



Financial Statements
June 30, 2022

Santa Monica-Malibu Unified School
District

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Santa Monica-Malibu Unified School District (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Correction of Error

As discussed in Note 17 to the financial statements, certain errors resulting in an overstatement of amounts previously reported for accounts receivable as of June 30, 2021, were discovered by management of the District during the current year. Accordingly, a restatement has been made to the General Fund balance and governmental activities statement of net position as of July 1, 2021, to correct the error. Our opinions are not modified with respect to this matter.

Adoption of New Accounting Standard

As discussed in Notes 1 and 18 to the financial statements, the District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2021, to restate beginning net position. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, combining non-major governmental fund financial statements, and other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards, combining non-major governmental fund financial statements, and other supplementary information as listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Handwritten signature of Eric Sully LLP in cursive script.

Rancho Cucamonga, California
December 9, 2022



SANTA MONICA - MALIBU UNIFIED SCHOOL DISTRICT

This section of Santa Monica-Malibu Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2022, with comparative information for the year ended June 30, 2021. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

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

- The *Fund Financial Statements* include statements for governmental activities. The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

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

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

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

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Board of Education: Keith Coleman • Craig Foster • Jon Kean • Maria Leon-Vazquez

Laurie Lieberman • Jennifer Smith • Dr. Richard Tahvildaran-Jesswein

Superintendent: Dr. Ben Drati

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

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

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

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

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

FINANCIAL HIGHLIGHTS

- Total net position for the primary government was \$100,898,657 at June 30, 2022. This was an increase of \$66,023,824 compared to the prior fiscal year's net position.
- Overall revenues for the primary government were \$264,288,240 which created a surplus over expenses at \$67,305,794.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$100,898,657 for the fiscal year ended June 30, 2022. Of this amount, \$(149,535,828) was unrestricted deficit. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2022	As restated 2021
Assets		
Current and other assets	\$ 453,341,215	\$ 250,343,453
Capital assets	929,872,155	822,805,244
Total assets	<u>1,383,213,370</u>	<u>1,073,148,697</u>
Deferred outflows of resources	<u>66,453,941</u>	<u>72,207,155</u>
Liabilities		
Current liabilities	49,053,556	67,604,817
Long-term liabilities	<u>1,169,232,378</u>	<u>1,023,734,867</u>
Total liabilities	<u>1,218,285,934</u>	<u>1,091,339,684</u>
Deferred inflows of resources	<u>130,482,720</u>	<u>20,423,308</u>
Net Position		
Net investment in capital assets	192,821,654	136,453,402
Restricted	57,612,831	66,934,939
Unrestricted (deficit)	<u>(149,535,828)</u>	<u>(169,795,478)</u>
Total net position	<u>\$ 100,898,657</u>	<u>\$ 33,592,863</u>

The \$(149,535,828) in unrestricted net position (deficit) of governmental activities represents the accumulated results of all past years' operations and is inclusive of the net pension and OPEB liabilities, and related deferred inflows and outflows of resources. The cumulative effect as a result of GASB 68 and 75 is a reduction to the District's Net Position of \$196,452,066. Unrestricted net position (deficit) – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased by 11.9% (\$(149,535,828) compared to \$(169,795,478)).

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities on page 16. Table 2 takes the information from the Statement and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2022	2021 *
Revenues		
Program revenues		
Charges for services and sales	\$ 4,998,882	\$ 2,501,571
Operating grants and contributions	76,212,045	57,765,842
Capital grants and contributions	-	3,393,535
General revenues		
Federal and State aid not restricted	12,684,429	12,762,320
Property taxes	179,677,239	171,113,120
Other general revenues	(9,284,355)	27,781,515
Total revenues	264,288,240	275,317,903
Expenses		
Instruction-related	119,252,723	141,441,884
Pupil services	18,959,295	20,172,172
Administration	12,585,176	14,003,195
Plant services	(7,184,328)	30,763,925
Interest on long-term liabilities	28,562,268	24,878,095
Depreciation	20,071,196	19,859,804
All other services	4,736,116	3,950,347
Total expenses	196,982,446	255,069,422
Change in net position	\$ 67,305,794	\$ 20,248,481

* The revenues and expenses for fiscal year 2021 were not restated to show the effects of GASB 87 for comparative purposes.

Governmental Activities

As reported in the *Statement of Activities* on page 16, the cost of all of our governmental activities this year was \$196,982,446. The amount that our taxpayers ultimately financed for these activities through local taxes was \$179,677,239. Some of our costs were paid by those who benefited from the programs (\$4,998,882) or by other governments and organizations who subsidized certain programs with grants and contributions (\$76,212,045). We paid for the remaining "public benefit" portion of our governmental activities with \$3,440,074 in Federal and State funds, and with other revenues, like interest and other local revenues.

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

Table 3

	Total Cost of Services		Net Cost of Services	
	2022	2021 *	2022	2021 *
Instruction-related	\$ 119,252,723	\$ 141,441,884	\$ (70,724,753)	\$ (103,638,736)
Pupil services	18,959,295	20,172,172	(11,142,050)	(14,728,782)
Administration	12,585,176	14,003,195	(11,763,923)	(13,193,171)
Plant services	(7,184,328)	30,763,925	8,594,395	(28,690,837)
Interest on long-term liabilities	28,562,268	24,878,095	(28,562,268)	(24,878,095)
Depreciation	20,071,196	19,859,804	(20,071,196)	(19,859,804)
All other services	4,736,116	3,950,347	17,898,276	13,580,951
Total	\$ 196,982,446	\$ 255,069,422	\$ (115,771,519)	\$ (191,408,474)

* The total and net cost of services for fiscal year 2021 were not restated to show the effects of GASB 87 for comparative purposes.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$382,664,555, which is an increase of \$188,863,020 from last year (Table 4).

Table 4

Governmental Funds	Balances and Activity			June 30, 2022
	June 30, 2021 as restated	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	
General	\$ 39,408,727	\$ 201,237,059	\$ 185,172,171	\$ 55,473,615
Student Activity Fund	317,864	139,779	18,503	439,140
Adult Education	994,389	776,282	715,137	1,055,534
Child Development	711,925	7,320,999	5,796,202	2,236,722
Cafeteria	742,508	3,949,295	3,584,536	1,107,267
Deferred Maintenance	1,040,348	964,491	908,647	1,096,192
Building	56,454,784	276,356,020	90,286,516	242,524,288
Capital Facilities	5,004,750	1,096,043	709,662	5,391,131
County School Facilities	3,378,908	25,969	3,393,535	11,342
Special Reserve Fund for Capital Outlay Projects	24,951,876	4,558,422	8,836,580	20,673,718
Bond Interest and Redemption	60,795,456	208,456,372	216,596,222	52,655,606
Total	\$ 193,801,535	\$ 704,880,731	\$ 516,017,711	\$ 382,664,555

FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed this fiscal year, its governmental funds reported a combined fund balance of \$382,664,555, which is significantly more than last fiscal year's restated ending fund balance of \$193,801,535. This change is largely in part due to more State and Federal revenues issued for learning recovering from the global COVID-19 pandemic across all major funds including General Fund, Child Development, and the Cafeteria Fund. Additionally, the Building Fund had a bond issuance that increased the ending fund balance as compared to prior year. Because several of the new revenue sources were allocated to the District with multi-year expenditure deadlines in the future, the District had larger revenues with less expenses which contributed to larger combined ending fund balances, respectively.

The District's General Fund had \$14,782,918 more in operating revenues than expenditures for the fiscal year ended June 30, 2022. This surplus was attributed to multiple factors across the budget. This amount includes a decrease of \$2,010,659 of the Local General Fund Contribution to Special Education which is an increase in revenue; an increase of \$1,525,807 of the Local General Fund Contribution to Routine Restricted Maintenance Account (RRMA) which is a decrease in revenue; increased Unrestricted Lottery Funds of \$289,619;

decreased Measure R Funds of \$545,291 due to increased eligible senior exemptions; increased Secured & Unsecured Property Tax as well as increased RDA (Community Redevelopment Funds) property tax of \$3,746,145 from the Local Control Funding Formula (LCFF); increased Measure GSH & Y revenue in the amount of \$191,562; increased interest earned and local revenue of \$114,030.

Additionally, there were less expenditures due to the following: Unspent Site Stretch Grant & Formula Funds of \$222,400; Unspent Supplies & Textbooks of \$631,622; Unspent Certificated Salaries & Benefits due to Restricted General Fund COVID-19 Funds used of \$2,237,285; Unspent Other Operating Costs (legal, travel, consultants, utilities, repairs) of \$1,223,845; and Unspent Capital Outlay for Busses and Trucks due to supply chain issues of \$619,156. Lastly, it is important to note that the District spent all required Local Control Accountability Plan (LCAP) Supplemental Grant funds per the LCFF calculation in the amount of \$4,327,590 on the District’s targeted populations. The amount spent was in excess of the required amount by \$167,152 for a total expenditure of \$4,494,742.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget in order to reflect and accurately project changes in revenues and expenditures. The final amendment and Fourth Budget Revision was adopted by the Board of Education on June 22, 2022 for the 2021-2022 Budget. This final budget adjustment mainly perfects the projection of the LCFF Revenue, Local Revenue, and any change in the Local General Fund Contribution to Special Education. These projections are based on a combination of receipts and scheduled apportionments. (A schedule showing the District’s original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 70).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2022, the District had \$929,872,155 in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of \$107,066,911, or 13.0%, from last year (Table 5).

Table 5

	Governmental Activities	
	2022	2021
Land and construction in progress	\$ 337,573,123	\$ 455,151,291
Buildings and improvements	577,318,151	359,602,926
Equipment	14,980,881	8,051,027
Total	\$ 929,872,155	\$ 822,805,244

Long-Term Liabilities other than OPEB and Pensions

At the end of this year, the District had \$1,020,852,123 in long-term liabilities other than pension and OPEB outstanding versus \$778,986,962 last year, an increase of 31.0%. That increase is largely attributed to the issuance of general obligation bonds. See Note 10 for additional information. Long-term liabilities consisted of:

Table 6

	Governmental Activities	
	2022	2021
Long-Term Liabilities		
General obligation bonds	\$ 922,138,830	\$ 695,374,918
Certificates of participation	30,441,623	32,383,745
Unamortized premiums/(discounts)	64,663,160	46,757,866
Supplemental early retirement	2,004,790	3,044,904
Compensated absences	1,603,720	1,425,529
Total	\$ 1,020,852,123	\$ 778,986,962

As of April 21, 2021, Moody's Investors Service rates the District's general obligation bonds at *Aa1* and the certificates of participation at *Aa3*.

Other Post-Employment Benefits (OPEB) and Pensions

At year-end, the District has net other post-employment benefit (OPEB) liabilities of \$50,492,144, versus \$61,688,330 last year, a decrease of \$11,196,186 or 18.1%. See Note 11 for additional information about net other post-employment benefits.

At year-end, the District has an aggregate net pension liability of \$97,888,111, versus \$183,059,575 last year, a decrease of \$85,171,464, or 46.5%. See Note 12 for additional information about pension liabilities.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2022-2023 year, the governing board and management used the following key assumption criteria:

Revenues

The District continues to be a Basic Aid District, also known as a Community Funded District, in fiscal year 2022-2023 for the sixth consecutive year. This occurred as Property Tax revenue exceeded that of the LCFF Entitlement from the State. The District benefits as a Basic Aid District when funded above its computed revenue (LCFF Entitlement) which is triggered by fast growing Property Taxes yielding an annual year-over-year

revenue increase. However, it is difficult to project Property Tax growth making long-term forecasts unreliable. The District does not receive additional funding when enrollment increases (or is higher than estimated). Like many Basic Aid Districts, the District should consider reviewing its "Inter-district Transfer Policy" in addition to adopting a Reserve Board Policy in order to keep higher reserves.

The District anticipates and has received additional State and Federal funding to support instruction and operations during the recovery from the global COVID-19 pandemic. Significant State revenue enhancements include the Learning Recovery Emergency Block Grant as well as the Arts, Music, and Instructional Materials Discretionary Block Grant totaling approximately \$10.8 million.

The District anticipates interest earnings will increase due to surge in market interest rates triggered by market fluctuation.

Expenditures

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the District's Business Office at (310) 450-8338 or by mail at 1651 16th Street, Santa Monica, California 90404.

Santa Monica-Malibu Unified School District
Statement of Net Position
June 30, 2022

	Primary Government <u>Governmental Activities</u>	Component Unit <u>Santa Monica Education Foundation</u>
Assets		
Deposits and investments	\$ 394,503,219	\$ 12,139,170
Receivables	11,584,454	147,821
Internal balances	-	-
Due from other governments	13,337,917	-
Prepaid expense	-	25,645
Deferred items-insurance	-	-
Stores inventories	111,006	-
Lease receivable	33,723,805	-
Other current assets	80,814	-
Capital assets not depreciated	337,573,123	-
Capital assets, net of accumulated depreciation	592,299,032	2,927
Right-to-use leased assets, net of accumulated amortization	-	-
Total assets	<u>1,383,213,370</u>	<u>12,315,563</u>
Deferred Outflows of Resources		
Deferred charge on refunding	21,462,926	-
Deferred outflows of resources related to OPEB	14,662,480	-
Deferred outflows of resources related to pensions	30,328,535	-
Total deferred outflows of resources	<u>66,453,941</u>	<u>-</u>
Liabilities		
Accounts payable and accrued liabilities	33,950,066	267,439
Interest payable	12,100,701	-
Due to other governments	609,742	-
Unearned revenue	2,393,047	14,527
Long-term liabilities		
Long-term liabilities other than OPEB and pensions due within one year	42,747,395	-
Long-term liabilities other than OPEB and pensions due in more than one year	978,104,728	-
Net other postemployment benefits (OPEB) liability	50,492,144	-
Aggregate net pension liability	97,888,111	-
Total liabilities	<u>1,218,285,934</u>	<u>281,966</u>

Santa Monica-Malibu Unified School District
Statement of Net Position
June 30, 2022

	Primary Government <u>Governmental Activities</u>	Component Unit <u>Santa Monica Education Foundation</u>
Deferred Inflows of Resources		
Deferred charge on refunding	\$ 3,696,089	\$ -
Deferred inflows of resources related to OPEB	16,427,317	-
Deferred inflows of resources related to pensions	76,635,509	-
Deferred inflows of resources related to leases	<u>33,723,805</u>	<u>-</u>
Total deferred inflows of resources	<u>130,482,720</u>	<u>-</u>
Net Position		
Net investment in capital assets	192,821,654	2,927
Restricted for		
Debt service	40,554,905	-
Capital projects	5,402,473	-
Educational programs	8,208,606	-
Retiree benefits	488,419	-
Restricted for endowments and other activities	2,958,428	11,028,815
Unrestricted (deficit)	<u>(149,535,828)</u>	<u>1,001,855</u>
Total net position	<u>\$ 100,898,657</u>	<u>\$ 12,033,597</u>

Santa Monica-Malibu Unified School District
Statement of Activities
Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position	
		Charges for Services and Sales	Operating Grants and Contributions	Primary Governmental Activities	Component Unit Santa Monica Education Foundation
Governmental Activities					
Instruction	\$ 100,302,443	\$ 908,229	\$ 45,115,579	\$ (54,278,635)	\$ -
Instruction-related activities					
Supervision of instruction	7,043,272	146,087	1,168,701	(5,728,484)	-
Instructional library, media, and technology	1,404,209	118	30,088	(1,374,003)	-
School site administration	10,502,799	190,954	968,214	(9,343,631)	-
Pupil services					
Home-to-school transportation	1,775,208	-	22,274	(1,752,934)	-
Food services	3,827,477	158,090	4,177,721	508,334	-
All other pupil services	13,356,610	45,772	3,413,388	(9,897,450)	-
Administration					
Data processing	1,379,673	-	-	(1,379,673)	-
All other administration	11,205,503	109,306	711,947	(10,384,250)	-
Plant services	(7,184,328)	68,067	1,342,000	8,594,395	-
Ancillary services	805,276	115	563,490	(241,671)	-
Community services	2,402,745	1,682,087	362,825	(357,833)	-
Enterprise services	1,465,383	-	-	(1,465,383)	-
Interest on long-term liabilities	28,562,268	-	-	(28,562,268)	-
Other outgo	62,712	1,690,057	18,335,818	19,963,163	-
Depreciation and amortization (unallocated)	20,071,196	-	-	(20,071,196)	-
Total governmental activities	\$ 196,982,446	\$ 4,998,882	\$ 76,212,045	(115,771,519)	-
Component Unit					
Program services	\$ 612,429	\$ -	\$ 3,170,711	-	2,558,282
Management and general	148,446	-	-	-	(148,446)
Fundraising	597,667	-	-	-	(597,667)
Total component unit	\$ 1,358,542	\$ -	\$ 3,170,711	-	1,812,169
General Revenues and Subventions					
Property taxes, levied for general purposes				102,930,406	-
Property taxes, levied for debt service				58,182,533	-
Taxes levied for other specific purposes				18,564,300	-
Federal and State aid not restricted to specific purposes				12,684,429	-
Interest and investment earnings (loss)				(14,327,602)	(1,325,487)
Miscellaneous				5,043,247	-
Subtotal, general revenues and subventions				183,077,313	(1,325,487)
Change in Net Position				67,305,794	486,682
Net Position - Beginning, as restated				33,592,863	11,546,915
Net Position - Ending				<u>\$ 100,898,657</u>	<u>\$ 12,033,597</u>

Santa Monica-Malibu Unified School District
Balance Sheet – Governmental Funds
June 30, 2022

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Deposits and investments	\$ 53,067,900	\$ 253,588,610	\$ 52,655,606	\$ 35,191,103	\$ 394,503,219
Receivables	10,356,831	757,299	-	470,324	11,584,454
Due from other governments	11,651,605	-	-	1,686,312	13,337,917
Stores inventories	-	-	-	111,006	111,006
Other current assets	80,814	-	-	-	80,814
Lease receivables	33,723,805	-	-	-	33,723,805
Total assets	\$ 108,880,955	\$ 254,345,909	\$ 52,655,606	\$ 37,458,745	\$ 453,341,215
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	\$ 17,257,436	\$ 11,821,621	\$ -	\$ 4,871,009	\$ 33,950,066
Due to other governments	151,856	-	-	457,886	609,742
Unearned revenue	2,274,243	-	-	118,804	2,393,047
Total liabilities	19,683,535	11,821,621	-	5,447,699	36,952,855
Deferred Inflows of Resources					
Deferred inflows of resources related to leases	33,723,805	-	-	-	33,723,805
Fund Balances					
Nonspendable	20,005	-	-	111,006	131,011
Restricted	8,697,025	242,524,288	52,655,606	15,561,385	319,438,304
Committed	-	-	-	1,341,284	1,341,284
Assigned	-	-	-	14,997,371	14,997,371
Unassigned	46,756,585	-	-	-	46,756,585
Total fund balances	55,473,615	242,524,288	52,655,606	32,011,046	382,664,555
Total liabilities, deferred inflows of resources, and fund balances	\$ 108,880,955	\$ 254,345,909	\$ 52,655,606	\$ 37,458,745	\$ 453,341,215

Santa Monica-Malibu Unified School District
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2022

Total Fund Balance - Governmental Funds		\$ 382,664,555
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 1,146,782,168	
Accumulated depreciation is	<u>(216,910,013)</u>	
Net capital assets		929,872,155
In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred.		
		(12,100,701)
Deferred outflows of resources represent a consumption of net position in a future period and are not reported in the governmental funds. Deferred outflows of resources amounted to and related to		
Deferred charge on refunding	21,462,926	
Net other postemployment benefits (OPEB) liability	14,662,480	
Aggregate net pension liability	<u>30,328,535</u>	
Total deferred outflows of resources		66,453,941
Deferred inflows of resources represent an acquisition of net position that applies to a future period and are not reported in the governmental funds. Deferred inflows of resources amount to and related to		
Deferred charge on refunding	(3,696,089)	
Net other postemployment benefits (OPEB) liability	(16,427,317)	
Aggregate net pension liability	<u>(76,635,509)</u>	
Total deferred inflows of resources		(96,758,915)
Aggregate net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		
		(97,888,111)
The District's net OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		
		(50,492,144)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of		
General obligation bonds	(912,984,649)	
Unamortized premium on issuance	(60,629,720)	
Unamortized discount on issuance	17,987	
Certificates of participation	(26,894,301)	
Unamortized premium on issuance	(4,051,427)	
Compensated absences (vacations)	(1,603,720)	
Supplemental early retirement program	(2,004,790)	
In addition, capital appreciation general obligation bonds and certificates of participation were issued. The accretion of interest to date is	<u>(12,701,503)</u>	
Total long-term liabilities		<u>(1,020,852,123)</u>
Total net position - governmental activities		<u>\$ 100,898,657</u>

Santa Monica-Malibu Unified School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2022

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Local Control Funding Formula					
State apportionments	\$ 8,585,843	\$ -	\$ -	\$ -	\$ 8,585,843
Education protection account	1,969,200	-	-	-	1,969,200
Local sources	102,613,698	-	-	-	102,613,698
Federal sources	12,257,139	-	-	3,833,188	16,090,327
Other State sources	18,100,239	-	73,417	4,022,839	22,196,495
Other local sources	57,710,940	(3,643,980)	56,608,190	8,775,253	119,450,403
Total revenues	201,237,059	(3,643,980)	56,681,607	16,631,280	270,905,966
Expenditures					
Current					
Instruction	107,833,925	-	-	4,008,973	111,842,898
Instruction-related activities					
Supervision of instruction	7,313,415	-	-	507,500	7,820,915
Instructional library, media, and technology	1,548,275	-	-	-	1,548,275
School site administration	10,674,660	-	-	1,000,238	11,674,898
Pupil services					
Home-to-school transportation	1,915,637	-	-	-	1,915,637
Food services	271,953	-	-	3,670,359	3,942,312
All other pupil services	14,607,848	-	-	165,406	14,773,254
Administration					
Data processing	1,393,728	-	-	-	1,393,728
All other administration	12,151,775	-	-	554,178	12,705,953
Plant services	20,379,546	119,745	-	2,278,517	22,777,808
Ancillary services	831,201	-	-	18,503	849,704
Community services	2,511,792	-	-	-	2,511,792
Other outgo	62,712	-	-	-	62,712
Enterprise services	1,465,383	-	-	-	1,465,383
Facility acquisition and construction	10,321	89,589,271	-	8,467,928	98,067,520
Debt service					
Principal	-	-	67,745,000	2,275,000	70,020,000
Interest and other	-	577,500	27,487,341	1,016,200	29,081,041
Total expenditures	182,972,171	90,286,516	95,232,341	23,962,802	392,453,830
Excess (Deficiency) of Revenues Over Expenditures	18,264,888	(93,930,496)	(38,550,734)	(7,331,522)	(121,547,864)
Other Financing Sources (Uses)					
Transfers in	-	-	-	2,200,000	2,200,000
Other sources - proceeds from bond issuance	-	280,000,000	122,170,000	-	402,170,000
Other sources - premium on bond issuance	-	-	29,604,765	-	29,604,765
Transfers out	(2,200,000)	-	-	-	(2,200,000)
Other uses - payment to refunded bond escrow agent	-	-	(121,363,881)	-	(121,363,881)
Net Financing Sources (Uses)	(2,200,000)	280,000,000	30,410,884	2,200,000	310,410,884
Net Change in Fund Balances	16,064,888	186,069,504	(8,139,850)	(5,131,522)	188,863,020
Fund Balance - Beginning, as restated	39,408,727	56,454,784	60,795,456	37,142,568	193,801,535
Fund Balance - Ending	\$ 55,473,615	\$ 242,524,288	\$ 52,655,606	\$ 32,011,046	\$ 382,664,555

Santa Monica-Malibu Unified School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
Year Ended June 30, 2022

Total Net Change in Fund Balances - Governmental Funds \$ 188,863,020

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which capital outlays exceed depreciation and amortization expenses in the Statement of Activities

Capital outlays	\$ 133,367,794
Depreciation	<u>(20,071,196)</u>

Net expense adjustment 113,296,598

The District issued capital appreciation general obligations bonds. The accretion of interest on the general obligation bonds during the current fiscal year was (878,912)

The District issued capital appreciation certificates of participation. The accretion of interest on the certificates of participation during the current fiscal year was (332,879)

Certain costs capitalized as construction in progress were subsequently written off. These amounts are reported in the government-wide Statement of Activities, but are not recorded in the governmental funds. (6,229,687)

In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) and early retirement incentives, are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between vacation and early retirement incentives earned and used. 861,923

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year. 13,396,541

Santa Monica-Malibu Unified School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
Year Ended June 30, 2022

<p>In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and aggregate net OPEB liability during the year.</p>	\$ (3,010,490)
<p>Proceeds received from general obligation bonds are revenues in the governmental funds, but they increase long-term liabilities in the Statement of Net Position and do not affect the Statement of Activities.</p>	(402,170,000)
<p>Governmental funds report the effect of premiums, discounts, and the deferred charge on refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.</p>	
Premium on issuance recognized	(29,604,765)
Deferred charge on refunding recognized	4,680,322
Premium amortization	11,701,225
Discount amortization	(1,754)
Deferred charge on refunding amortization	(787,543)
<p>Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.</p>	
General obligation bonds	176,285,000
Certificates of participation	2,275,000
<p>Interest on long-term liabilities is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accretes or accrues, regardless of when it is due.</p>	(1,037,805)
Change in net position of governmental activities	<u>\$ 67,305,794</u>

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

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

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

Component Units

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

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

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

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

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

A portion of the District's Fund 71, Retiree Benefit Fund, does not meet the definition of an OPEB trust fund, as portion of the monies held in Fund 71 are not currently in an irrevocable trust. As a result, these funds are consolidated into the General Fund for financial reporting purposes and the General Fund reflects an increase in fund balance of \$488,419.

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

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

Non-Major Governmental Funds

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

- **Student Activity Fund** The Student Activity Fund is used to account separately for the operating activities of the associated student body accounts that are not fiduciary in nature, including student clubs, general operations, athletics, and other student body activities.
- **Adult Education Fund** The Adult Education Fund is used to account separately for Federal, State, and local revenues that are restricted or committed for adult education programs and is to be expended for adult education purposes only.
- **Child Development Fund** The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.
- **Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).
- **Deferred Maintenance Fund** The Deferred Maintenance Fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (*Education Code* Section 17582).

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

- **Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and Government Code Section 65995 et seq.). Expenditures are restricted to the purposes specified in Government Code Sections 65970-65981 or to the items specified in agreements with the developer (Government Code Section 66006).
- **County School Facilities Fund** The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State Schools Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

- **Special Reserve Fund for Capital Outlay Projects** The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

Basis of Accounting - Measurement Focus

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

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

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

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

- **Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

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

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

Unearned Revenue Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized.

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

Investments

Investments with original maturities greater than one year at the time of purchase are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county pool is determined by the program sponsor.

Prepaid Expenditures (Expenses)

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

Stores Inventories

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

Capital Assets and Depreciation

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

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

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

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2022.

The District records the value of intangible right-to-use assets based on the underlying leased asset in accordance with GASB Statement No. 87, *Leases*. The right-to-use intangible asset is amortized each year for the term of the contract.

Interfund Balances

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

Compensated Absences

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

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Accrued Liabilities and Long-Term Liabilities

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

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

Debt Issuance Costs, Premiums and Discounts

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt, for pension related items, and for OPEB related items.

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Leases

The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Fund Balances - Governmental Funds

As of June 30, 2022, fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

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

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings and related deferred outflows and inflows of resources that are attributable to the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$57,612,831 of net position restricted by enabling legislation.

Interfund Activity

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

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Property Tax

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

Change in Accounting Principles**Implementation of GASB Statement No. 87**

As of July 1, 2021, the District adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. The standard requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

Implementation of GASB Statement No. 92

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

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reporting.
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan.

- The applicability of Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits.
- The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements.
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition.
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers.
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature.
- Terminology used to refer to derivative instruments.

The requirements of this Statement are effective as follows:

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

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

Implementation of GASB Statement No. 93

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

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

- Clarifying the definition of reference rate, as it is used in Statement 53, as amended.
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

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

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2022, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 394,503,219
Component unit - Santa Monica Education Foundation*	<u>12,139,170</u>
Total deposits and investments	<u><u>\$ 406,642,389</u></u>

Deposits and investments as of June 30, 2022, consist of the following:

Cash on hand and in banks	\$ 2,345,656
Cash in revolving	20,005
Investments	<u>404,276,728</u>
Total deposits and investments	<u><u>\$ 406,642,389</u></u>

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

Cash and cash equivalents	\$ 1,679,704
Investments	
Bond funds	3,384,209
Mutual funds	2,374,710
Foreign stock funds	1,263,228
Other domestic stock funds	<u>3,437,319</u>
Total deposits and investments	<u><u>\$ 12,139,170</u></u>

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Pool. The District maintains an investment of \$386,616,778 (cost basis of \$403,310,602 less fair market value loss adjustment of \$16,693,824) with the Los Angeles County Treasury Investment Pool that has an average weighted maturity of 993 days. In addition, the District's investments of \$6,613,165 in First American Government Obligations Money Market Funds and \$587,319 in Allspring Money Market Fund have average weighted maturities of 16 days and 45 days, respectively.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the Los Angeles County Treasury Investment Pool is not required to be rated, nor has it been rated as of June 30, 2022. The District's investment in First American Government Obligations Money Market Funds and Allspring Money Market Funds have been rated Aaa-mf by Moody's Investor Services.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2022, the District's bank balance of \$449,197, that was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 3 - Fair Value Measurements

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

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

- Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

The District's fair value measurements are as follows at June 30, 2022:

Investment Type	Reported Amount	Fair Value Measurements Using Level 1 Inputs
Santa Monica Education Foundation		
Bond funds	\$ 3,384,209	\$ 3,384,209
Mutual funds	2,374,710	2,374,710
Foreign stock funds	1,263,228	1,263,228
Other domestic stock funds	3,437,319	3,437,319
Total	\$ 10,459,466	\$ 10,459,466

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

Note 4 - Receivables and Due from other Governments

Receivables and amounts due from other governments at June 30, 2022, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Federal Government				
Categorical aid	\$ 8,575,717	\$ -	\$ 1,072,114	\$ 9,647,831
State Government				
Categorical aid	2,491,836	-	614,198	3,106,034
Lottery	584,052	-	-	584,052
Local Government				
Interest	42,326	757,299	75,334	874,959
Other LEAs	107,049	-	-	107,049
Other local sources	10,207,456	-	394,990	10,602,446
Total	\$ 22,008,436	\$ 757,299	\$ 2,156,636	\$ 24,922,371

Note 5 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 15,122,223	\$ -	\$ -	\$ 15,122,223
Construction in progress	440,029,068	95,953,575	(213,531,743)	322,450,900
Total capital assets not being depreciated	455,151,291	95,953,575	(213,531,743)	337,573,123
Capital assets being depreciated				
Land improvements	89,934,206	31,419,807	-	121,354,013
Buildings and improvements	446,493,176	204,846,864	-	651,340,040
Furniture and equipment	28,125,751	8,449,604	(60,363)	36,514,992
Total capital assets being depreciated	564,553,133	244,716,275	(60,363)	809,209,045
Total capital assets	1,019,704,424	340,669,850	(213,592,106)	1,146,782,168
Accumulated depreciation				
Land improvements	(19,597,541)	(3,220,718)	-	(22,818,259)
Buildings and improvements	(157,226,915)	(15,330,728)	-	(172,557,643)
Furniture and equipment	(20,074,724)	(1,519,750)	60,363	(21,534,111)
Total accumulated depreciation	(196,899,180)	(20,071,196)	60,363	(216,910,013)
Net depreciable capital assets	367,653,953	224,645,079	-	592,299,032
Governmental activities capital assets	\$ 822,805,244	\$ 320,598,654	\$ (213,531,743)	\$ 929,872,155

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

Note 6 - Lease Receivables

The District has entered into lease agreements with various lessees. The lease receivables are summarized below:

<u>Lease Receivable</u>	<u>Outstanding July 1, 2021 as restated</u>	<u>Addition</u>	<u>Deletion</u>	<u>Outstanding June 30, 2022</u>
Santa Monica College	\$ 20,651,429	\$ -	\$ (281,133)	\$ 20,370,296
Santa Monica Hotel Group	<u>13,614,792</u>	<u>-</u>	<u>(261,283)</u>	<u>13,353,509</u>
Total	<u>\$ 34,266,221</u>	<u>\$ -</u>	<u>\$ (542,416)</u>	<u>\$ 33,723,805</u>

Santa Monica College

The District leases a former school site in the City of Santa Monica to Santa Monica City College. The current lease is in place until the year 2056. The agreement allows for adjustments to the lease payments every five years, with increases based on the cost-of-living adjustment for community colleges, as approved by the State Legislature. During the fiscal year, the District recognized \$281,133 in lease revenue and \$722,800 in interest revenue related to this agreement. At June 30, 2022, the District recorded \$20,370,296 in lease receivables and deferred inflows of resources for these arrangements. The District used an interest rate of 3.5%, based on the rates available to finance real estate over the same time period.

Santa Monica Hotel Group

The District leases land in the City of Santa Monica to a hotel operating group. The current lease is in place until the year 2051. The agreement allows for adjustments to the lease payments every five years, with increases based on the consumer price index. During the fiscal year, the District recognized \$261,283 in lease revenue and \$472,355 in interest revenue related to this agreement. At June 30, 2022, the District recorded \$13,353,509 in lease receivables and deferred inflows of resources for these arrangements. The District used an interest rate of 3.5%, based on the rates available to finance real estate over the same time period.

Note 7 - Interfund Transactions

Operating Transfers

Interfund transfers for the year ended June 30, 2022, consisted of the following:

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

Note 8 - Accounts Payable and Due to other Governments

Accounts payable and amounts due to other governments at June 30, 2022, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Salaries and benefits	\$ 12,945,710	\$ 378,407	\$ 2,280,408	\$ 15,604,525
Services	3,121,620	-	14,763	3,136,383
Supplies	199,031	-	172,810	371,841
Construction	80,153	11,443,214	2,403,028	13,926,395
Special education contracts	698,047	-	-	698,047
Other vendor payables	212,875	-	-	212,875
Due to other governments	151,856	-	457,886	609,742
Total	<u><u>\$ 17,409,292</u></u>	<u><u>\$ 11,821,621</u></u>	<u><u>\$ 5,328,895</u></u>	<u><u>\$ 34,559,808</u></u>

Note 9 - Unearned Revenue

Unearned revenue at June 30, 2022, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	\$ 256,312	\$ -	\$ 256,312
State categorical aid	1,180,101	50,966	1,231,067
Other local	837,830	67,838	905,668
Total	<u><u>\$ 2,274,243</u></u>	<u><u>\$ 118,804</u></u>	<u><u>\$ 2,393,047</u></u>

Note 10 - Long-Term Liabilities Other than OPEB and Pensions

Summary

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

	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022	Due in One Year
Long-Term Liabilities					
General obligation bonds	\$ 695,374,918	\$ 403,048,912	\$ (176,285,000)	\$ 922,138,830	\$ 39,125,000
Certificates of participation	32,383,745	332,878	(2,275,000)	30,441,623	2,620,000
Unamortized debt premiums	46,777,607	29,604,765	(11,701,225)	64,681,147	-
Unamortized debt discounts	(19,741)	-	1,754	(17,987)	-
Supplemental early retirement liability	3,044,904	-	(1,040,114)	2,004,790	1,002,395
Compensated absences	1,425,529	178,191	-	1,603,720	-
Total	\$ 778,986,962	\$ 433,164,746	\$ (191,299,585)	\$ 1,020,852,123	\$ 42,747,395

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

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2021	Issued	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2022
6/17/1999	8/1/2023	3.20-5.50%	\$ 38,000,034	\$ 19,349,918	\$ -	\$ 878,912	\$ (7,280,000)	\$ 12,948,830
2/7/2013	8/1/2032	2.00-5.00%	45,425,000	15,830,000	-	-	(11,530,000)	4,300,000
4/3/2013	7/1/2037	0.17-5.00%	82,995,327	5,760,000	-	-	(3,740,000)	2,020,000
7/7/2015	8/1/2040	2.00-5.00%	60,000,000	4,515,000	-	-	(4,515,000)	-
12/10/2015	8/1/2034	3.25-5.00%	47,915,000	46,035,000	-	-	(35,685,000)	10,350,000
10/11/2016	7/1/2035	1.00-4.00%	28,190,000	26,895,000	-	-	(1,590,000)	25,305,000
10/11/2016	7/1/2032	3.00%	660,000	660,000	-	-	-	660,000
10/11/2016	7/1/2035	2.00-4.00%	52,140,000	52,140,000	-	-	(115,000)	52,025,000
6/21/2017	7/1/2042	3.125-5.00%	60,000,000	34,050,000	-	-	-	34,050,000
9/6/2018	8/1/2043	3.00-5.00%	120,000,000	70,945,000	-	-	(59,875,000)	11,070,000
10/2/2019	8/1/2049	2.00-4.00%	110,000,000	95,635,000	-	-	(15,555,000)	80,080,000
10/2/2019	8/1/2049	2.00-4.00%	35,000,000	29,990,000	-	-	(5,855,000)	24,135,000
11/6/2019	8/1/2036	3.00-4.00%	115,000,000	115,000,000	-	-	-	115,000,000
11/6/2019	8/1/2043	1.59-3.114%	105,915,000	103,850,000	-	-	(950,000)	102,900,000
7/14/2020	7/1/2040	0.301-2.314%	74,720,000	74,720,000	-	-	(965,000)	73,755,000
7/1/2021	8/1/2050	0.012-4.00%	200,000,000	-	200,000,000	-	(20,450,000)	179,550,000
7/1/2021	8/1/2050	0.012-4.00%	80,000,000	-	80,000,000	-	(8,180,000)	71,820,000
9/1/2021	8/1/2038	0.0142-2.424%	122,170,000	-	122,170,000	-	-	122,170,000
				\$ 695,374,918	\$ 402,170,000	\$ 878,912	\$ (176,285,000)	\$ 922,138,830

Election of 1998, Series 1999

On June 17, 1999, the District issued \$38,000,034 aggregate principal amount of the Election of 1998 General Obligation Bonds. The 1998 Bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting by \$40,379,966, and an aggregate principal debt service balance of \$78,380,000. The bonds have a final maturity on August 1, 2023, with interest rates ranging from 3.20% to 5.50%. Proceeds from the sale of the bonds were used for construction and renovation of school facilities and to pay the costs of issuance of the Bonds. At June 30, 2022, the principal balance outstanding was \$12,948,830.

2013 General Obligation Refunding Bonds

On February 7, 2013, the District issued the 2013 General Obligation Refunding Bonds in the amount of \$45,425,000. The 2013 General Obligation Refunding Bonds were issued as current interest bonds and have a final maturity on August 1, 2032, with interest rates ranging from 2.00% to 5.00%. Proceeds from the sale of the bonds were used to advance refund the 2006, Series A, General Obligation Bonds and to pay the costs of issuance of the Bonds. In 2021, \$9,715,000 of the 2013 refunding bonds were refunded. At June 30, 2022, the principal balance outstanding was \$4,300,000. The unamortized premium was \$245,015.

Election of 2006, Series D

On April 3, 2013, the District issued the Election of 2006, Series D, General Obligation Bonds in the amount of \$82,995,327. The Election of 2006, Series D, Bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting by \$29,174,672, and an aggregate principal debt service balance of \$112,170,000. The bonds mature on July 1, 2037, with interest rates ranging from 0.17% to 5.00%. Proceeds from the sale of the bonds were used to finance the repair, upgrading, acquisition, construction, and equipping of District sites and facilities, and to pay the costs of issuance of the Bonds. In 2019 \$52,805,000 of the Election of 2006, Series D, current interest bonds were refunded. In 2021 \$3,030,000 of the Election of 2006, Series D, current interest bonds were refunded. At June 30, 2022, the principal balance outstanding was \$2,020,000. The unamortized premium was \$83,431.

Election of 2012, Series B

On July 7, 2015, the District issued the Election of 2012, Series B, General Obligation Bonds in the amount of \$60,000,000. The Election of 2012, Series B, Bonds were issued as current interest bonds and have a final maturity on August 1, 2040, with interest rates ranging from 2.00% to 5.00%. Proceeds from the sale of the bonds were used to repair, upgrading, acquisition, construction, and equipping of District sites and facilities, and to pay the costs of issuance of the Bonds. In 2021 \$4,515,000 of the Election of 2012, Series B, current interest bonds were refunded. At June 30, 2022, the principal balance was paid in full.

2015 General Obligation Refunding Bonds (Crossover Refunding)

On December 10, 2015, the District issued the 2015 General Obligation Refunding Bonds in the amount of \$47,915,000. The 2015 General Obligation Refunding Bonds were issued as current interest bonds and have a final maturity on August 1, 2034, with interest rates ranging from 3.25% to 5.00%. Proceeds from the sale of the bonds were used to advance refund, on a crossover basis (crossover date of August 1, 2019), the District's Election of 2006 General Obligation Bonds, Series B-1, and to pay the costs of issuance of the Bonds. In 2021, \$33,610,000 of the 2015 refunding bonds were refunded. At June 30, 2022, the principal balance outstanding was \$10,350,000. The unamortized premium was \$790,563.

2016 General Obligation Refunding Bonds, Series A and Series B

On October 11, 2016, the District issued the 2016 General Obligation Refunding Bonds, Series A and Series B (the Series A and Series B Bonds), in the amounts of \$28,190,000, and \$660,000. The Series A and Series B Bonds were issued as current interest bonds and have final maturities of July 1, 2035, and July 1, 2032, respectively, with interest rates ranging from 1.00% to 4.00%. Proceeds from the sale of the bonds were used to currently refund a portion of the 2006 General Obligation Refunding Bonds; advance refund portions of the District's Election of 2006 General Obligation Bonds, Series C, and Election of 2006 General Obligation Bonds, Series D; pay capitalized interest on the Series A and Series B Bonds; and pay the costs of issuing the Series A Bonds and Series B Bonds. At June 30, 2022, the principal balance outstanding on the Series A Bonds was \$25,305,000, and \$660,000 was outstanding on the Series B Bonds. The unamortized premium on the Series A bonds was \$2,576,411. The unamortized discount on the Series B bonds was \$(17,986). The unamortized gain on the refunding was \$3,587,072.

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

On October 11, 2016, the District issued the 2016 General Obligation Refunding Bonds, Series C, in the amount of \$52,140,000. The 2016 General Obligation Refunding Bonds, Series C, were issued as current interest bonds and have a final maturity on July 1, 2035, with interest rates ranging from 2.00% to 4.00%. Proceeds from the sale of the bonds were used to advance refund, on a crossover basis (crossover date of July 1, 2020), the District's Election of 2006 General Obligation Bonds, Series C-1, and pay the costs of issuance of the Bonds. At June 30, 2022, the principal balance outstanding was \$52,025,000. The unamortized premium was \$5,393,533.

Election of 2012, Series C

On June 21, 2017, the District issued the Election of 2012, Series C, General Obligation Bonds in the amount of \$60,000,000. The Election of 2012, Series C, Bonds were issued as current interest bonds and have a final maturity on July 1, 2042, with interest rates ranging from 3.125% to 5.00%. The net proceeds from the sale of the bonds were used to finance school facilities of the District. At June 30, 2022, the principal balance outstanding was \$34,050,000. The unamortized premium was \$3,619,778.

Election of 2012, Series D

On September 6, 2018, the District issued the Election of 2012, Series D, General Obligation Bonds in the amount of \$120,000,000. The Election of 2012, Series D, Bonds were issued as current interest bonds and have a final maturity on August 1, 2043, with interest rates ranging from 3.00% to 5.00%. The net proceeds from the sale of the bonds were used to finance school facilities of the District. In 2019, \$40,650,000 of the Election of 2012, Series D, current interest bonds were refunded, and in 2021, an additional \$57,670,000 were refunded. At June 30, 2022, the principal balance outstanding was \$11,070,000. The unamortized premium was \$838,861.

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

On October 2, 2019, the District issued the Election of 2018, Series A, General Obligation Bonds in the amount of \$110,000,000. The Election of 2018, Series A, Bonds, SFID No. 1 were issued as current interest bonds and have a final maturity on August 1, 2049, with interest rates ranging from 2.00% to 4.00%. Proceeds from the sale of the bonds were used to improve, repair, and modernize school facilities in the District School Facilities Improvement District No. 1 (Santa Monica schools) and to pay issuance costs of the bonds. At June 30, 2022, the principal balance outstanding was \$80,080,000. The unamortized premium was \$7,136,243.

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

On October 2, 2019, the District issued the Election of 2018, Series A, General Obligation Bonds in the amount of \$35,000,000. The Election of 2018, Series A, Bonds SFID No. 2 were issued as current interest bonds and have a final maturity on August 1, 2049, with interest rates ranging from 2.00% to 4.00%. Proceeds from the sale of the bonds were used to will be used to improve, repair, and modernize school facilities in the District School Facilities Improvement District No. 2 (Malibu schools) and to pay issuance costs of the bonds. At June 30, 2022, the principal balance outstanding was \$24,135,000. The unamortized premium was \$2,291,749.

Election of 2012, Series E

On November 6, 2019, the District issued the Election of 2012, Series E, General Obligation Bonds in the amount of \$115,000,000. The Election of 2012, Series E, Bonds were issued as current interest bonds and have a final maturity on August 1, 2036, with interest rates ranging from 3.00% to 4.00%. Proceeds from the sale of the bonds will be used to improve, repair, and modernize school facilities in the District and to pay issuance costs of the bonds. At June 30, 2022, the principal balance outstanding was \$115,000,000. The unamortized premium was \$9,070,225.

2019 Refunding General Obligation Bonds

On November 6, 2019, the District issued the 2019 Refunding General Obligation Bonds in the amount of \$105,915,000. The 2019 Refunding Bonds were issued as current interest bonds and have a final maturity on August 1, 2043, with interest rates ranging from 1.59% to 3.114%. Net proceeds from the sale of the bonds will be used to refinance on an advance basis certain maturities of the District's outstanding Election of 2006, Series D, General Obligation Bonds, and the Election of 2012, Series D, General Obligation Bonds, and to pay related costs of issuance. At June 30, 2022, the principal balance outstanding was \$102,900,000. The unamortized loss on refunding was \$7,697,985.

2020 Refunding General Obligation Bonds

On July 14, 2020, the District issued the 2020 Refunding General Obligation Bonds in the amount of \$74,720,000. The 2020 Refunding Bonds were issued as current interest bonds and have a final maturity on July 1, 2040, with interest rates ranging from 0.301% to 2.314%. Net proceeds from the sale of the bonds will be used to refinance on an advance basis certain maturities of the District's outstanding Election of 2006, Series D, General Obligation Bonds, the Election of 2012, Series A and B, General Obligation Bonds and the 2013 Refunding Bonds, and to pay related costs of issuance. At June 30, 2022, the principal balance outstanding was \$73,755,000. The unamortized loss on refunding was \$9,314,046.

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

On July 1, 2021, the District issued the Election of 2018, Series B, General Obligation Bonds in the amount of \$200,000,000. The Election of 2018, Series B, Bonds, SFID No. 1 were issued as current interest bonds and have a final maturity on August 1, 2050, with interest rates ranging from 0.012% to 4.00%. Proceeds from the sale of the bonds will be used to improve, repair, and modernize school facilities in the District School Facilities Improvement District No. 1 (Santa Monica schools) and to pay issuance costs of the bonds. At June 30, 2022, the principal balance outstanding was \$179,550,000. The unamortized premium was \$20,416,486.

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

On July 1, 2021, the District issued the Election of 2018, Series B, General Obligation Bonds in the amount of \$80,000,000. The Election of 2018, Series B, Bonds SFID No. 2 were issued as current interest bonds and have a final maturity on August 1, 2050, with interest rates ranging from 0.012% to 4.00%. Proceeds from the sale of the bonds were used to will be used to improve, repair, and modernize school facilities in the District School Facilities Improvement District No. 2 (Malibu schools) and to pay issuance costs of the bonds. At June 30, 2022, the principal balance outstanding was \$71,820,000. The unamortized premium was \$8,167,425.

2021 Refunding General Obligation Bonds

On September 1, 2021, the District issued the 2021 Refunding General Obligation Bonds in the amount of \$122,170,000. The 2021 Refunding Bonds were issued as current interest bonds and have a final maturity on August 1, 2038, with interest rates ranging from 0.0142% to 2.42%. Net proceeds from the sale of the bonds will be used to refinance on an advance basis certain maturities of the District's outstanding Election of 2006, Series D, General Obligation Bonds; the Election of 2012, Series B and D, General Obligation Bonds; and the 2013 and 2015 Refunding Bonds; and to pay related costs of issuance. At June 30, 2022, the principal balance outstanding was \$122,170,000. The unamortized loss on refunding was \$4,450,895.

The refunding resulted in a cumulative cash flow savings of \$7,275,585 over the life of the new debt and an economic gain of \$6,327,655 based on the difference between the present value of the existing debt service requirements and new debt service requirements discounted at 1.72%.

Debt Service Requirements to Maturity

The bonds mature through 2050 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Unaccreted Interest	Current Interest to Maturity	Total
2023	\$ 38,929,580	\$ 195,420	\$ 27,047,788	\$ 66,172,788
2024	36,644,250	495,750	25,936,875	63,076,875
2025	23,215,000	-	25,052,139	48,267,139
2026	21,710,000	-	24,357,912	46,067,912
2027	26,330,000	-	23,702,175	50,032,175
2028-2032	171,625,000	-	106,537,456	278,162,456
2033-2037	237,160,000	-	77,232,655	314,392,655
2038-2042	145,205,000	-	45,717,768	190,922,768
2043-2047	119,845,000	-	23,742,028	143,587,028
2048-2050	101,475,000	-	6,654,465	108,129,465
Total	\$ 922,138,830	\$ 691,170	\$ 385,981,261	\$ 1,308,811,261

Certificates of Participation

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Certificates Outstanding July 1, 2021	Issued	Interest Accreted	Redeemed	Certificates Outstanding June 30, 2022
11/15/2001	5/1/2025	3.50-5.20%	\$ 15,206,501	\$ 6,978,745	\$ -	\$ 332,878	\$ (1,945,000)	\$ 5,366,623
12/3/2020	5/1/2042	4.00%	25,720,000	25,405,000	-	-	(330,000)	25,075,000
				\$ 32,383,745	\$ -	\$ 332,878	\$ (2,275,000)	\$ 30,441,623

Certificates of Participation, 2001 Series C

In November 2001, the Los Angeles County Schools Regionalized Business Services Corporation entered into a sublease in which the Corporation leased to the District certain real property and buildings and improvements thereon. The Corporation issued the 2001 Series C Certificates of Participation consisting of \$10,740,000 current interest certificates and \$4,466,501 capital appreciation certificates, with the value of the capital appreciation certificates accreting by \$8,248,499, and an aggregate principal debt service balance of \$23,455,000. The proceeds of the issue were used to purchase real property in the District. The certificates have a final maturity to occur on May 1, 2025, with interest rates ranging from 3.50 to 5.20%. As of June 30, 2022, the principal balance outstanding was \$5,366,623 and unamortized premium of \$7,453.

2020 Certificates of Participation

In December 2020, the Public Property Financing Corporation entered into a sublease in which the Corporation leased to the District certain real property and buildings and improvements thereon. The Corporation issued the 2020 Certificates of Participation consisting of \$25,720,000 current interest certificates with a premium on issue of \$4,357,589. The proceeds of the issue were used to purchase real property in the District and to pay off the 2010 Refunding Certificates of Participation, Series B. The certificates have a final maturity to occur on May 1, 2043, with an interest rate of 4.00%. As of June 30, 2022, the principal balance outstanding was \$25,075,000 and unamortized premium of \$4,043,974. The unamortized gain on refunding was \$109,017.

Debt Service Requirements to Maturity

The certificates mature through 2025 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Unaccreted Interest	Current Interest to Maturity	Total
2023	\$ 2,561,266	\$ 58,734	\$ 1,003,000	\$ 3,623,000
2024	2,609,530	155,470	976,000	3,741,000
2025	2,230,827	249,173	943,000	3,423,000
2026	600,000	-	921,600	1,521,600
2027	670,000	-	897,600	1,567,600
2028-2032	4,545,000	-	4,024,400	8,569,400
2033-2037	7,000,000	-	2,930,000	9,930,000
2038-2042	10,225,000	-	1,285,600	11,510,600
Total	\$ 30,441,623	\$ 463,377	\$ 12,981,200	\$ 43,886,200

Supplemental Early Retirement Plan

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

At June 30, 2022, future minimum payments on supplemental early retirement incentives were as follows:

Year Ending June 30,	Supplemental Early Retirement
2023	\$ 1,002,395
2024	1,002,395
Total	\$ 2,004,790

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2022, amounted to \$1,603,720.

Note 11 - Net Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2022, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the District Plan:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 49,789,625	\$ 14,662,480	\$ 16,427,317	\$ 4,980,703
Medicare Premium Payment (MPP) Program	702,519	-	-	(201,203)
Total	<u>\$ 50,492,144</u>	<u>\$ 14,662,480</u>	<u>\$ 16,427,317</u>	<u>\$ 4,779,500</u>

The details of the plan are as follows:

District Plan

Plan Administration

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

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

Plan Membership

At July 1, 2021, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	438
Active employees	<u>1,426</u>
Total	<u><u>1,864</u></u>

Benefits Provided

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

Contributions

The contribution requirements of the Plan members and the District are established and may be amended by the District, the Santa Monica-Malibu Classroom Teachers Association (SMMCTA), the Service Employees International Union Local 99 (SEIU), and unrepresented groups. The District contributions are based on pay-as-you-go financing requirements, which include the statutory minimum required monthly premium, plus an administrative fee, on behalf of each retiree. In addition, the District makes supplemental contributions towards eligible retirees’ premiums until age 65 according to the provisions of the District’s agreement with its various employee groups. Any additional contributions are based on availability of funds. For the measurement period of June 30, 2022, the District contributed \$1,769,010 (includes \$303,627 of implicit rate subsidy), to the Plan, all of which was used for current premiums.

Net OPEB Liability of the District

The District’s net OPEB liability of \$49,789,625, was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2021. The components of the net OPEB liability of the District at June 30, 2022, were as follows:

Total OPEB liability	\$ 56,490,262
Plan fiduciary net position	<u>(6,700,637)</u>
Net OPEB liability	<u>\$ 49,789,625</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>11.86%</u>

Actuarial Assumptions

The total OPEB liability in the July 1, 2021 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Salary increases	3.00%, average, including inflation
Investment rate of return	5.00%, net of OPEB plan investment expense, including inflation
Discount rate	3.80%
Healthcare cost trend rates	5.50%

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

The discount rate was based on the yield or index rate for 20-year, tax exempt general obligation bonds with an average rating AA/Aa or higher.

Mortality rates were based on the CalSTRS Experience Analysis (2015-2018). Post-retirement mortality rates were based on the CalPERS Experience study (2000-2019). If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actual experience study for the period July 1, 2019, to June 30, 2021.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance, June 30, 2021	\$ 68,524,532	\$ 7,739,924	\$ 60,784,608
Service cost	3,419,011	-	3,419,011
Interest	1,689,516	-	1,689,516
Employer contributions	-	1,769,010	(1,769,010)
Net investment income	-	(1,032,776)	1,032,776
Difference between expected and actual experience	(8,961,132)	-	(8,961,132)
Changes of assumptions and other inputs	(6,412,655)	-	(6,412,655)
Benefit payments	(1,769,010)	(1,769,010)	-
Administrative expense	-	(6,511)	6,511
Net change in total OPEB liability	(12,034,270)	(1,039,287)	(10,994,983)
Balance, June 30, 2022	\$ 56,490,262	\$ 6,700,637	\$ 49,789,625

Changes of assumptions and other inputs reflect a change in the discount rate from 2.43% in 2021 to 3.80% in 2022 and a change in healthcare cost trends rate from 5.80% in 2021 to 5.50% in 2022.

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

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

<u>Discount Rate</u>	<u>Net OPEB Liability</u>
1% decrease (2.80%)	\$ 58,384,927
Current discount rate (3.80%)	49,789,625
1% increase (4.80%)	42,805,734

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

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

<u>Healthcare Cost Trend Rates</u>	<u>Net OPEB Liability</u>
1% decrease (4.50%)	\$ 41,358,191
Current healthcare cost trend rate (5.50%)	49,789,625
1% increase (6.50%)	60,516,348

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

For the year ended June 30,2022, the District recognized OPEB expense of \$4,980,703. At June 30,2022, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 9,966,822
Changes of assumptions	13,485,961	5,630,624
Net difference between projected and actual earnings on OPEB plan investments	<u>1,176,519</u>	<u>829,871</u>
Total	<u>\$ 14,662,480</u>	<u>\$ 16,427,317</u>

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ 263,351
2023	275,862
2024	258,113
2025	530,566
2026	(81,846)
Thereafter	<u>(3,010,883)</u>
Total	<u>\$ (1,764,837)</u>

Medicare Premium Payment (MPP) Program

Plan Description

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020, annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

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

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

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

Net OPEB Liability and OPEB Expense

At June 30, 2022, the District reported a liability of \$702,519 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. The District’s proportion of the net OPEB liability was based on a projection of the District’s long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District’s proportionate share for the measurement period June 30, 2021 and June 30, 2020, respectively, was 0.1761%, and 0.233%, resulting in a net decrease in the proportionate share of 0.0372%.

For the year ended June 30, 2022, the District recognized OPEB expense of \$(201,203).

Actuarial Methods and Assumptions

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

Measurement Date	June 30, 2021	June 30, 2020
Valuation Date	June 30, 2020	June 30, 2019
Experience Study	July 1, 2015 through June 30, 2018	June 30,-2014 through June 30, 2018
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	2.16%	2.21%
Medicare Part A Premium Cost Trend Rate	4.50%	4.50%
Medicare Part B Premium Cost Trend Rate	5.40%	5.40%

For the valuation as of June 30, 2020, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members’ age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 245 or an average of 0.16% of the potentially eligible population (152,062).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2021, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2021, is 2.16%. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan’s fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 2.16%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2021, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 0.05% from 2.21% as of June 30, 2020.

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

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

<u>Discount Rate</u>	<u>Net OPEB Liability</u>
1% decrease (1.16%)	\$ 744,368
Current discount rate (2.16%)	702,519
1% increase (3.16%)	641,130

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

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

<u>Medicare Costs Trend Rates</u>	<u>Net OPEB Liability</u>
1% decrease (3.50% Part A and 4.40% Part B)	\$ 638,859
Current Medicare costs trend rate (4.50% Part A and 5.40% Part B)	702,519
1% increase (5.50% Part A and 6.40% Part B)	775,503

Note 12 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	\$ 20,005	\$ -	\$ -	\$ -	\$ 20,005
Stores inventories	-	-	-	111,006	111,006
Total nonspendable	<u>20,005</u>	<u>-</u>	<u>-</u>	<u>111,006</u>	<u>131,011</u>
Restricted					
Legally restricted programs	8,208,606	-	-	1,523,027	9,731,633
Retiree benefits	488,419	-	-	-	488,419
Food service	-	-	-	996,261	996,261
Capital projects	-	242,524,288	-	12,602,957	255,127,245
Debt services	-	-	52,655,606	-	52,655,606
Student activities	-	-	-	439,140	439,140
Total restricted	<u>8,697,025</u>	<u>242,524,288</u>	<u>52,655,606</u>	<u>15,561,385</u>	<u>319,438,304</u>
Committed					
Adult education program	-	-	-	245,092	245,092
Deferred maintenance program	-	-	-	1,096,192	1,096,192
Total committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,341,284</u>	<u>1,341,284</u>
Assigned					
Child development	-	-	-	1,524,137	1,524,137
Capital projects	-	-	-	13,473,234	13,473,234
Total assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,997,371</u>	<u>14,997,371</u>
Unassigned					
Reserve for economic uncertainties	46,756,585	-	-	-	46,756,585
Total	<u>\$ 55,473,615</u>	<u>\$ 242,524,288</u>	<u>\$ 52,655,606</u>	<u>\$ 32,011,046</u>	<u>\$ 382,664,555</u>

Note 13 - Risk Management

Property and Liability

The District is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2022, the District contracted the Alliance of Schools for Cooperative Insurance Programs (ASCIP) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2022, the District participated in Schools Linked for Insurance Management (SLIM), an insurance purchasing pool. The intent of SLIM is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in SLIM. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts.

Employee Medical Benefits

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

Note 14 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2022, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 53,323,078	\$ 19,694,582	\$ 56,525,045	\$ 1,471,732
CalPERS	44,565,033	10,633,953	20,110,464	3,699,388
Total	\$ 97,888,111	\$ 30,328,535	\$ 76,635,509	\$ 5,171,120

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2022, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	2% at 60	2% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	60	62
Retirement age	2.0% - 2.4%	2.0% - 2.4%
Monthly benefits as a percentage of eligible compensation	10.25%	10.205%
Required employee contribution rate	16.92%	16.92%
Required employer contribution rate	10.828%	10.828%
Required state contribution rate		

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers’ Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2022, are presented above and the District’s total contributions were \$11,220,655.

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

At June 30, 2022, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share	
Proportionate share of net pension liability	\$ 53,323,078
State’s proportionate share of the net pension liability	<u>26,830,105</u>
Total	<u><u>\$ 80,153,183</u></u>

The net pension liability was measured as of June 30, 2021. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District’s proportionate share for the measurement period June 30, 2021 and June 30, 2020, respectively was 0.1172% and 0.1224%, resulting in a net decrease in the proportionate share of 0.0052%.

Santa Monica-Malibu Unified School District

Notes to Financial Statements

June 30, 2022

For the year ended June 30, 2022, the District recognized pension expense of \$1,471,732. In addition, the District recognized pension expense and revenue of \$917,959 for support provided by the State. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 11,220,655	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	785,037	8,670,429
Differences between projected and actual earnings on pension plan investments	-	42,179,928
Differences between expected and actual experience in the measurement of the total pension liability	133,577	5,674,688
Changes of assumptions	7,555,313	-
Total	\$ 19,694,582	\$ 56,525,045

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ (10,711,173)
2024	(9,797,224)
2025	(10,040,357)
2026	(11,631,174)
Total	\$ (42,179,928)

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2023	\$ 349,834
2024	1,350,586
2025	(2,455,767)
2026	(2,044,602)
2027	(1,624,287)
Thereafter	(1,446,954)
Total	<u><u>\$ (5,871,190)</u></u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020 and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2021, are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public equity	42%	4.8%
Real estate	15%	3.6%
Private equity	13%	6.3%
Fixed income	12%	1.3%
Risk mitigating strategies	10%	1.8%
Inflation sensitive	6%	3.3%
Cash/liquidity	2%	-0.4%

Discount Rate

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

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.10%)	\$ 108,546,701
Current discount rate (7.10%)	53,323,078
1% increase (8.10%)	7,488,525

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP). under the California Public Employees’ Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees’ Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at:
<https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2022, are summarized as follows:

	<u>School Employer Pool (CalPERS)</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	22.91%	22.91%

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2022, are presented above and the total District contributions were \$7,347,006.

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

As of June 30, 2022, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$44,565,033. The net pension liability was measured as of June 30, 2021. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District’s proportionate share for the measurement period June 30, 2021 and June 30, 2020, respectively was 0.2192% and 0.2101%, resulting in a net increase in the proportionate share of 0.0091%.

For the year ended June 30, 2022, the District recognized pension expense of \$3,699,388_. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 7,347,006	\$ -
Change in proportion and differences between contributions made and District’s proportionate share of contributions	1,956,567	2,902,673
Differences between projected and actual earnings on pension plan investments	-	17,102,733
Differences between expected and actual experience in the measurement of the total pension liability	1,330,380	105,058
	<u>10,633,953</u>	<u>20,110,464</u>
Total	<u>\$ 10,633,953</u>	<u>\$ 20,110,464</u>

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ (4,289,350)
2024	(3,944,442)
2025	(4,112,338)
2026	(4,756,603)
Total	<u>\$ (17,102,733)</u>

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ (92,718)
2024	(203,723)
2025	515,931
2026	59,726
Total	<u>\$ 279,216</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020 and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

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

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

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

Discount Rate

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

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.15%)	\$ 75,142,903
Current discount rate (7.15%)	44,565,033
1% increase (8.15%)	19,178,840

Social Security

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

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$7,535,685 (10.828% of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures.

Note 15 - Commitments and Contingencies**Grants**

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2022.

Litigation

The District is currently involved in various litigation that arises from the normal course of business. In the opinion of management and legal counsel, the disposition of these pending litigations is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2022.

Construction Commitments

As of June 30, 2022, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Measure BB Project		
MMHS: New Bldg (Library, Admin & Classrooms): Modernization	\$ 718,206	March 2023
Measure ES Projects		
SAMOHI - Barnum Hall Repairs & Upgrades	628	December 2022
SAMOHI - HVAC & Electrical Project	131,465	December 2022
SAMOHI - Discovery Building	2,006,111	December 2022
Franklin - Window, Floor, Paint & Door Project & HVAC Project	16,961	March 2023
Mckinley - Window, Floor, Paint & Door Project & HVAC Project	87,595	March 2023
Roosevelt - Window, Floor, Paint & Door Project	29,871	March 2023
Olympic - Window, Floor, Paint & Door Project & HVAC Project	42,442	March 2023
JAMS - HVAC & Electrical Project - Phase I	17,500	March 2023
JAMS Auditorium	227,926	March 2023
21st Century	717,338	June 2023
Leadership & Capacity - Building	96,525	June 2023
SAMOHI - Interim Repair/Upgrades	9,641	June 2023
SAMOHI - Campus Plan	92,538	June 2024
Santa Monica Others - Centralized Cost	289,575	June 2024
Centralized Cost - Santa Monica Others (Distributed end of Fiscal Year)	268,934	June 2024
Measure SMS Projects		
Lincoln Bldg G & K Modernization	92,738	December 2022
Lincoln HVAC & Electrical Project	127,082	December 2022
Olympic - Window, Floor, Paint & Door Project & HVAC Project	12,109	December 2022
Edison - Window, Floor, Paint & Door Project & HVAC Project	26,289	December 2022
Grant - HVAC & Electrical Project	680,420	December 2022
Will Rogers - HVAC & Electrical Project	141,841	December 2022
Roosevelt - HVAC & Electrical Project	94,102	December 2022
Obama Center Campus Improvement	6,996	December 2022
Franklin ES - Safety & Security Project	7,080	December 2022
Grant ES - Safety & Security Project	10,244	December 2022
McKinley ES - Safety & Security Project	102,191	December 2022
Roosevelt ES - Safety & Security Project	310,847	December 2022
JAMS - MS Safety & Security Project	231,441	December 2022
Lincoln MS - Safety & Security Project	389,023	December 2022
Obama Center - Safety & Security Project	24,334	December 2022
Washington West - Safety & Security Project	28,746	December 2022
SAMOHI - Safety & Security Project	10,099	December 2022
JAMS Auditorium - Funded from SMS	215,002	March 2023
JAMS Marquee	248,000	June 2023
John Muir/SMASH - Window, Floor, Paint & Door & HVAC Project	341,886	June 2023
Edison Assessment	1,910	June 2023

Santa Monica-Malibu Unified School District

Notes to Financial Statements

June 30, 2022

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Measure SMS Projects (Continued)		
Santa Monica Others - FF&E Project	\$ 52,925	June 2023
Edison ES - FF&E Project	926	June 2023
Franklin ES - FF&E Project	12,635	June 2023
Grant ES - FF&E Project	7,117	June 2023
McKinley ES - FF&E Project	41,560	June 2023
Will Rogers ES - FF&E Project	63,493	June 2023
Roosevelt ES - FF&E Project	37,591	June 2023
JAMS MS - FF&E Project	92,292	June 2023
Lincoln MS - FF&E Project	39,980	June 2023
SAMOHI - FF&E Project	23,004	June 2023
Washington West - FF&E Project	14,023	June 2023
Edison ES - Safety & Security Project	22,400	June 2023
Will Rogers ES - Safety & Security Project	22,400	June 2023
JAMS Middle Schools (MS) Master Planning Assessment	138,934	December 2023
SAMOHI - Interim Repairs/Upgrades Project	368,815	June 2024
JAMS Library	121,425	December 2024
SMASH/Muir ES - FF&E Project	791,809	December 2024
Smash/Muir ES - Safety & Security Project	116,486	December 2024
SAMOHI - Phase 3	112,419,519	June 2025
John Muir/SMASH - Water Intrusion	110,813	June 2025
Franklin ES Master Planning Assessment	675,975	June 2025
Roosevelt ES Master Planning Assessment	1,124,076	June 2025
McKinley ES Master Planning Assessment	1,701,947	June 2025
Grant ES Master Planning Assessment	786,308	June 2025
Will Rogers ES Master Planning Assessment	1,065,452	June 2025
Lincoln Middle Schools (MS) Master Planning Assessment	31,926	June 2026
Safety & Security Projects	103,641	Ongoing
Measure SMS - SMO Centralized Cost	876,076	Ongoing
Measure M Projects		
Webster - HVAC & Electrical Project	55,117	December 2022
Webster - Window, Floor Paint & Door Project	13,034	December 2022
Malibu Elementary Schools Alignment & Playground Project	541,356	December 2022
Webster ES Safety & Security Project	120,475	December 2022
Malibu & Cabrillo HVAC & Electrical	162,550	December 2022
Malibu Elementary FF&E Project	5,191	June 2023
Malibu High FF&E Project	35,298	June 2023
Webster ES FF&E Project	6,149	June 2023
Malibu High Safety & Security Project	79,256	June 2023
Malibu Campus Plan Interim Measures	104,966	December 2023
Malibu Elementary Safety & Security Project	175,093	June 2024
Malibu - new high school	11,866,083	June 2025
Malibu Campus Plan - Phase I	362,929	June 2025
Malibu - Window, Floor Paint, Door, & HVAC Project	693,345	Ongoing
Measure M - Centralized Expenses	257,879	Ongoing
Total	<u>\$ 143,197,905</u>	

Note 16 - Participation in Public Entity Risk Pools, Joint Powers Authorities

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

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

During the year ended June 30, 2022, the District made payments of \$1,322,016, and \$4,141,867, to ASCIP and SLIM, respectively for property and liability and workers' compensation coverage, respectively.

Note 17 - Correction of an Error – Restatement of Prior Year Net Position and Fund Balance

A prior-period adjustment was made as a result of an overstatement of accounts receivable in the June 30, 2021, audited financial statements. The impacts on the beginning net position in the government-wide financial statements and on the beginning fund balance in the General Fund are as follows:

Governmental Activities	
Beginning Net Position previously reported at June 30, 2021	\$ 34,874,833
Overstatement of accounts receivable related to local revenue	<u>(1,281,970)</u>
Net Position - Beginning as Restated July 1, 2021 (before GASB 87 implementation)	<u>\$ 33,592,863</u>
General Fund	
Beginning Fund Balance previously reported at June 30, 2021	\$ 40,690,697
Overstatement of accounts receivable related to local revenue	<u>(1,281,970)</u>
Fund Balance - Beginning as Restated July 1, 2021 (before GASB 87 implementation)	<u>\$ 39,408,727</u>

Note 18 - Adoption of New Accounting Standard – Restatement of Prior Year Net Position

As of July 1, 2021, the District adopted GASB Statement No. 87, Leases. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. The Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Beginning net position was restated to retroactively adopt the provisions of GASB Statement No. 87 as follows:

Governmental Activities	
Beginning Net Position previously reported at June 30, 2021 (before GASB 87 implementation, but after correction of an error)	\$ 33,592,863
Lease receivable	34,266,221
Deferred inflows of resources related to leases	<u>(34,266,221)</u>
Net Position - Beginning as Restated July 1, 2021	<u>\$ 33,592,863</u>
General Fund	
Beginning Fund Balance previously reported at June 30, 2021 (before GASB 87 implementation, but after correction of an error)	\$ 39,408,727
Lease receivable	34,266,221
Deferred inflows of resources related to leases	<u>(34,266,221)</u>
Fund Balance - Beginning as Restated July 1, 2021	<u>\$ 39,408,727</u>



Required Supplementary Information
June 30, 2022

**Santa Monica-Malibu Unified School
District**

Santa Monica-Malibu Unified School District
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
Revenues				
Local Control Funding Formula				
State apportionments	\$ 8,585,843	\$ 8,585,843	\$ 8,585,843	\$ -
Education protection account state aid	2,000,000	2,000,000	1,969,200	(30,800)
Local sources	97,890,662	99,213,969	102,613,698	3,399,729
Federal sources	4,268,000	13,404,261	12,257,139	(1,147,122)
Other State sources	7,424,281	10,433,802	18,100,239	7,666,437
Other local sources	51,528,948	56,397,707	57,710,940	1,313,233
Total revenues ¹	<u>171,697,734</u>	<u>190,035,582</u>	<u>201,237,059</u>	<u>11,201,477</u>
Expenditures				
Current				
Certificated salaries	67,537,872	68,281,979	65,301,351	2,980,628
Classified salaries	33,341,258	31,711,993	33,176,433	(1,464,440)
Employee benefits	47,372,937	45,554,814	51,139,933	(5,585,119)
Books and supplies	3,818,438	8,955,964	7,184,054	1,771,910
Services and operating expenditures	19,706,354	28,427,143	26,432,719	1,994,424
Other outgo	387,975	(583,930)	(377,815)	(206,115)
Capital outlay	(727,271)	761,897	115,496	646,401
Total expenditures ¹	<u>171,437,563</u>	<u>183,109,860</u>	<u>182,972,171</u>	<u>137,689</u>
Excess of Revenues Over Expenditures	<u>260,171</u>	<u>6,925,722</u>	<u>18,264,888</u>	<u>11,339,166</u>
Other Financing Uses				
Transfers out	(4,365,307)	(2,200,000)	(2,200,000)	-
Net Change in Fund Balances	(4,105,136)	4,725,722	16,064,888	11,339,166
Fund Balance - Beginning, as restated	<u>39,408,727</u>	<u>39,408,727</u>	<u>39,408,727</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 35,303,591</u>	<u>\$ 44,134,449</u>	<u>\$ 55,473,615</u>	<u>\$ 11,339,166</u>

¹ On behalf payments of \$7,535,685, are included in the actual revenues and expenditures but have not been included in the budgeted amounts.

Santa Monica-Malibu Unified School District
Schedule of Changes in the District's Net OPEB Liability and Related Ratios
Year Ended June 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability					
Service cost	\$ 3,419,011	\$ 3,020,133	\$ 2,370,918	\$ 2,077,187	\$ 2,016,686
Interest	1,689,516	1,912,637	2,050,071	2,100,375	1,974,060
Difference between expected and actual experience	(8,961,132)	-	(3,264,350)	-	-
Changes of assumptions	(6,412,655)	7,032,656	8,193,212	5,561,651	-
Benefit payments	<u>(1,769,010)</u>	<u>(1,879,864)</u>	<u>(1,906,398)</u>	<u>(1,484,273)</u>	<u>(1,445,115)</u>
Net change in total OPEB liability	(12,034,270)	10,085,562	7,443,453	8,254,940	2,545,631
Total OPEB Liability - Beginning	<u>68,524,532</u>	<u>58,438,970</u>	<u>50,995,517</u>	<u>42,740,577</u>	<u>40,194,946</u>
Total OPEB Liability - Ending (a)	<u>\$ 56,490,262</u>	<u>\$ 68,524,532</u>	<u>\$ 58,438,970</u>	<u>\$ 50,995,517</u>	<u>\$ 42,740,577</u>
Plan Fiduciary Net Position					
Contributions - employer	\$ 1,769,010	\$ 1,879,864	\$ 1,906,398	\$ 1,484,273	\$ 2,445,115
Net investment income	(1,032,776)	1,671,883	209,781	343,772	311,899
Benefit payments	(1,769,010)	(1,879,864)	(1,906,398)	(1,484,273)	(1,445,115)
Administrative expense	<u>(6,511)</u>	<u>(5,918)</u>	<u>(5,051)</u>	<u>(4,713)</u>	<u>(4,176)</u>
Net change in plan fiduciary net position	(1,039,287)	1,665,965	204,730	339,059	1,307,723
Plan Fiduciary Net Position - Beginning	<u>7,739,924</u>	<u>6,073,959</u>	<u>5,869,229</u>	<u>5,530,170</u>	<u>4,222,447</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 6,700,637</u>	<u>\$ 7,739,924</u>	<u>\$ 6,073,959</u>	<u>\$ 5,869,229</u>	<u>\$ 5,530,170</u>
Net OPEB Liability - Ending (a) - (b)	<u>\$ 49,789,625</u>	<u>\$ 60,784,608</u>	<u>\$ 52,365,011</u>	<u>\$ 45,126,288</u>	<u>\$ 37,210,407</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	<u>11.86%</u>	<u>11.30%</u>	<u>10.39%</u>	<u>11.51%</u>	<u>12.94%</u>
Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Net OPEB Liability as a Percentage of Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018

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

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

Santa Monica-Malibu Unified School District
Schedule of the District's Contributions for OPEB
Year Ended June 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 3,704,994	\$ 3,847,353	\$ 3,735,294	\$ 3,767,554	\$ 3,657,819
Contribution in relation to the actuarially determined contribution	<u>1,769,010</u>	<u>1,879,864</u>	<u>1,906,398</u>	<u>1,484,273</u>	<u>2,445,115</u>
Contribution deficiency (excess)	<u>\$ 1,935,984</u>	<u>\$ 1,967,489</u>	<u>\$ 1,828,896</u>	<u>\$ 2,283,281</u>	<u>\$ 1,212,704</u>
Covered payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Contributions as a percentage of covered payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>

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

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

Santa Monica-Malibu Unified School District
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2022

Year ended June 30,	2022	2021	2020	2019	2018
Proportion of the net OPEB liability	0.1761%	0.2133%	0.2183%	0.2230%	0.2314%
Proportionate share of the net OPEB liability	\$ 702,519	\$ 903,722	\$ 812,832	\$ 854,202	\$ 994,653
Covered payroll	N/A ¹				
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹				
Plan fiduciary net position as a percentage of the total OPEB liability	-0.80%	-0.71%	-0.81%	-0.40%	0.01%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

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

Santa Monica-Malibu Unified School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2022

	2022	2021	2020	2019	2018	2017	2016	2015
CalSTRS								
Proportion of the net pension liability	0.1172%	0.1224%	0.1234%	0.1243%	0.1278%	0.1242%	0.1318%	0.1260%
Proportionate share of the net pension liability	\$ 53,323,078	\$ 118,601,908	\$ 111,436,765	\$ 114,272,455	\$ 118,214,471	\$ 100,480,053	\$ 88,739,307	\$ 73,375,330
State's proportionate share of the net pension liability	26,830,105	61,139,298	60,796,195	68,048,603	71,711,086	61,767,308	46,933,185	44,307,192
Total	<u>\$ 80,153,183</u>	<u>\$ 179,741,206</u>	<u>\$ 172,232,960</u>	<u>\$ 182,321,058</u>	<u>\$ 189,925,557</u>	<u>\$ 162,247,361</u>	<u>\$ 135,672,492</u>	<u>\$ 117,682,522</u>
Covered payroll	<u>\$ 64,466,173</u>	<u>\$ 67,297,626</u>	<u>\$ 67,555,147</u>	<u>\$ 67,206,168</u>	<u>\$ 67,800,668</u>	<u>\$ 63,504,492</u>	<u>\$ 60,268,419</u>	<u>57,309,309</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>82.71%</u>	<u>176.23%</u>	<u>164.96%</u>	<u>170.03%</u>	<u>174.36%</u>	<u>158.23%</u>	<u>147.24%</u>	<u>128.03%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>87%</u>	<u>72%</u>	<u>73%</u>	<u>71%</u>	<u>69%</u>	<u>70%</u>	<u>74%</u>	<u>77%</u>
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS								
Proportion of the net pension liability	0.2192%	0.2101%	0.2199%	0.2315%	0.2303%	0.2312%	0.2325%	0.2310%
Proportionate share of the net pension liability	\$ 44,565,033	\$ 64,457,667	\$ 64,090,590	\$ 61,732,127	\$ 54,968,070	\$ 45,665,948	\$ 34,274,607	\$ 26,174,060
Covered payroll	<u>\$ 31,475,087</u>	<u>\$ 30,871,532</u>	<u>\$ 30,586,468</u>	<u>\$ 30,836,411</u>	<u>\$ 29,392,792</u>	<u>\$ 27,759,137</u>	<u>\$ 25,758,704</u>	<u>24,305,768</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>141.59%</u>	<u>208.79%</u>	<u>209.54%</u>	<u>200.19%</u>	<u>187.01%</u>	<u>164.51%</u>	<u>133.06%</u>	<u>107.69%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>81%</u>	<u>70%</u>	<u>70%</u>	<u>71%</u>	<u>72%</u>	<u>74%</u>	<u>79%</u>	<u>83%</u>
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

Santa Monica-Malibu Unified School District
Schedule of the District's Contributions
Year Ended June 30, 2022

	2022	2021	2020	2019	2018	2017	2016	2015
CalSTRS								
Contractually required contribution	\$ 11,220,655	\$ 10,411,287	\$ 11,507,894	\$ 10,997,978	\$ 9,697,850	\$ 8,529,324	\$ 6,814,032	\$ 5,351,837
Less contributions in relation to the contractually required contribution	<u>11,220,655</u>	<u>10,411,287</u>	<u>11,507,894</u>	<u>10,997,978</u>	<u>9,697,850</u>	<u>8,529,324</u>	<u>6,814,032</u>	<u>5,351,837</u>
Contribution deficiency (excess)	<u>\$ -</u>							
Covered payroll	<u>\$ 66,315,928</u>	<u>\$ 64,466,173</u>	<u>\$ 67,297,626</u>	<u>\$ 67,555,147</u>	<u>\$ 67,206,168</u>	<u>\$ 67,800,668</u>	<u>\$ 63,504,492</u>	<u>\$ 60,268,435</u>
Contributions as a percentage of covered payroll	<u>16.92%</u>	<u>16.15%</u>	<u>17.10%</u>	<u>16.28%</u>	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
CalPERS								
Contractually required contribution	\$ 7,347,006	\$ 6,515,343	\$ 6,088,175	\$ 5,524,528	\$ 4,789,203	\$ 4,082,071	\$ 3,288,625	\$ 3,032,060
Less contributions in relation to the contractually required contribution	<u>7,347,006</u>	<u>6,515,343</u>	<u>6,088,175</u>	<u>5,524,528</u>	<u>4,789,203</u>	<u>4,082,071</u>	<u>3,288,625</u>	<u>3,032,060</u>
Contribution deficiency (excess)	<u>\$ -</u>							
Covered payroll	<u>\$ 32,068,992</u>	<u>\$ 31,475,087</u>	<u>\$ 30,871,533</u>	<u>\$ 30,586,469</u>	<u>\$ 30,836,411</u>	<u>\$ 29,392,792</u>	<u>\$ 27,759,137</u>	<u>\$ 25,758,729</u>
Contributions as a percentage of covered payroll	<u>22.910%</u>	<u>20.700%</u>	<u>19.721%</u>	<u>18.0620%</u>	<u>15.5310%</u>	<u>13.8880%</u>	<u>11.8470%</u>	<u>11.7710%</u>

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

Note 1 - Purpose of Schedules

Budgetary Comparison Schedule

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

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

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

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

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

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The discount rate reflects a change from 2.43% to 3.80% and the plan healthcare cost trends rate was changed from 5.80% to 5.50% since the previous valuation.

Schedule of the District's Contributions for OPEB

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

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

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

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The plan rate of investment return assumption was changed from 2.21% to 2.16% since the previous valuation.

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

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

- *Changes in Benefit Terms* – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.
- *Changes of Assumptions* – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of the District's Contributions

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



Supplementary Information
June 30, 2022

Santa Monica-Malibu Unified School District

Santa Monica-Malibu Unified School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed Through California Department of Education (CDE)			
Adult Basic Education and ESL	84.002A	14508	\$ 34,763
Adult Secondary Education	84.002	13978	<u>19,946</u>
Subtotal			<u>54,709</u>
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	1,178,227
ESSA School Improvement (CSI) Funding for LEAs	84.010	15438	<u>75,425</u>
Subtotal			<u>1,253,652</u>
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	44,191
Title II, Part A, Supporting Effective Instruction	84.367	14341	194,492
Title III, English Learner Student Program	84.365	14346	44,898
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	10,815
COVID-19 Education Stabilization Fund			
COVID-19 Elementary and Secondary School Emergency Relief (ESSER)	84.425D	15536	84
COVID-19 Elementary and Secondary School Emergency Relief II (ESSER II)	84.425D	15547	202,996
COVID-19 Elementary and Secondary School Emergency Relief III (ESSER III)	84.425U	15559	6,784,117
COVID-19 Governor's Emergency Education Relief (GEER) Fund	84.425C	15517	<u>272,841</u>
Subtotal COVID-19 Education Stabilization Fund			<u>7,260,038</u>
Passed through Tri-City SELPA			
Special Education (IDEA) Cluster			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	2,268,441
Preschool Grants, Part B, Sec 619	84.173	13430	<u>56,904</u>
Subtotal Special Education (IDEA) Cluster			<u>2,325,345</u>
Early Intervention Grants, Part C	84.181	23761	<u>59,099</u>
Total U.S. Department of Education			<u>11,247,239</u>

Santa Monica-Malibu Unified School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services			
Passed through CDE			
Child Care Development Fund (CCDF) Cluster			
COVID-19 Child Development: ARP California State Preschool Program One-time Stipend	93.575	15640	\$ 47,000
Subtotal CCDF Cluster			<u>47,000</u>
Passed through Los Angeles County Office of Education			
COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) Grant	93.323	[1]	<u>1,061,547</u>
Total U.S. Department of Health and Human Services			<u>1,108,547</u>
Passed through CDE			
Child Nutrition Cluster			
Child Nutrition:			
School Programs (NSL Sec 4)	10.555	13523	1,091,306
School Programs (NSL Sec 11)	10.555	13524	1,495,335
School Programs (School Breakfast Basic)	10.553	13525	87,468
School Programs (School Breakfast Needy)	10.553	13526	445,243
Commodities	10.555	13396	175,908
COVID-19 SNP Emergency Operational Costs			
Reimbursement (ECR)	10.555	15637	86,623
National School Lunch Program - Summer Food Program	10.555	15655	<u>263,241</u>
Total Child Nutrition Cluster			<u>3,645,124</u>
Child and Adult Care Food Program	10.558	13393	57,097
COVID-19 CACFP Emergency Operational Costs			
Reimbursement (ECR)	10.558	15577	<u>29,257</u>
Subtotal			<u>86,354</u>
COVID-19 Pandemic Electronic Benefit Transfer Local			
Administrative Cost Grant	10.649	15644	<u>3,063</u>
Total U.S. Department of Agriculture			<u>3,734,541</u>
Total Federal Financial Assistance			<u>\$ 16,090,327</u>

¹ Pass-Through Entity Identifying Number not available

ORGANIZATION

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

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Maria Leon-Vazquez	President	2024
Dr. Richard Tahvildaran-Jesswein	Vice President	2022
Keith Coleman	Member	Resigned 8/2022
Craig Foster	Member	2022
Jon Kean	Member	2024
Laurie Lieberman	Member	2022
Jennifer Smith	Member	2024

ADMINISTRATION

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

Santa Monica-Malibu Unified School District
Schedule of Average Daily Attendance
Year Ended June 30, 2022

	Final Report	
	Second Period Report 374CEDA3	Annual Report 1878FFE1
Regular ADA		
Transitional kindergarten through third	2,232.26	2,242.78
Fourth through sixth	1,888.07	1,885.66
Seventh and eighth	1,367.64	1,369.30
Ninth through twelfth	2,943.38	2,944.94
Total Regular ADA	8,431.35	8,442.68
Extended Year Special Education		
Transitional kindergarten through third	15.91	15.91
Fourth through sixth	20.87	20.87
Seventh and eighth	13.87	13.87
Ninth through twelfth	8.23	8.23
Total Extended Year Special Education	58.88	58.88
Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	4.18	4.08
Seventh and eighth	4.67	4.86
Ninth through twelfth	6.64	6.96
Total Special Education, Nonpublic, Nonsectarian Schools	15.49	15.90
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.74	0.74
Seventh and eighth	0.19	0.19
Ninth through twelfth	1.06	1.06
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	1.99	1.99
Total ADA	8,507.71	8,519.45

Santa Monica-Malibu Unified School District
 Schedule of Instructional Time
 Year Ended June 30, 2022

Grade Level	1986-1987 Minutes Requirement	2021-2022 Actual Minutes	Number of Minutes Credited Form J-13A	Total Minutes Offered	Traditional Calendar			Multitrack Calendar			Status
					Number of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	Number of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	
Kindergarten	36,000	39,590	-	39,590	180	-	180	-	-	-	Complied
Grades 1 - 3	50,400										
Grade 1		52,180	-	52,180	180	-	180	-	-	-	Complied
Grade 2		52,180	-	52,180	180	-	180	-	-	-	Complied
Grade 3		52,180	-	52,180	180	-	180	-	-	-	Complied
Grades 4 - 8	54,000										
Grade 4		54,310	-	54,310	180	-	180	-	-	-	Complied
Grade 5		54,310	-	54,310	180	-	180	-	-	-	Complied
Grade 6		55,530	-	55,530	180	-	180	-	-	-	Complied
Grade 7		55,530	-	55,530	180	-	180	-	-	-	Complied
Grade 8		55,530	-	55,530	180	-	180	-	-	-	Complied
Grades 9 - 12	64,800										
Grade 9		64,910	-	64,910	180	-	180	-	-	-	Complied
Grade 10		64,910	-	64,910	180	-	180	-	-	-	Complied
Grade 11		64,910	-	64,910	180	-	180	-	-	-	Complied
Grade 12		64,910	-	64,910	180	-	180	-	-	-	Complied

Santa Monica-Malibu Unified School District
 Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
 Year Ended June 30, 2022

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

	General Fund	<u>Non-Major Governmental Funds</u>	
		<u>Student Activity Fund</u>	<u>Special Reserve Fund for Capital Outlay Projects</u>
Fund Balance			
Balance, June 30, 2022, Unaudited Actuals	\$ 54,985,196	\$ 859,448	\$ 21,964,933
Current year changes in Fund 71 reported in the General Fund from consolidation			
Increase in investment	555,895	-	-
Increase in receivables	2,254	-	-
Increase in accounts payable	(69,730)	-	-
Decrease in cash in banks	-	(420,308)	-
Decrease in investment	-	-	(624,451)
Increase in accounts payable	-	-	(666,764)
	<hr/>	<hr/>	<hr/>
Balance, June 30, 2022, Audited Financial Statements	<u>\$ 55,473,615</u>	<u>\$ 439,140</u>	<u>\$ 20,673,718</u>

Santa Monica-Malibu Unified School District
Schedule of Financial Trends and Analysis
Year Ended June 30, 2022

	(Budget) 2023 ¹	2022	2021 ¹	2020 ¹
General Fund ³				
Revenues	\$ 176,686,644	\$ 201,242,037	\$ 190,459,299	\$ 171,818,095
Expenditures	174,330,104	181,506,788	177,076,207	168,620,728
Other uses and transfers out	3,100,000	2,200,000	2,500,000	2,850,000
Total expenditures and other uses	177,430,104	183,706,788	179,576,207	171,470,728
Increase/(Decrease) in Fund Balance	(743,460)	17,535,249	10,883,092	347,367
Prior-period adjustment	-	(1,281,970)	-	-
Ending Fund Balance	\$ 54,241,736	\$ 54,985,196	\$ 38,731,917	\$ 27,848,825
Available Reserves ²	\$ 5,614,311	\$ 46,756,585	\$ 31,699,326	\$ 22,054,105
Available Reserves as a Percentage of Total Outgo	3.16%	25.45%	17.65%	12.86%
Long-Term Liabilities	N/A	\$ 1,169,232,378	\$ 1,023,734,867	\$ 1,073,872,731
K-12 Average Daily Attendance at P-2	8,467	8,508	9,841	9,841

The General Fund balance has increased by \$27,136,371 over the past two years. The fiscal year 2022-2023 budget projects a decrease of \$743,460 (1.35%). For a district this size, the State recommends available reserves of at least 3 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in each of the past three years but anticipates incurring an operating deficit during the 2022-2023 fiscal year. Total long-term liabilities have increased by \$95,359,647 over the past two years.

Average daily attendance has decreased by 1,333 over the past two years. An additional decline of 41 ADA is anticipated during fiscal year 2022-2023.

¹ Financial information for 2023, 2021, and 2020 are included for analytical purposes only and has not been subjected to audit.

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

³ For purposes of this schedule, the General Fund does not include the financial activity related to the consolidation of Fund 71 as required by GASB Statement No. 54.

Santa Monica-Malibu Unified School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2022

	Student Activity Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
Assets					
Deposits and investments	\$ 437,305	\$ 1,184,500	\$ 3,690,510	\$ 722,072	\$ 1,104,194
Receivables	2,006	3,303	7,634	11,595	3,328
Due from other governments	-	19,723	630,844	1,035,745	-
Stores inventories	-	-	-	111,006	-
Total assets	\$ 439,311	\$ 1,207,526	\$ 4,328,988	\$ 1,880,418	\$ 1,107,522
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 171	\$ 151,992	\$ 1,515,576	\$ 773,151	\$ 11,330
Due to other governments	-	-	457,886	-	-
Unearned revenue	-	-	118,804	-	-
Total liabilities	171	151,992	2,092,266	773,151	11,330
Fund Balances					
Nonspendable	-	-	-	111,006	-
Restricted	439,140	810,442	712,585	996,261	-
Committed	-	245,092	-	-	1,096,192
Assigned	-	-	1,524,137	-	-
Total fund balances	439,140	1,055,534	2,236,722	1,107,267	1,096,192
Total liabilities and fund balances	\$ 439,311	\$ 1,207,526	\$ 4,328,988	\$ 1,880,418	\$ 1,107,522

Santa Monica-Malibu Unified School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2022

	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
Assets				
Deposits and investments	\$ 4,992,719	\$ 11,312	\$ 23,048,491	\$ 35,191,103
Receivables	399,266	30	43,162	470,324
Due from other governments	-	-	-	1,686,312
Stores inventories	-	-	-	111,006
Total assets	\$ 5,391,985	\$ 11,342	\$ 23,091,653	\$ 37,458,745
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 854	\$ -	\$ 2,417,935	\$ 4,871,009
Due to other governments	-	-	-	457,886
Unearned revenue	-	-	-	118,804
Total liabilities	854	-	2,417,935	5,447,699
Fund Balances				
Nonspendable	-	-	-	111,006
Restricted	5,391,131	11,342	7,200,484	15,561,385
Committed	-	-	-	1,341,284
Assigned	-	-	13,473,234	14,997,371
Total fund balances	5,391,131	11,342	20,673,718	32,011,046
Total liabilities and fund balances	\$ 5,391,985	\$ 11,342	\$ 23,091,653	\$ 37,458,745

Santa Monica-Malibu Unified School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds
Year Ended June 30, 2022

	Student Activity Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
Revenues					
Federal sources	\$ -	\$ 54,709	\$ 133,355	\$ 3,645,124	\$ -
Other State sources	-	759,509	3,066,889	196,441	-
Other local sources	139,779	(37,936)	2,920,755	107,730	(35,509)
Total revenues	<u>139,779</u>	<u>776,282</u>	<u>6,120,999</u>	<u>3,949,295</u>	<u>(35,509)</u>
Expenditures					
Current					
Instruction	-	238,874	3,770,099	-	-
Instruction-related activities					
Supervision of instruction	-	-	507,500	-	-
School site administration	-	342,269	657,969	-	-
Pupil services					
Food services	-	-	193,986	3,476,373	-
All other pupil services	-	40,191	125,215	-	-
Administration					
All other administration	-	47,502	398,513	108,163	-
Plant services	-	46,301	142,920	-	886,881
Ancillary services	18,503	-	-	-	-
Facility acquisition and construction	-	-	-	-	21,766
Debt service					
Principal	-	-	-	-	-
Interest and other	-	-	-	-	-
Total expenditures	<u>18,503</u>	<u>715,137</u>	<u>5,796,202</u>	<u>3,584,536</u>	<u>908,647</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>121,276</u>	<u>61,145</u>	<u>324,797</u>	<u>364,759</u>	<u>(944,156)</u>
Other Financing Sources					
Transfers in	-	-	1,200,000	-	1,000,000
Net Change in Fund Balances	121,276	61,145	1,524,797	364,759	55,844
Fund Balance - Beginning	<u>317,864</u>	<u>994,389</u>	<u>711,925</u>	<u>742,508</u>	<u>1,040,348</u>
Fund Balance - Ending	<u>\$ 439,140</u>	<u>\$ 1,055,534</u>	<u>\$ 2,236,722</u>	<u>\$ 1,107,267</u>	<u>\$ 1,096,192</u>

Santa Monica-Malibu Unified School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds
Year Ended June 30, 2022

	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
Revenues				
Federal sources	\$ -	\$ -	\$ -	\$ 3,833,188
Other State sources	-	-	-	4,022,839
Other local sources	1,096,043	25,969	4,558,422	8,775,253
Total revenues	<u>1,096,043</u>	<u>25,969</u>	<u>4,558,422</u>	<u>16,631,280</u>
Expenditures				
Current				
Instruction	-	-	-	4,008,973
Instruction-related activities				
Supervision of instruction	-	-	-	507,500
School site administration	-	-	-	1,000,238
Pupil services				
Food services	-	-	-	3,670,359
All other pupil services	-	-	-	165,406
Administration				
All other administration	-	-	-	554,178
Plant services	269,567	-	932,848	2,278,517
Ancillary services	-	-	-	18,503
Facility acquisition and construction	440,095	3,393,535	4,612,532	8,467,928
Debt service				
Principal	-	-	2,275,000	2,275,000
Interest and other	-	-	1,016,200	1,016,200
Total expenditures	<u>709,662</u>	<u>3,393,535</u>	<u>8,836,580</u>	<u>23,962,802</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>386,381</u>	<u>(3,367,566)</u>	<u>(4,278,158)</u>	<u>(7,331,522)</u>
Other Financing Sources				
Transfers in	-	-	-	2,200,000
Net Change in Fund Balances	386,381	(3,367,566)	(4,278,158)	(5,131,522)
Fund Balance - Beginning	<u>5,004,750</u>	<u>3,378,908</u>	<u>24,951,876</u>	<u>37,142,568</u>
Fund Balance - Ending	<u>\$ 5,391,131</u>	<u>\$ 11,342</u>	<u>\$ 20,673,718</u>	<u>\$ 32,011,046</u>

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the schedule) includes the federal award activity of the Santa Monica-Malibu Unified School District (the District) under programs of the federal government for the year ended June 30, 2022. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Santa Monica-Malibu Unified School District, it is not intended to and does not present the net position, changes in net position or fund balance of the Santa Monica-Malibu Unified School District.

Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Indirect Cost Rate

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

Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2022, the fair market value of food commodities in inventory was insignificant.

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District has met its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46207.

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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

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



Independent Auditor's Reports
June 30, 2022

**Santa Monica-Malibu Unified School
District**



Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Santa Monica-Malibu Unified School District (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated December 9, 2022.

Correction of Error

As discussed in Note 17 to the financial statements, certain errors resulting in an overstatement of amounts previously reported for accounts receivable as of June 30, 2021 , were discovered by management of the District during the current year. Accordingly, a restatement has been made to the General Fund balance and government-wide statement of net position as of July 1, 2021, to correct the error. Our opinions are not modified with respect to this matter.

Adoption of New Accounting Standard

As discussed in Notes 1 and 18 to the financial statements, the District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2021, to restate beginning net position. Our opinions are not modified with respect to this matter.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Financial Statement Findings as item 2022-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

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

Santa Monica-Malibu Unified School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying Schedule of Financial Statement Findings and Schedule of State Compliance Findings and Questioned Costs. The District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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



Rancho Cucamonga, California
December 9, 2022



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Santa Monica-Malibu Unified School District’s (the District) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District’s major federal programs for the year ended June 30, 2022. The District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance

requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California
December 9, 2022



Independent Auditor's Report on State Compliance

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

Report on Compliance

Qualified and Unmodified Opinions on State Compliance

We have audited Santa Monica-Malibu Unified School District's (the District) compliance with the requirements specified in the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the District's state program requirements identified below for the year ended June 30, 2022.

Qualified Opinion on Classroom Teacher Salaries

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the District complied, in all material respects, with the state compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2022.

Unmodified Opinion on Each of the Other Programs

In our opinion, the District complied, in all material respects, with the state compliance requirements referred to above for the year ended June 30, 2022, except as described in the accompanying schedule of findings and questioned costs.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Matter Giving Rise to Qualified Opinion on Classroom Teacher Salaries

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding Classroom Teacher Salaries as indicated in finding 2022-002. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements listed in the table below has occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

- Select and test transactions and records to determine the District’s compliance with the state laws and regulations applicable to the following items:

2021-2022 K-12 Audit Guide Procedures	Procedures Performed
Local Education Agencies Other Than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	No, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
School Districts, County Offices of Education, and Charter Schools	
California Clean Energy Jobs Act	No, see below
After/Before School Education and Safety Program	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	No, see below
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Yes
In Person Instruction Grant	Yes
Charter Schools	
Attendance	No, see below
Mode of Instruction	No, see below
Nonclassroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Annual Instructional Minutes - Classroom Based	No, see below
Charter School Facility Grant Program	No, see below

We did not perform procedures for Continuation Education because the average daily attendance for the program was below the materiality level that requires testing.

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

We did not perform Juvenile Court Schools procedures because the program is not offered by the District.

We did not perform Middle or Early College High Schools procedures because the program is not offered by the District.

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

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

We did not perform California Clean Energy Jobs Act procedures because the related procedures were performed in a previous year.

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

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

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

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

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a material weakness.

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 on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a compliance requirement 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 compliance requirements as identified in the table below that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-002 to be a material weakness.

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

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

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

Rancho Cucamonga, California
December 9, 2022



Schedule of Findings and Questioned Costs
June 30, 2022

Santa Monica-Malibu Unified School District

Financial Statements

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

Federal Awards

Internal control over major program	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)	No

Identification of major programs

<u>Name of Federal Program or Cluster</u>	<u>Federal Financial Assistance Listing/ Federal CFDA Number</u>
Special Education (IDEA) Cluster	84.027, 84.173
COVID-19 Education Stabilization Fund	
COVID-19 Elementary and Secondary School Emergency Relief (ESSER)	84.425D
COVID-19 Elementary and Secondary School Emergency Relief II (ESSER II)	84.425D
COVID-19 Elementary and Secondary School Emergency Relief III (ESSER III)	84.425U
COVID-19 Governor's Emergency Education Relief (GEER) Fund	84.425C
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	No

State Compliance

Internal control over state compliance programs	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for programs	Qualified*

*Unmodified for all programs except for the following program which was qualified

 Name of Program

Classroom Teacher Salaries

The following finding represents a material weakness related to the financial statements that is required to be reported in accordance with *Government Auditing Standards*. The finding has been coded as follows:

2022-001 30000 – Internal Control

Criteria or Specific Requirements

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

Condition

During our review of the current year accounts receivable accruals, and through discussion with management, it was determined that a prior year accounts receivable of \$1,281,970 that was accrued, should not have been. As a result, beginning fund balance of the General Fund was restated to correct this error.

During our review of Student Activity Fund (Fund 08) activity in the Non-Major Governmental Funds, we noted that the cash in bank balance was materially incorrect in the Student Activity Fund. The effect of this adjustment was a decrease in the cash in bank balance reported in the amount of \$420,308.

During our review of Special Reserve Fund for Capital Outlay Projects (Fund 40) activity in the Non-Major Governmental Funds, we noted that transactions recorded in the trustee accounts related to the 2020 Certificates of Participation were not included in the Special Reserve Fund for Capital Outlay Projects. The effect of these adjustments was a decrease in the investment balance reported in the amount of \$624,451.

During our review of Special Reserve Fund for Capital Outlay Projects (Fund 40) disbursements subsequent to June 30, 2022, we noted several items that should have been recognized as expenditures for 2021-2022 and accrued as accounts payable at year end but were not. The cumulative effect of these items was an increase in the accounts payable balance in the Building Fund of \$666,764.

Questioned costs

There were no questioned costs associated with the finding.

Context

The conditions were identified as a result of our audit of the financial statement balances as of June 30, 2022. During our review of available District records and audit procedures performed related to current year ending balances, the errors noted were identified.

Effect

The effect of the restatement of beginning fund balance in the General Fund was a decrease in beginning fund balance of \$1,281,970. The related revenue was subsequently recognized in the June 30, 2022 financial statements. There is no net effect on fund balance as of June 30, 2022.

The net effect of the current-year adjustments was a combined decrease in the fund balance of the Non-Major Governmental Funds' of \$1,711,523.

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

Cause

The restatement to beginning fund balance was the result of an audit adjustment in the prior year related to sales tax revenues received from the City of Santa Monica that management subsequently determined should not have been accrued.

The audit adjustments in the current year are due to inadequate review processes related to the preparation of the District's year-end financial statements to determine their proper reporting period for various cash in bank, investment, and accounts payable items, as well as for the proper inclusion of activity related to the issuance of certificates of participation.

Repeat Finding

Yes, see prior year finding 2021-001

Recommendation

The District should ensure a review of year-end activity and closing entries is performed by appropriate District business department personnel prior to closing the books. This review should include a review of accounts payable transactions for completeness and accuracy, review of ASB financial records to ensure they are reported in their entirety, and consideration of other transactions that may not occur in the normal course of business that may require inclusion in the financial statements.

Corrective Action Plan and Views of Responsible Officials

In order to prevent future findings related to accounts payable accruals, and reconciliation of cash in bank for both Fund 08 and Fund 40, District management will ensure staff maintain an active listing of current year activity.

The accrual activity listing will be reviewed at each of the three interim reporting periods throughout the year for First Interim, Second Interim, and Third Budget Revision to ensure accrual adjusting entries are made should the accrual activity materialize. Staff will also validate that the reconciliation between cash in bank for both Funds 08 and 40 are reviewed at the three interim reporting periods as well.

Additionally, during the year-end closing, staff will confirm that all payments have been made prior to the June 30 and any payment not paid by then will be accrued. This additional validation will ensure each accrual entry is accounted for by year-end closing as well as a full reconciliation of cash in banks to the general ledger in Fund 08 and Fund 40.

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

Lastly, a detailed reconciliation of all Non-Major Governmental Funds' cash in banks and investments will be conducted to ensure all activity is reported in the appropriate funds as required. This review will be conducted by staff with a second review by the Assistant Director of Fiscal Services for validation of key data and activities.

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

The responsible parties named by the District to ensure compliance are as follows:

Melody Canady,	Assistant Superintendent of Business & Fiscal Services
Gerardo Cruz,	Director of Fiscal & Business Services
David Chiang,	Assistant Director of Fiscal Services

None reported.

The following finding represents an instance of noncompliance or questioned cost and a material weakness in internal control over compliance that are required to be reported by the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. The finding has been coded as follows:

2022-002 61000 - Classroom Teacher Salaries

Criteria or Specific Requirements

In accordance with *Education Code* section 41372, the District is required to expend at least 55% of General Fund expenditures on classroom teacher salaries.

Condition

In reviewing Form CEA, it was noted that the District did not meet the minimum percentage required for payment of classroom teachers. Form CEA reported total salaries of \$83,198,455, and current expense of education of \$161,119,441. This results in 51.64 percent of the current expense of education reported as those of classroom teachers. This is 3.36 percent lower than the minimum required.

Questioned Costs

There are no questioned costs related to this finding.

Context

In reviewing Form CEA, the auditor noted no manual reductions (overrides in Column 4b). The resulting calculation indicated the District did not meet the minimum required 55% of General Fund expenditures for classroom teacher salaries.

Effect

The noncompliance resulted in the District being deficient by \$5,413,613, or 3.36% of the current expense of education as calculated by the Form CEA.

Cause

As a result of the District receiving significant sources of new funding from the state and federal governments to be used specifically for COVID-19 related expenditures, the District's ratio was not maintained. These one-time funding sources were not eligible for exclusion from the calculation.

Repeat Finding

Yes, see prior year finding 2021-002

Recommendation

The District should consider reviewing this calculation for compliance during interim budget periods and make adjustments where available. In addition, as a result of the new funding that is ineligible for exclusion, the District should consider applying for a waiver for this requirement.

Corrective Action Plan and Views of Responsible Officials

As per *Education Code 41372*, the District is in the process of applying for a waiver for this very unique fiscal circumstance due to the District receiving new funding sources to be used specifically for COVID-19 related expenditures that are not eligible for exclusion from this calculation.

The responsible parties named by the District to ensure compliance are as follows:

Melody Canady,	Assistant Superintendent of Business & Fiscal Services
Gerardo Cruz,	Director of Fiscal & Business Services
David Chiang,	Assistant Director of Fiscal Services

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

Financial Statement Findings

2021-001 30000 – Internal Control

Criteria or Specific Requirements

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

Condition

During our review of General Fund (Fund 01) cash received subsequent to June 30, 2021, we noted an item that should have been recognized as revenue for 2020-2021 and accrued as accounts receivable at year end but was not and an amount that was accrued but should not have been. The net effect of these adjustments was a decrease in the accounts receivable balance in the General Fund of \$436,445. Additionally, we noted an amount of \$837,830 that had been accurately accrued as unearned revenue as of June 30, 2020 but was not reversed and recognized as revenue in the 2020-2021 fiscal year.

During our review of Building Fund (Fund 21) disbursements subsequent to June 30, 2021, we noted several items that should have been recognized as expenditures for 2020-2021 and accrued as accounts payable at year end but were not. The cumulative effect of these items was an increase in the accounts payable balance in the Building Fund of \$643,821.

During our review of Student Activity Fund (Fund 08) activity in the Non-Major Governmental Funds, we noted that the high school student activity accounts were not reported in the Student Activity Fund.

During our review of Special Reserve Fund for Capital Outlay Projects (Fund 40) activity in the Non-Major Governmental Funds, we noted that transactions related to the 2020 Certificates of Participation were not included in the Special Reserve Fund for Capital Outlay Projects. The effect of these adjustments were increases in the balances reported in cash in banks, investments, and accounts payable, in the amounts of \$181,578, \$7,250,374, and \$602 respectively.

Questioned Costs

There were no questioned costs associated with the finding.

Context

The conditions were identified as a result of our audit of the financial statement balances as of June 30, 2021. During our review of available District records and audit procedures performed related to current year ending balances, the errors noted were identified.

Effect

The net effects of the current-year adjustments were increases in the fund balance in the General Fund of \$401,385, and in the Non-Major Governmental Funds' fund balance of \$7,346,350, and a decrease in the Building Fund of \$643,821.

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

Cause

The cause of the condition identified appears to be due to inadequate review processes related to the preparation of the District's year-end financial statements to determine their proper reporting period for various accounts receivable and accounts payable items, as well as for the proper inclusion of activity related to the issuance of certificates of participation.

Repeat Finding

Yes, see finding 2020-002.

Recommendation

The District should ensure a review of year-end activity and closing entries is performed by appropriate District business department personnel prior to closing the books. This review should include a review of accounts receivable and accounts payable transactions for completeness and accuracy, review of ASB financial records to ensure they are reported in their entirety, and consideration of other transactions that may not occur in the normal course of business that may require inclusion in the financial statements.

Current Status

Not implemented, see current-year finding 2022-001

State Compliance Findings

2021-002 61000 – Classroom Teacher Salaries

Criteria or Specific Requirements

In accordance with *Education Code* section 41372, the District is required to expend at least 55% of General Fund expenditures on classroom teacher salaries.

Condition

In reviewing Form CEA, it was noted that the District included certain costs in Column (4b) as reductions that do not qualify for reduction. As a result, the total current expense (Column 5) should be \$159,258,655 instead of \$147,850,402, as reported on Form CEA. Using the revised current expense, the District did not meet the minimum percentage required for payment of classroom teachers. With total salaries reported of \$83,526,203, the revised calculation using current expenses of \$159,258,655 results in 52.45 percent. This is 2.55 percent lower than the minimum required.

Questioned Costs

There are no questioned costs related to this finding.

Context

In reviewing Form CEA, the auditor noted that manual reductions (overrides in Column 4b), included certain items that do not qualify for reduction. The resulting revised calculation indicated the District did not meet the minimum required 55% of General Fund expenditures for classroom teacher salaries.

Effect

The noncompliance resulted in the District being deficient by \$4,063,057 or 2.55%.

Cause

As a result of the District receiving significant sources of new funding from CRF, ESSER and GEER to be used specifically for COVID-19 related expenditures, the District's ratio was not maintained. These one-time funding sources were not eligible for exclusion from the calculation.

Repeat Finding (Yes or No)

No.

Recommendation

The District should consider reviewing this calculation for compliance during interim budget periods and make adjustments where available. In addition, as a result of the new funding that is ineligible for exclusion, the District should consider applying for a waiver for this requirement.

Current Status

Not implemented, see current-year finding 2022-001