2010 Series A	12/1/2010	5/1/2014	1.09% - 3.04%	3,215,000	1,000,000	-	1,000,000	-
2010 Series B	12/1/2010	2/1/2024	2.00% - 5.00%	8,015,000	8,015,000	-	90,000	7,925,000
					<u>\$ 17,133,654</u>	<u>\$ 429,601</u>	<u>\$ 1,090,000</u>	<u>\$ 16,473,255</u>

**2001 Series C**

On November 15, 2001, the District and the Los Angeles County Schools Regionalized Business Services Corporation entered a sublease in which the Corporation leased to the District certain real property and building and improvements situated thereon. The 2001 Series C Certificates of Participation were executed and delivered to finance payments relating to acquisition of certain interests in real property, fund a reserve fund and pay costs of execution and delivery of the certificates. Series C Certificates consisted of \$10,740,000 of current interest serial certificates and \$4,466,501 of capital appreciation serial certificates for a total issuance of \$15,206,501.

The certificates have interest rates ranging from 3.50% to 5.40%. Interest on the current interest certificates is payable semi-annually each May 1 and November 1, commencing May 1, 2002, principal on the certificates is payable annually each May 1, commencing May 1, 2002 through the final maturity date of May 1, 2018. Interest on the capital appreciation certificates accretes from the dated date, compounded semi-annually on each May 1 and November 1, commencing May 1, 2002, principal and interest payments are payable semi-annually each May 1 and November 1, commencing November 1, 2018 through the final maturity date of May 1, 2025. A portion of the outstanding certificates were refunded with proceeds from the 2010 Refunding Certificates. The outstanding principal balance at June 30, 2014 amounted to \$8,548,255.

**2010 Refunding, Series A (Federally Taxable)**

On December 1, 2010, the District and the California School Boards Association Finance Corporation entered a sublease in which the Corporation leased to the District certain real property and building and improvements situated thereon. The 2010 Refunding Certificates of Participation, Series A were executed and delivered to refund a portion of the District's outstanding Certificates of Participation, 2001 Series B (Federally Taxable) and pay the costs related to the execution and delivery of the Certificates. Series A Certificates consisted of \$3,215,000 in current interest serial certificates. The certificates have interest rates ranging from 1.093% to 3.042%. Interest on the certificates is payable semi-annually each May 1 and November 1, commencing May 1, 2011, principal on the certificates is payable annually each May 1, commencing May 1, 2011 through the final maturity date of May 1, 2014. As of June 30, 2014, there was no outstanding principle balance.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2014

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NOTE 8 – LONG-TERM DEBT (continued)

C. Certificates of Participation (COPs) (continued)

**2010 Refunding, Series B (Tax-Exempt)**

On December 1, 2010, the District and the California School Boards Association Finance Corporation entered a sublease in which the Corporation leased to the District certain real property and building and improvements situated thereon. The 2010 Refunding Certificates of Participation, Series B were executed and delivered to refund a portion of the District’s outstanding Certificates of Participation, 2001 Series C, finance the construction, renovation, and modernization of school sites and facilities, and pay the costs related to the execution and delivery of the Certificates. Series B Certificates consisted of \$8,015,000 in current interest serial certificates. The certificates have interest rates ranging from 2.00% to 5.00%. Interest on the certificates is payable semi-annually each May 1 and November 1, commencing May 1, 2011, principal on the certificates is payable annually each May 1, commencing May 1, 2014 through the final maturity date of May 1, 2024. The principal balance outstanding at June 30, 2014 amounted to \$7,925,000.

D. Debt Service Requirements to Maturity – COPs

The certificates mature through 2025 as follows:

Year Ended June 30,	Principal	Interest	Total
2015	\$ 1,120,000	\$ 341,881	\$ 1,461,881
2016	1,570,000	297,081	1,867,081
2017	1,635,000	234,281	1,869,281
2018	1,695,000	168,881	1,863,881
2019	919,183	949,948	1,869,131
2020 - 2024	4,883,350	6,236,906	11,120,256
2025	568,969	1,376,031	1,945,000
Accretion	4,081,753	(4,081,753)	-
<b>Total</b>	<b>\$ 16,473,255</b>	<b>\$ 5,523,256</b>	<b>\$ 21,996,511</b>

E. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2014 amounted to \$916,886. This amount is included as part of long-term liabilities in the government-wide financial statements.

F. Other Postemployment Benefits (OPEB)

The District follows GASB Statement No, 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. The ending OPEB balance at June 30, 2014 was \$8,786,641. See Note 10 for additional information regarding the net OPEB Obligation and the postemployment benefit plan

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2014**

**NOTE 9 – FUND BALANCES**

Fund balances were composed of the following elements at June 30, 2014:

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable					
Revolving cash	\$ 20,000	\$ -	\$ -	\$ -	\$ 20,000
Stores inventory	14,570	-	-	19,109	33,679
Prepaid expenditures	72,311	-	-	-	72,311
Total non-spendable	106,881	-	-	19,109	125,990
Restricted					
Educational programs	5,502,053	-	-	-	5,502,053
Capital projects	-	65,647,802	-	17,782,456	83,430,258
Debt service	-	-	33,773,115	-	33,773,115
All others	-	-	-	66,857	66,857
Total restricted	5,502,053	65,647,802	33,773,115	17,849,313	122,772,283
Committed					
Other commitments	-	-	-	438,725	438,725
Total committed	-	-	-	438,725	438,725
Assigned					
13-14 Encumber/Carryovers	500,000	-	-	-	500,000
14-15 Positions Added	400,000	-	-	-	400,000
14-15 General Fund Transfers	200,000	-	-	-	200,000
14-15 Deficit Spending	5,082,613	-	-	-	5,082,613
Other Assignment	-	-	-	6,281	6,281
Total assigned	6,182,613	-	-	6,281	6,188,894
Unassigned					
Reserve for economic uncertainties	3,702,586	-	-	-	3,702,586
Remaining unassigned	11,783,282	-	-	-	11,783,282
Total unassigned	15,485,868	-	-	-	15,485,868
<b>Total</b>	<b>\$ 27,277,415</b>	<b>\$ 65,647,802</b>	<b>\$ 33,773,115</b>	<b>\$ 18,313,428</b>	<b>\$ 145,011,760</b>

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than three (3) percent of General Fund expenditures and other financing uses.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, *continued*  
 JUNE 30, 2014

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NOTE 10 –POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. **Plan Description and Contribution Information**

The District administers a single-employer defined benefit other postemployment benefit (OPEB) plan that provides medical, dental, and vision insurance benefits to eligible retirees and their spouses. The District implemented Governmental Accounting Standards Board Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*, in 2008-09.

The District provides postemployment health care benefits, in accordance with District employment contracts, to all employees who retire from the District on or after attaining age 55 (certificated)/ age 50 (classified) with at least 10 years of service. The District provides medical benefits at the same level they are receiving at the time of retirement for a period of up to 5 years or to age 65, whichever occurs first. In addition, all retirees over the age of 65 receive a lifetime monthly supplement of \$115 per month. Membership of the plan consisted of the following:

Retirees and beneficiaries receiving benefits	369
Active plan members	1,094
Total*	<u>1,463</u>

Number of participating employers	1
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\*As of July 1, 2013 actuarial study

B. **Funding Policy**

The contribution requirements of Plan members and the District are established and may be amended by the District and District’s bargaining units. The required contribution is based on projected pay-as-you-go financing requirements. For the fiscal year 2014, the District contributed \$1,023,562 to the Plan, all of which was used for current premiums.

As of June 30, 2014, the District has not established a plan or equivalent that contains an irrevocable transfer of assets dedicated to providing benefits to retirees in accordance with the terms of the plan and that are legally protected from creditors.

C. **Annual OPEB Cost and Net OPEB Obligation**

The District’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2014

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NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

C. Annual OPEB Cost and Net OPEB Obligation (continued)

The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District’s net OPEB obligation to the Plan:

Annual required contribution	\$ 2,744,658
Interest on net OPEB obligation	287,753
Adjustment to annual required contribution	(416,019)
Annual OPEB cost (expense)	<u>2,616,392</u>
Contributions made	<u>(1,023,562)</u>
Increase (decrease) in net OPEB obligation	1,592,830
Net OPEB obligation, beginning of the year	<u>7,193,811</u>
Net OPEB obligation, end of the year	<u>\$ 8,786,641</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended June 30, 2014 and the preceding two years were as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2014	\$ 2,616,392	39%	\$ 8,786,641
2013	\$ 2,469,937	43%	\$ 7,193,811
2012	\$ 2,259,052	43%	\$ 4,358,801

D. Funded Status and Funding Progress

The funded status of the plan as of the most recent actuarial evaluation consists of the following:

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2013	\$ -	\$ 25,587,443	\$ 25,587,443	0%	\$ 74,764,220	34%

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, *continued*  
 JUNE 30, 2014

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NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (*continued*)

D. Funded Status and Funding Progress (*continued*)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

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

Valuation Date	July 1, 2013
Actuarial Cost Method	Projected Unit Credit
Amortization Method	30-year level-dollar, open
Remaining Amortization Period	29
Asset Valuation	\$ -
Actuarial Assumptions:	
Investment rate of return	4.0%
Discount rate	4.0%
Health care trend rate	
Medical	8.0%
Dental	4.0%
Inflation rate	4.0%

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2014**

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**NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS**

Qualified employees are covered under multiple-employer retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS).

**California State Teachers' Retirement System (CalSTRS)**

**Plan Description**

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

**Funding Policy**

Active plan members are required to contribute 8.0% of their salary for fiscal year 2014 and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2014 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalSTRS for the last three fiscal years were as follows:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2013-14	\$ 4,728,018	100%
2012-13	\$ 4,495,038	100%
2011-12	\$ 4,641,990	100%

**On-Behalf Payments**

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$2,928,112 to CalSTRS 5.204% of 2011-12 creditable compensation subject to CalSTRS).

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2014

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NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS (continued)

California Public Employees’ Retirement System (CalPERS)

**Plan Description**

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

**Funding Policy**

Active plan members who entered into the plan prior to January 1, 2013 are required to contribute 7.0% of their salary. The California Public Employees’ Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 6.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member’s contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2014 was 11.442% of annual payroll. The District’s contributions to CalPERS for the last three fiscal years were as follows:

:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2013-14	\$ 2,781,066	100%
2012-13	\$ 2,691,403	100%
2011-12	\$ 2,530,073	100%



SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2014

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NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. 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, 2014.

B. 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, 2014.

C. Construction Commitments

As of June 30, 2014, the District had commitments with respect to unfinished capital projects of \$19,761,119.

NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The District is a member of three joint powers authorities (JPAs). The first is the Alliance of Schools for Cooperative Insurance Programs (ASCIP) to provide property and liability insurance coverage, the next is the Schools Excess Liability Fund (SELF) to provide excess property and liability insurance coverage, and the final is the Schools Linked for Insurance Management (SLIM) to provide workers' compensation insurance coverage. The relationship is such that the JPAs 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 financial statements. Audited financial statements are available from the respective entities.

NOTE 14 – DEFERRED OUTFLOWS OF RESOURCES

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the District recognized deferred outflows of resources in the District-wide financial statements. The deferred outflow of resources pertains to the difference in the carrying value of the refunded debt and its reacquisition price (deferred amount on refunding). Previous financial reporting standards require this to be presented as part of the District's long-term debt. This deferred outflow of resources is recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the new debt, whichever is shorter. At June 30, 2014, the deferred amount on refunding was \$6,944,447.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2014**

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**NOTE 15 – RESTATEMENT OF NET POSITION**

The beginning net position of Governmental Activities has been restated in order to reflect the elimination of amortization of debt issuance costs in accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The effect on beginning net position is presented as follows:

	<b>Governmental Activities</b>
Net Position - Beginning, as Previously Reported	\$ 129,860,172
Restatement	(2,669,337)
Net Position - Beginning, as Restated	<u>\$ 127,190,835</u>

**NOTE 16 – SUBSEQUENT EVENT**

On November 6, 2012, the voter's in the District approved Measure ES, a bond proposition whereby the District is authorized to borrow \$385 million. In August 2014, \$30 million in general obligation bonds under the Election 2012, Series A was issued to the District as part of Measure ES.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
<b>REVENUES</b>				
LCFF sources	\$ 69,422,635	\$ 69,606,796	\$ 69,622,777	\$ 15,981
Federal sources	4,508,458	4,814,087	4,336,823	(477,264)
Other state sources	3,676,940	5,111,894	5,066,579	(45,315)
Other local sources	38,220,223	41,836,092	43,171,067	1,334,975
<b>Total Revenues</b>	<b>115,828,256</b>	<b>121,368,869</b>	<b>122,197,246</b>	<b>828,377</b>
<b>EXPENDITURES</b>				
Certificated salaries	53,991,777	56,266,751	55,708,988	557,763
Classified salaries	22,205,139	24,132,757	23,675,412	457,345
Employee benefits	26,007,266	26,405,067	26,600,601	(195,534)
Books and supplies	2,588,170	5,739,822	3,931,972	1,807,850
Services and other operating expenditures	12,378,465	14,822,754	13,213,536	1,609,218
Capital outlay	75,500	804,547	436,981	367,566
Other outgo				
Excluding transfers of indirect costs	31,590	31,590	24,590	7,000
Transfers of indirect costs	(467,081)	(490,395)	(480,002)	(10,393)
<b>Total Expenditures</b>	<b>116,810,826</b>	<b>127,712,893</b>	<b>123,112,078</b>	<b>4,600,815</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(982,570)</b>	<b>(6,344,024)</b>	<b>(914,832)</b>	<b>5,429,192</b>
<b>Other Financing Sources (Uses)</b>				
Other sources	-	-	117,155	117,155
Transfers out	(369,214)	(307,452)	(307,452)	-
<b>Net Financing Sources (Uses)</b>	<b>(369,214)</b>	<b>(307,452)</b>	<b>(190,297)</b>	<b>117,155</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(1,351,784)</b>	<b>(6,651,476)</b>	<b>(1,105,129)</b>	<b>5,546,347</b>
<b>Fund Balance - Beginning</b>	<b>28,382,544</b>	<b>28,382,544</b>	<b>28,382,544</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 27,030,760</b>	<b>\$ 21,731,068</b>	<b>\$ 27,277,415</b>	<b>\$ 5,546,347</b>

\* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reason:

- STRS on behalf payments of \$2,928,112, as discussed in the Notes to the Financial Statements #11, are not included in the actual revenues and expenditures reported in this schedule.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS  
FOR THE YEAR ENDED JUNE 30, 2014**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Valuation of Assets</b>	<b>Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
July 1, 2013	\$ -	\$ 25,587,443	\$ 25,587,443	0%	\$ 74,764,220	34%
July 1, 2011	\$ -	\$ 22,091,051	\$ 22,091,051	0%	\$ 71,650,000	31%
July 1, 2009	\$ -	\$ 19,679,640	\$ 19,679,640	0%	32,275,084	61%

See accompanying note to required supplementary information.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2014**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Budgetary Comparison Schedule**

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

**Schedule of Funding Progress**

This schedule is required by GASB Statement No. 45 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents, for the most recent actuarial valuation and the two preceding valuations, information about the funding progress of the plan, including, for each valuation, the actuarial valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability (or funding excess), the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll, and the ratio of the total unfunded actuarial liability (or funding excess) to annual covered payroll.

**NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended June 30, 2014, the District incurred an excess of expenditures over appropriations of \$195,534 in the General Fund presented in the Budgetary Comparison Schedule by major object code as employee benefits.

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**SUPPLEMENTARY  
INFORMATION**

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**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster</b>	<b>CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A, Basic School Support [1]	84.010	14416	\$ 1,016,483
Title I, Part G, Advanced Placement Test Fee Reimbursement Program	84.330	14831	15,795
Adult Education Cluster			
Adult Education: Basic Education & ESL	84.002A	14508	30,617
Adult Education: Adult Secondary Education	84.002A	13978	11,201
Adult Education: English Literacy and Civics Education	84.002A	14109	19,232
Subtotal Adult Education Cluster			61,050
Title II, Part A, Teacher Quality	84.367A	14341	216,283
Title III Cluster			
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	93,447
Title III, Immigrant Education Program	84.365	15146	8,915
Subtotal Title III Cluster			102,362
Department of Rehab: Workability II, Transition Partnership	84.158	10006	109,392
Special Education Cluster [1]			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	2,004,022
Part B, Preschool Grants	84.173	13430	63,168
IDEA Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	106,974
Subtotal Special Education Cluster			2,174,164
<b>Total U. S. Department of Education</b>			3,695,529
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
School Breakfast Program Basic	10.553	13390	904
School Breakfast Program Needy	10.553	13526	193,972
National School Lunch Program	10.555	13391	1,039,067
Subtotal Child Nutrition Cluster			1,233,943
Child and Adult Food Programs	10.558	13393	217,587
<b>Total U. S. Department of Agriculture</b>			1,451,530
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<i>Passed through California Department of Health Services:</i>			
Medi-Cal Billing Option [1]	93.778	10013	581,060
<i>Passed through Los Angeles County Office of Education:</i>			
Head Start Cluster [2]			
Head Start, Basic	93.600	10016	1,315,433
Head Start, Training & Technical Assistance	96.600	10016	5,600
Subtotal Head Start Cluster			1,321,033
<b>Total U. S. Department of Health &amp; Human Services</b>			1,902,093
<b>Total Federal Expenditures</b>			\$ 7,049,152

[1] - Major Program

[2] - In-Kind Contribution - \$766,165

\* - PCS Number not available or not applicable



**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)  
FOR THE YEAR ENDED JUNE 30, 2014**

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	<b>Second Period Report</b>	<b>Annual Report</b>
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	3,188.81	3,190.39
Extended Year Special Education	5.59	5.59
Special Education - Nonpublic Schools	0.96	0.88
Extended Year Special Education - Nonpublic Schools	0.10	0.10
Total TK/K through Third	3,195.46	3,196.96
Fourth through Sixth		
Regular ADA	2,442.27	2,444.78
Extended Year Special Education	5.95	5.95
Special Education - Nonpublic Schools	1.88	1.88
Extended Year Special Education - Nonpublic Schools	0.09	0.09
Total Fourth through Sixth	2,450.19	2,452.70
Seventh through Eighth		
Regular ADA	1,660.23	1,660.66
Extended Year Special Education	2.34	2.34
Special Education - Nonpublic Schools	4.86	5.02
Extended Year Special Education - Nonpublic Schools	0.23	0.23
Total Seventh through Eighth	1,667.66	1,668.25
Ninth through Twelfth		
Regular ADA	3,497.56	3,462.90
Extended Year Special Education	5.45	5.45
Special Education - Nonpublic Schools	26.98	27.36
Extended Year Special Education - Nonpublic Schools	3.04	3.04
Total Ninth through Twelfth	3,533.03	3,498.75
TOTAL SCHOOL DISTRICT	10,846.34	10,816.66

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF INSTRUCTIONAL TIME  
 FOR THE YEAR ENDED JUNE 30, 2014**

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<b>Grade Level</b>	<b>Minutes Requirement</b>	<b>Minutes Requirement Reduced</b>	<b>2013-14 Actual Minutes</b>	<b>Number of Days</b>	<b>Status</b>
Kindergarten	36,000	35,000	41,650	180	Complied
Grade 1	50,400	49,000	53,230	180	Complied
Grade 2	50,400	49,000	53,230	180	Complied
Grade 3	50,400	49,000	53,445	180	Complied
Grade 4	54,000	52,500	54,890	180	Complied
Grade 5	54,000	52,500	54,890	180	Complied
Grade 6	54,000	52,500	55,170	180	Complied
Grade 7	54,000	52,500	55,170	180	Complied
Grade 8	54,000	52,500	55,170	180	Complied
Grade 9	64,800	63,000	64,860	180	Complied
Grade 10	64,800	63,000	64,860	180	Complied
Grade 11	64,800	63,000	64,860	180	Complied
Grade 12	64,800	63,000	64,860	180	Complied

See accompanying note to supplementary information.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

	2015 (Budget)	2014	2013	2012
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 124,426,836	\$ 122,314,401	\$ 125,554,653	\$ 116,203,904
Expenditures And Other Financing Uses	131,195,893	123,419,530	117,714,819	119,015,303
Net change in Fund Balance	\$ (6,769,057)	\$ (1,105,129)	\$ 7,839,834	\$ (2,811,399)
Ending Fund Balance	\$ 20,508,358	\$ 27,277,415	\$ 28,382,544	\$ 20,542,710
Available Reserves*	\$ 11,571,222	\$ 15,485,868	\$ 13,898,617	\$ 7,018,164
Available Reserves As A Percentage Of Outgo	8.82%	12.55%	11.81%	5.90%
Long-term Debt	\$ 343,426,254	\$ 354,288,286	\$ 356,546,328	\$ 273,251,030
Average Daily Attendance At P-2	10,937	10,846	10,878	10,924

The General Fund balance has increased by \$6,734,705 over the past two years. The fiscal year 2014-15 budget projects a decrease of \$6,769,057. For a District this size, the State recommends available reserves of at least three percent of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating deficit during the 2014-15 fiscal year. Total long term obligations have increased by \$81,037,256 over the past two years.

Average daily attendance has decreased by 78 ADA over the past two years. An increase of 91 ADA is anticipated during the 2014-15 fiscal year.

\*Available reserves consist of all unassigned fund balance within the General Fund.

\*\*The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include on behalf payments of \$2,928,112.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014**

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*There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2014.*

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 JUNE 30, 2014

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds
<b>ASSETS</b>							
Cash and cash equivalents	\$ 305,107	\$ 384,591	\$ 105,861	\$ 132,658	\$ 9,172,298	\$ 8,914,211	\$ 19,014,726
Accounts receivable	37,369	326,285	62,091	473	544,265	21,282	991,765
Stores inventory	-	-	19,109	-	-	-	19,109
<b>Total Assets</b>	<b>\$ 342,476</b>	<b>\$ 710,876</b>	<b>\$ 187,061</b>	<b>\$ 133,131</b>	<b>\$ 9,716,563</b>	<b>\$ 8,935,493</b>	<b>\$ 20,025,600</b>
<b>LIABILITIES</b>							
Accrued liabilities	\$ 23,572	\$ 557,855	\$ 135,178	\$ 1,190	\$ 854,642	\$ 14,958	\$ 1,587,395
Unearned revenue	-	124,777	-	-	-	-	124,777
<b>Total Liabilities</b>	<b>23,572</b>	<b>682,632</b>	<b>135,178</b>	<b>1,190</b>	<b>854,642</b>	<b>14,958</b>	<b>1,712,172</b>
<b>FUND BALANCES</b>							
Non-spendable	-	-	19,109	-	-	-	19,109
Restricted	12,120	21,963	32,774	-	8,861,921	8,920,535	17,849,313
Committed	306,784	-	-	131,941	-	-	438,725
Assigned	-	6,281	-	-	-	-	6,281
<b>Total Fund Balances</b>	<b>318,904</b>	<b>28,244</b>	<b>51,883</b>	<b>131,941</b>	<b>8,861,921</b>	<b>8,920,535</b>	<b>18,313,428</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 342,476</b>	<b>\$ 710,876</b>	<b>\$ 187,061</b>	<b>\$ 133,131</b>	<b>\$ 9,716,563</b>	<b>\$ 8,935,493</b>	<b>\$ 20,025,600</b>

See accompanying note to supplementary information.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2014**

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds
<b>REVENUES</b>							
LCFF sources	\$ 262,628	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 262,628
Federal sources	61,050	1,538,620	1,233,943	-	-	-	2,833,613
Other state sources	9,110	2,750,458	91,153	-	-	143,269	2,993,990
Other local sources	51,719	3,033,503	1,612,583	1,064	993,701	2,173,570	7,866,140
<b>Total Revenues</b>	<b>384,507</b>	<b>7,322,581</b>	<b>2,937,679</b>	<b>1,064</b>	<b>993,701</b>	<b>2,316,839</b>	<b>13,956,371</b>
<b>EXPENDITURES</b>							
Current							
Instruction	136,829	5,532,655	-	-	-	-	5,669,484
Instruction-related services							
Instructional supervision and administration	-	413,251	-	-	-	-	413,251
School site administration	192,870	610,255	-	-	-	-	803,125
Pupil services							
Food services	-	401,837	2,972,102	-	-	-	3,373,939
All other pupil services	20,288	96,230	-	-	-	-	116,518
General administration							
All other general administration	-	322,184	157,819	-	-	-	480,003
Plant services	50,214	250,633	-	98,119	1,582,342	168,642	2,149,950
Facilities acquisition and maintenance	-	-	-	-	205,015	17,810	222,825
Debt service							
Principal	-	-	-	-	-	1,090,000	1,090,000
Interest and other	-	-	-	-	-	374,101	374,101
<b>Total Expenditures</b>	<b>400,201</b>	<b>7,627,045</b>	<b>3,129,921</b>	<b>98,119</b>	<b>1,787,357</b>	<b>1,650,553</b>	<b>14,693,196</b>
<b>Excess (Deficiency) of Revenues</b>							
<b>Over Expenditures</b>	<b>(15,694)</b>	<b>(304,464)</b>	<b>(192,242)</b>	<b>(97,055)</b>	<b>(793,656)</b>	<b>666,286</b>	<b>(736,825)</b>
<b>Other Financing Sources (Uses)</b>							
Transfers in	-	307,452	-	-	-	-	307,452
<b>Net Financing Sources (Uses)</b>	<b>-</b>	<b>307,452</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>307,452</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(15,694)</b>	<b>2,988</b>	<b>(192,242)</b>	<b>(97,055)</b>	<b>(793,656)</b>	<b>666,286</b>	<b>(429,373)</b>
<b>Fund Balance - Beginning</b>	<b>334,598</b>	<b>25,256</b>	<b>244,125</b>	<b>228,996</b>	<b>9,655,577</b>	<b>8,254,249</b>	<b>18,742,801</b>
<b>Fund Balance - Ending</b>	<b>\$ 318,904</b>	<b>\$ 28,244</b>	<b>\$ 51,883</b>	<b>\$ 131,941</b>	<b>\$ 8,861,921</b>	<b>\$ 8,920,535</b>	<b>\$ 18,313,428</b>

See accompanying note to supplementary information.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NOTES TO SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2014**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Schedule of Expenditures of Federal Awards**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2014 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2014.

	CFDA	
	Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 9,425,344
Medi-Cal Billing Option [1]	93.778	(121,284)
Buld America Bonds	*	(2,254,908)
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$ 7,049,152</u>

**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**

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 46208*. During the year ended June 30, 2014, the district participated in the Longer Day incentive funding program. As of June 30, 2014, the district had not yet met its target funding. Through 2014-15, the instructional day and minute requirements have been reduced pursuant to *Education Code Section 46201.2*.

**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.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
NOTES TO SUPPLEMENTARY INFORMATION, continued  
JUNE 30, 2014

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NOTE 1 – PURPOSE OF SCHEDULES (continued)

**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 Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

**Combining Statements – Non-Major Funds**

These statements provide information on the District's non-major funds.

**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. (Located in the front of the audit report)



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**OTHER INDEPENDENT  
AUDITORS' REPORTS**

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**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**

Christy White, CPA

Michael Ash, CPA

Tanya M. Rogers, CPA, CFE

John Whitehouse, CPA

Heather Rubio

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Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of Santa Monica-Malibu Unified School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Santa Monica-Malibu Unified School District's basic financial statements, and have issued our report thereon dated December 15, 2014. Our report includes a reference to other auditors who audited the financial statements of the Santa Monica-Malibu Education Foundation, as described in our report on Santa Monica-Malibu Unified School District's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are report on separately by those auditors. The financial statements of the Santa Monica-Malibu Education Foundation were not audited in accordance with Government Auditing Standards and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with this entity.

**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) to determine the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

A handwritten signature in cursive script that reads "Christy White Associates".

San Diego, California  
December 15, 2014

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

Independent Auditors' Report

Governing Board  
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 Circular A-133 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, 2014. 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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.

Christy White, CPA

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### *Opinion on Each Major Federal Program*

In our opinion, Santa Monica-Malibu Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

### **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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



San Diego, California  
December 15, 2014

## REPORT ON STATE COMPLIANCE

### Independent Auditors' Report

Christy White, CPA

Michael Ash, CPA

Tanya M. Rogers, CPA, CFE

John Whitehouse, CPA

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

### **Report on State Compliance**

We have audited Santa Monica-Malibu Unified School District's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K – 12 Local Education Agencies 2013-14*, issued by the California Education Audit Appeals Panel that could have a direct and material effect on each of Santa Monica-Malibu Unified School District's state programs for the fiscal year ended June 30, 2014, as identified below.

#### *Management's Responsibility*

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

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of Santa Monica-Malibu Unified School District's state 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 *Standards and Procedures for Audits of California K – 12 Local Education Agencies 2013-14*, issued by the California Education Audit Appeals Panel as regulations. Those standards 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 the state programs noted below 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 with the requirements referred to above. However, our audit does not provide a legal determination of Santa Monica-Malibu Unified School District's compliance with those requirements.

*Opinion on State Compliance*

In our opinion, Santa Monica-Malibu Unified School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2014.

*Procedures Performed*

In connection with the audit referred to above, we selected and tested transactions and records to determine Santa Monica-Malibu Unified School District's compliance with the state laws and regulations applicable to the following items:

<u>PROGRAM NAME</u>	<u>PROCEDURES IN AUDIT GUIDE</u>	<u>PROCEDURES PERFORMED</u>
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	No
Continuation Education	10	No
Instructional Time for school districts	10	Yes
Instructional Materials, general requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not Applicable
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	No
After School Education and Safety Program:		
General requirements	4	Not Applicable
After school	5	Not Applicable
Before school	6	Not Applicable
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Contemporaneous Records of Attendance; for charter schools	8	Not Applicable
Mode of Instruction; for charter schools	1	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	15	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	3	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	4	Not Applicable
Charter School Facility Grant Program	1	Not Applicable

We did not perform testing for Independent Study or Continuation Education because total ADA claimed is below the materiality threshold required for testing. We did not perform testing over California Clean Energy Act as there were no funds expended in 2013-14.

*Christy White Associates*

San Diego, California  
December 15, 2014



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**SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS**

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**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2014**

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**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Non-compliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program of Cluster</u>
<u>84.027, 84.027A, 84.173</u>	<u>Special Education Cluster</u>
<u>84.010</u>	<u>Title I Part A Cluster</u>
<u>93.778</u>	<u>Medi-Cal Billing Option</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

**STATE AWARDS**

Internal control over state programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2014

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FIVE DIGIT CODE

20000

30000

AB 3627 FINDING TYPE

Inventory of Equipment

Internal Control

*There were no financial statement findings for the fiscal year 2013-14.*

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014

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FIVE DIGIT CODE

50000

AB 3627 FINDING TYPE

Federal Compliance

*There were no federal award findings and questioned costs for the fiscal year 2013-14.*

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014**

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**FIVE DIGIT CODE**

10000  
40000  
41000  
60000  
61000  
70000  
71000  
72000

**AB 3627 FINDING TYPE**

Attendance  
State Compliance  
CalSTRS  
Miscellaneous  
Classroom Teacher Salaries  
Instructional Materials  
Teacher Misassignments  
School Accountability Report Card

*There were no state award findings and questioned costs for the fiscal year 2013-14.*

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2014**

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*There were no financial statement findings for the year ended June 30, 2013.*