

MEASURE "R"
QUALITY EDUCATION FUNDING RENEWAL MEASURE
SANTA MONICA-MALIBU UNIFIED
SCHOOL DISTRICT

AUDIT REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

San Diego

Los Angeles

San Francisco
Bay Area

christywhite
A PROFESSIONAL
ACCOUNTANCY CORPORATION *associates*

**MEASURE "R" QUALITY EDUCATION FUNDING RENEWAL MEASURE
SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
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June 30, 2016**

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INDEPENDENT AUDITORS' REPORT
ON MEASURE "R" SCHEDULE OF REVENUES AND EXPENDITURES

Christy White, CPA

Michael Ash, CPA

Heather Rubio

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

Report on the Schedule of Revenues and Expenditures

We have audited the accompanying Measure "R" Schedule of Revenues and Expenditures of Santa Monica-Malibu Unified School District for the year ended June 30, 2016, and the related notes to the schedule specific to the Measure "R" Quality Education Funding Renewal Measure.

Management's Responsibility for the Schedule of Revenues and Expenditures

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts in the schedule of revenues and expenditures. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule of revenues and expenditures, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the schedule of revenues and expenditures in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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Auditor's Responsibility (continued)

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

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

Opinion

In our opinion, the schedule of revenues and expenditures referred to above present fairly, in all material respects, the respective financial information of Santa Monica-Malibu Unified School District's Quality Education Funding Renewal Measure "R" for the year ended June 30, 2016 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior-Year Comparative Information

We have previously audited the Santa Monica-Malibu Unified School District's Quality Education Funding Renewal Measure "R" 2015 financial statements, and we expressed an unmodified opinion on the respective financial position and changes in financial position in our report dated January 11, 2016. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Christy White Associates

San Diego, California

January 4, 2017

**MEASURE "R" QUALITY EDUCATION FUNDING RENEWAL MEASURE
SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
Measure "R" Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2016**

| | <u>2014-15 REPORTED</u> | <u>2015-16 BUDGET</u> | <u>2015-16 REPORTED</u> |
|---|-----------------------------|---------------------------|-----------------------------|
| Revenues Collected | | | |
| Measure "R" Tax Assessment | \$ 12,277,708 | \$ 10,330,892 | \$ 10,340,542 |
| Less: Senior Exemptions | (997,434) | (961,140) | (961,140) |
| Measure "R" Taxes Collected by the County | <u>13,275,142</u> | <u>11,292,032</u> | <u>11,301,682</u> |
| Reported Expenditures | | | |
| Fine Art and Music Programs | 1,301,193 | 1,417,859 | 1,379,564 |
| Physical Education Programs | 774,027 | 877,816 | 833,743 |
| Library Programs | 1,175,965 | 1,295,002 | 1,287,392 |
| Community Services | 69,061 | 66,821 | 70,939 |
| Technology | 1,740,244 | 2,165,344 | 2,018,758 |
| Costs to Administer | <u>28,934</u> | <u>27,684</u> | <u>29,567</u> |
| Total Expenditures | <u>5,089,424</u> | <u>5,850,526</u> | <u>5,619,963</u> |
| Total Measure "R" Revenues Spent | <u>5,089,424</u> | <u>5,850,526</u> | <u>5,619,963</u> |
| Balance Used to Preserve Programs and Replace Funds Lost Due to Inadequate State Funding | <u>\$ 8,185,718</u> | <u>\$ 5,441,506</u> | <u>\$ 5,681,719</u> |

The accompanying notes are an integral part of this schedule.

**MEASURE "R" QUALITY EDUCATION FUNDING RENEWAL MEASURE
SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
Notes to Financial Schedule
June 30, 2016**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

B. Financial Reporting Entity

On February 5, 2008, the District voters passed the "Santa Monica-Malibu Unified School District Quality Education Funding Renewal Measure" (Measure "R") which replaced the previous parcel tax Measures "S" and "Y". Measure "R" results in a tax of \$376.77 per parcel, as of June 30, 2016, adjusted annually for inflation by the Consumer Price Index-All Urban Consumers with exemptions for parcels owned and occupied by persons age 65 or older. The revenues raised by Measure "R" shall be used to prevent deterioration in the quality of public education in Santa Monica and Malibu in the face of cuts in funding for public schools, and to promote continued student achievement in the core curriculum.

C. Financial Presentation

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

D. Accounting Method

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

**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

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Santa Monica-Malibu Unified School District
Santa Monica, California

We have performed the agreed-upon procedures enumerated in Exhibit A, which was agreed to by the Santa Monica-Malibu Unified School District for the purpose of determining compliance with the Santa Monica-Malibu Unified School District Quality Education Funding Renewal Measure "R", as approved by the voters February 5, 2008 for the fiscal year ended June 30, 2016. This engagement to perform Agreed-Upon Procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

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

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

Christy White Associates

San Diego, California
January 4, 2017

**MEASURE "R" QUALITY EDUCATION FUNDING RENEWAL MEASURE
SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
Exhibit A – Agreed-Upon Procedures
For the Fiscal Year Ended June 30, 2016**

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

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

**MEASURE "R" QUALITY EDUCATION FUNDING RENEWAL MEASURE
SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
Exhibit B – Findings and Recommendations
For the Fiscal Year Ended June 30, 2016**

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

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

Results: For the year fiscal year ended June 30, 2016, revenues and expenditures reported by the Santa Monica-Malibu Unified School District for Measure "R" are included in the general ledger of the District.

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

Results: For the year fiscal year ended June 30, 2016, there were no exceptions noted over revenues reported by the Santa Monica-Malibu Unified School District for Measure "R."

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

Results: For the year fiscal year ended June 30, 2016, there were no exceptions noted over expenditures reported by the Santa Monica-Malibu Unified School District for Measure "R."

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

Results: We reviewed salary and benefits of fifteen (15) employees charged to Measure "R," which included teachers' salaries and non-administrative classified salaries, as well as selected ten (10) non-payroll disbursements made during 2015-16. We evaluated the selected expenditures for Measure "R" allowability, adequacy of supporting documentation, and appropriate Standardized Account Code Structure (SACS) account coding. There were no exceptions noted in the testing.

**MEASURE "R" QUALITY EDUCATION FUNDING RENEWAL MEASURE
SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
Exhibit C – Prior Year Findings and Recommendations
For the Fiscal Year Ended June 30, 2016**

There were no exceptions noted within the findings and recommendations for agreed-upon procedures performed over the Santa Monica-Malibu Unified School District's Measure "R" for the year ended June 30, 2015.