



Financial Statements  
June 30, 2021

Santa Monica-Malibu Unified School  
District

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## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Santa Monica-Malibu Unified School District (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Santa Monica-Malibu Unified School District, as of June 30, 2021, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter – Change in Accounting Principle**

As discussed in Notes 1 and 16 to the financial statements, Santa Monica-Malibu Unified School District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of the net position and fund balance as of July 1, 2020. Our opinions are not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13, budgetary comparison information on page 70, schedule of changes in the District's net OPEB liability and related ratios on page 71, schedule of District contributions for OPEB on page 72, schedule of the District's proportionate share of the net OPEB liability – MPP program on page 73, schedule of the District's proportionate share of the net pension liability on pages 74 and 75, and the schedule of District contributions on pages 76 and 77, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

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

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated January 20, 2022 on our consideration of Santa Monica-Malibu Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Santa Monica-Malibu Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Santa Monica-Malibu Unified School District's internal control over financial reporting and compliance.



Rancho Cucamonga, California  
January 20, 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, 2021, with comparative information for the year ended June 30, 2020. 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.

#### SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

1651 Sixteenth Street • Santa Monica • California 90404-3891 • (310) 450-8338 • [www.smmusd.org](http://www.smmusd.org)

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

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

**Superintendent:** Dr. Ben Drati

## REPORTING THE DISTRICT AS A WHOLE

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

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

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

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

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

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

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



## REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

### Fund Financial Statements

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

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

### FINANCIAL HIGHLIGHTS

- Total net position for the primary government was \$36,410,423 at June 30, 2021. This was an increase of \$21,784,071 the prior fiscal year's net position.
- Overall revenues for the primary government were \$275,317,903 which created a surplus over expenses at \$21,784,071.

**THE DISTRICT AS A WHOLE**

**Net Position**

The District's net position was \$34,874,833 for the fiscal year ended June 30, 2021. Of this amount, \$(168,513,508) 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	
	2021	As restated 2020
Assets		
Current and other assets	\$ 251,625,423	\$ 434,916,087
Capital assets	822,805,244	663,833,202
Total assets	1,074,430,667	1,098,749,289
Deferred outflows of resources	72,207,155	67,309,936
Liabilities		
Current liabilities	67,604,814	55,444,208
Long-term liabilities	1,023,734,867	1,073,872,731
Total liabilities	1,091,339,681	1,129,316,939
Deferred inflows of resources	20,423,308	22,115,934
Net Position		
Net investment in capital assets	136,453,402	63,149,554
Restricted	66,934,939	145,350,811
Unrestricted (deficit)	(168,513,508)	(193,874,013)
Total net position	\$ 34,874,833	\$ 14,626,352

The \$(168,513,508) 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 \$206.8 million. 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 13.1% (\$168,513,508 compared to \$(193,874,013)).

**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 pages 15 and 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	
	2021	2020 *
Revenues		
Program revenues		
Charges for services	\$ 2,501,571	\$ 6,647,563
Operating grants and contributions	57,765,842	53,893,206
Capital grants and contributions	3,393,535	-
General revenues		
Federal and State aid not restricted	12,762,320	12,873,458
Property taxes	171,113,120	161,930,047
Other general revenues	27,781,515	16,168,728
Total revenues	275,317,903	251,513,002
Expenses		
Instruction-related	141,441,884	139,680,847
Pupil services	20,172,172	19,978,397
Administration	14,003,195	11,587,836
Plant services	30,763,925	19,873,398
Interest on long-term liabilities	24,878,095	28,265,605
Depreciation	19,859,804	19,781,744
All other services	3,950,347	3,610,179
Total expenses	255,069,422	242,778,006
Change in net position	\$ 20,248,481	\$ 8,734,996

\* The revenues and expenses for fiscal year 2020 were not restated to show the effects of GASB 84 for comparative purposes.

**Governmental Activities**

As reported in the *Statement of Activities* on page 15 and 16, the cost of all of our governmental activities this year was \$255,069,422. The amount that our taxpayers ultimately financed for these activities through local taxes was \$171,113,120. Some of our costs were paid by those who benefited from the programs (\$2,501,571) or by other governments and organizations who subsidized certain programs with grants and contributions (\$61,159,377). We paid for the remaining “public benefit” portion of our governmental activities with \$40,543,835 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	
	2021	2020 *	2021	2020 *
Instruction-related	\$ 141,441,884	\$ 139,680,847	\$ (103,638,736)	\$ (110,477,948)
Pupil services	20,172,172	19,978,397	(14,728,782)	(14,860,502)
Administration	14,003,195	11,587,836	(13,193,171)	(10,842,437)
Plant services	30,763,925	19,873,398	(28,690,837)	(9,996,308)
Interest on long-term liabilities	24,878,095	28,265,605	(24,878,095)	(28,265,605)
Depreciation	19,859,804	19,781,744	(19,859,804)	(19,781,744)
All other services	3,950,347	3,610,179	13,580,951	11,987,307
<b>Total</b>	<b>\$ 255,069,422</b>	<b>\$ 242,778,006</b>	<b>\$ (191,408,474)</b>	<b>\$ (182,237,237)</b>

\* The total and net cost of services for fiscal year 2020 were not restated to show the effects of GASB 84 for comparative purposes.

**THE DISTRICT'S FUNDS**

As the District completed this year, our governmental funds reported a combined fund balance of \$195,083,505, which is a decrease of \$197,129,002 from last year (Table 4).

**Table 4**

Governmental Funds	Balances and Activity			June 30, 2021
	June 30, 2020 as restated	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	
General	\$ 30,073,213	\$ 190,450,417	\$ 179,832,933	\$ 40,690,697
Student Activity Fund	433,686	764,427	880,249	317,864
Adult Education	912,140	782,021	699,772	994,389
Child Development	813,848	3,157,945	3,259,868	711,925
Cafeteria	452,199	1,992,062	1,701,753	742,508
Deferred Maintenance	797,907	996,887	754,446	1,040,348
Building	208,013,401	15,431,010	166,989,627	56,454,784
Capital Facilities	4,623,720	1,143,545	762,515	5,004,750
County School Facilities	-	3,378,908	-	3,378,908
Special Reserve Fund for Capital Outlay Projects	15,686,725	35,114,978	25,849,827	24,951,876
Bond Interest and Redemption	130,405,668	127,757,430	197,367,642	60,795,456
<b>Total</b>	<b>\$ 392,212,507</b>	<b>\$ 380,969,630</b>	<b>\$ 578,098,632</b>	<b>\$ 195,083,505</b>

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this fiscal year, its governmental funds reported a combined fund balance of \$196,619,095, which is less than last fiscal year's restated ending fund balance of \$392,212,507. This change is largely in part due to more expenditures occurring to combat COVID-19 prior to all the federal and state COVID-19 funds being apportioned to the District; thus, having larger expenses and less revenues decreased the combined fund balance accordingly.

The District's General Fund had \$10,617,484 more in operating revenues than expenditures for the fiscal year ended June 30, 2021. This surplus was attributed to multiple factors across the budget. This amount includes a decrease of \$295,231 of the Local General Fund Contribution to Special Education which is an increase in revenue; a decrease of \$246,130 of the Local General Fund Contribution to Routine Restricted Maintenance Account (RRMA) which is an increase in revenue; increased Unrestricted Lottery Funds of \$216,352; increased Measure R Funds of \$435,689; increased RDA (Community Redevelopment Funds) property tax of \$1,758,302 from the local control funding formula; increased Measure GSH & Y revenue in the amount of \$1,787,454;

increased interest earned and local revenue of \$402,070. Additionally there were less expenditures due to the following: Unspent LCAP Supplemental Grant of \$667,936; Unspent Site Stretch Grant & Formula Funds of \$392,527; Unspent Supplies & Textbooks of \$314,684; Unspent Certificated Salaries & Benefits due to Restricted General Fund COVID-19 Funds used of \$2,440,054; Unspent Other Operating Costs (legal, travel, consultants, utilities, repairs) of \$1,167,143; and Unspent Fund 12 Child Development Interfund Transfer of \$600,000 to major portions of the differences between the June Estimated Actuals and the September Unaudited Actuals.

The District's Building Fund had a drawn down of the 2019-20 Ending Fund Balance by \$151,593,027 due to substantial completion of projects and a significant increase in expenditures towards facilities construction during the fiscal year ended June 30, 2021. Also, for the fiscal year ended June 30, 2021, the District's Bond Interest & Redemption Fund had \$69,610,212 less in operating revenues than expenditures as a result of repayment of matured bonds.

**General Fund Budgetary Highlights**

Over the course of the year, the District revises its budget in order to reflect and accurately project changes in revenues and expenditures. The final amendment and Fourth Budget Revision was adopted by the Board of Education on June 24, 2021 for the 2020-21 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, 2021, the District had \$822,805,244 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 \$158,972,042, or 23.9%, from last year (Table 5).

**Table 5**

	Governmental Activities	
	2021	2020
Land and construction in progress	\$ 455,151,291	\$ 314,309,650
Buildings and improvements	359,602,926	340,327,818
Equipment	8,051,027	9,195,734
Total	\$ 822,805,244	\$ 663,833,202

**Long-Term Liabilities other than OPEB and Pensions**

At the end of this year, the District had \$778,986,962 in long-term liabilities other than pension and OPEB outstanding versus \$845,167,533 last year, a decrease of 7.8%. That decrease is largely attributed to the repayment of general obligation bonds, specifically the 2006 Series C-1 that were refunded on a crossover basis. The crossover date of July 1, 2020 resulted from the extinguishment of the old debt. See Note 9 for additional information. Long-term liabilities consisted of:

**Table 6**

	Governmental Activities	
	2021	2020
Long-Term Liabilities		
General obligation bonds	\$ 695,374,918	\$ 780,584,702
Certificates of participation	32,383,745	9,830,882
Unamortized premiums/(discounts)	46,757,866	49,409,775
Supplemental early retirement	3,044,904	4,059,872
Compensated absences	1,425,529	1,282,302
Total	\$ 778,986,962	\$ 845,167,533

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

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

At year-end, the District has other post-employment benefit (OPEB) liabilities of \$61,688,330, versus \$53,177,843 last year, an increase of \$8,510,487 or 16.0%. See Note 10 for additional information about other post-employment benefits.

At year-end, the District has a net pension liability of \$183,059,575, versus \$175,527,355 last year, a decrease of \$7,532,220, or 4.3%. See Note 13 for additional information about pension liabilities.

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

In considering the District Budget for the 2021-2022 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 2021-2021 for the fifth 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 received additional State and Federal funding to support operations during the global COVID-19 pandemic.

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

### **Expenditures**

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

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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



Santa Monica-Malibu Unified School District  
Statement of Net Position  
June 30, 2021

	Primary Government <u>Governmental Activities</u>	Component Unit <u>Santa Monica Education Foundation</u>
<b>Assets</b>		
Deposits and investments	\$ 232,918,325	\$ 13,098,385
Receivables	4,673,802	165,810
Due from other governments	13,737,852	-
Prepaid expense	142,762	22,242
Stores inventories	77,456	-
Other current assets	75,226	-
Capital assets not depreciated	455,151,291	-
Capital assets, net of accumulated depreciation	<u>367,653,953</u>	<u>2,709</u>
Total assets	<u>1,074,430,667</u>	<u>13,289,146</u>
<b>Deferred Outflows of Resources</b>		
Deferred charge on refunding	17,896,597	-
Deferred outflows of resources related to OPEB	16,047,976	-
Deferred outflows of resources related to pensions	<u>38,262,582</u>	<u>-</u>
Total deferred outflows of resources	<u>72,207,155</u>	<u>-</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	54,706,242	1,524,084
Interest payable	11,062,896	-
Due to other governments	465,775	-
Refundable advance - Paycheck Protection Program (PPP)	-	94,021
Unearned revenue	1,369,901	27,154
Other current liabilities	-	96,972
<b>Long-term liabilities</b>		
Long-term liabilities other than OPEB and pensions due within one year	42,404,968	-
Long-term liabilities other than OPEB and pensions due in more than one year	736,581,994	-
Net other postemployment benefits (OPEB) liability	61,688,330	-
Aggregate net pension liability	<u>183,059,575</u>	<u>-</u>
Total liabilities	<u>1,091,339,681</u>	<u>1,742,231</u>
<b>Deferred Inflows of Resources</b>		
Deferred charge on refunding	4,022,538	-
Deferred inflows of resources related to OPEB	3,606,137	-
Deferred inflows of resources related to pensions	<u>12,794,633</u>	<u>-</u>
Total deferred inflows of resources	<u>20,423,308</u>	<u>-</u>
<b>Net Position</b>		
Net investment in capital assets	136,453,402	2,709
<b>Restricted for</b>		
Debt service	49,732,560	-
Capital projects	8,383,658	-
Educational programs	7,835,805	-
Restricted for endowments and other	982,916	10,225,181
Unrestricted (deficit)	<u>(168,513,508)</u>	<u>1,319,025</u>
Total net position	<u>\$ 34,874,833</u>	<u>\$ 11,546,915</u>

Santa Monica-Malibu Unified School District  
Statement of Activities  
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position	
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Component Unit Santa Monica Education Foundation
<b>Governmental Activities</b>						
Instruction	\$ 118,519,432	\$ 1,182,529	\$ 29,764,720	\$ 3,393,535	\$ (84,178,648)	\$ -
Instruction-related activities						
Supervision of instruction	8,667,575	59,245	1,471,099	-	(7,137,231)	-
Instructional library, media, and technology	1,610,566	25,039	64,932	-	(1,520,595)	-
School site administration	12,644,311	72,354	1,769,695	-	(10,802,262)	-
Pupil services						
Home-to-school transportation	2,352,549	-	17,875	-	(2,334,674)	-
Food services	2,857,815	7,758	2,652,598	-	(197,459)	-
All other pupil services	14,961,808	20,577	2,744,582	-	(12,196,649)	-
Administration						
Data processing	1,617,342	-	-	-	(1,617,342)	-
All other administration	12,385,853	37,083	772,941	-	(11,575,829)	-
Plant services	30,763,925	117,801	1,955,287	-	(28,690,837)	-
Facility acquisition and construction	-	-	-	-	-	-
Ancillary services	1,482,304	100,520	36,894	-	(1,344,890)	-
Community services	2,193,954	211,724	591,009	-	(1,391,221)	-
Enterprise services	256,725	-	-	-	(256,725)	-
Interest on long-term liabilities	24,878,095	-	-	-	(24,878,095)	-
Other outgo	17,364	666,941	15,924,210	-	16,573,787	-
Depreciation (unallocated)	19,859,804	-	-	-	(19,859,804)	-
<b>Total governmental activities</b>	<b>\$ 255,069,422</b>	<b>\$ 2,501,571</b>	<b>\$ 57,765,842</b>	<b>3,393,535</b>	<b>(191,408,474)</b>	<b>-</b>
<b>Component Unit</b>						
Program services	\$ 2,066,048	\$ -	\$ 2,796,840	\$ -	-	730,792
Management and general	128,062	-	-	-	-	(128,062)
Fundraising	540,398	-	-	-	-	(540,398)
<b>Total component unit</b>	<b>\$ 2,734,508</b>	<b>\$ -</b>	<b>\$ 2,796,840</b>	<b>\$ -</b>	<b>-</b>	<b>62,332</b>

Santa Monica-Malibu Unified School District  
Statement of Activities  
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position	
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Component Unit Santa Monica Education Foundation
General Revenues and Subventions						
Property taxes, levied for general purposes					\$ 100,883,135	\$ -
Property taxes, levied for debt service					52,299,740	-
Taxes levied for other specific purposes					17,930,245	-
Federal and State aid not restricted to specific purposes					12,762,320	-
Interest and investment earnings (loss)					(729,270)	2,318,631
Miscellaneous					28,510,785	-
Subtotal, general revenues					<u>211,656,955</u>	<u>2,318,631</u>
Change in Net Position					20,248,481	2,380,963
Net Position - Beginning, as restated					<u>14,626,352</u>	<u>9,165,952</u>
Net Position - Ending					<u>\$ 34,874,833</u>	<u>\$ 11,546,915</u>

Santa Monica-Malibu Unified School District  
Balance Sheet – Governmental Funds  
June 30, 2021

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Deposits and investments	\$ 46,910,038	\$ 87,420,742	\$ 60,795,456	\$ 37,792,089	\$ 232,918,325
Receivables	3,687,872	239,594	-	746,336	4,673,802
Due from other governments	13,132,040	-	-	605,812	13,737,852
Prepaid expenditures	142,762	-	-	-	142,762
Other current assets	75,226	-	-	-	75,226
<b>Total assets</b>	<b><u>\$ 63,947,938</u></b>	<b><u>\$ 87,660,336</u></b>	<b><u>\$ 60,795,456</u></b>	<b><u>\$ 39,221,693</u></b>	<b><u>\$ 251,625,423</u></b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 21,814,895	\$ 31,205,552	\$ -	\$ 1,685,795	\$ 54,706,242
Due to other governments	151,856	-	-	313,919	465,775
Unearned revenue	1,290,490	-	-	79,411	1,369,901
<b>Total liabilities</b>	<b><u>23,257,241</u></b>	<b><u>31,205,552</u></b>	<b><u>-</u></b>	<b><u>2,079,125</u></b>	<b><u>56,541,918</u></b>
<b>Fund Balances</b>					
Nonspendable	162,767	-	-	77,456	240,223
Restricted	6,604,216	56,454,784	60,795,456	10,598,163	134,452,619
Committed	-	-	-	1,330,650	1,330,650
Assigned	2,224,388	-	-	25,136,299	27,360,687
Unassigned	31,699,326	-	-	-	31,699,326
<b>Total fund balances</b>	<b><u>40,690,697</u></b>	<b><u>56,454,784</u></b>	<b><u>60,795,456</u></b>	<b><u>37,142,568</u></b>	<b><u>195,083,505</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 63,947,938</u></b>	<b><u>\$ 87,660,336</u></b>	<b><u>\$ 60,795,456</u></b>	<b><u>\$ 39,221,693</u></b>	<b><u>\$ 251,625,423</u></b>

Santa Monica-Malibu Unified School District  
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2021

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Total Fund Balance - Governmental Funds \$ 195,083,505

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	\$ 1,019,704,424	
Accumulated depreciation is	<u>(196,899,180)</u>	

Net capital assets	822,805,244
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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. (11,062,896)

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	17,896,597	
Other postemployment benefits (OPEB) liability	16,047,976	
Net pension liability	<u>38,262,582</u>	

Total deferred outflows of resources	72,207,155
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Deferred inflows of resources represent an acquisition of net position  
that applies to a future period and are not reported in the governmental  
funds. Deferred inflows of resources amount to and related to

Deferred charge on refunding	(4,022,538)	
Other postemployment benefits (OPEB) liability	(3,606,137)	
Net pension liability	<u>(12,794,633)</u>	

Total deferred inflows of resources	(20,423,308)
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Net pension liability is not due and payable in the current period,  
and is not reported as a liability in the funds. (183,059,575)

Santa Monica-Malibu Unified School District  
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
 June 30, 2021

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The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		\$ (61,688,330)
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	\$ (682,011,657)	
Unamortized premium on issuance	(42,525,929)	
Unamortized discount on issuance	19,741	
Certificates of participation	(27,911,162)	
Unamortized premium on issuance	(4,251,678)	
Compensated absences (vacations)	(1,425,529)	
Supplemental early retirement liability	(3,044,904)	
In addition, capital appreciation general obligation bonds and certificates of participation were issued. The accretion of interest to date is	<u>(17,835,844)</u>	
Total long-term liabilities		<u>(778,986,962)</u>
Total net position - governmental activities		<u>\$ 34,874,833</u>

**Santa Monica-Malibu Unified School District**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds**  
**Year Ended June 30, 2021**

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Local Control Funding Formula					
State apportionments	\$ 8,585,835	\$ -	\$ -	\$ -	\$ 8,585,835
Education protection account state aid	1,968,506	-	-	-	1,968,506
Local sources	100,621,538	-	-	-	100,621,538
Federal sources	10,823,714	-	589,045	1,291,602	12,704,361
Other State sources	17,492,410	-	66,359	6,186,108	23,744,877
Other local sources	50,958,414	15,431,010	52,382,026	7,275,474	126,046,924
<b>Total revenues</b>	<b>190,450,417</b>	<b>15,431,010</b>	<b>53,037,430</b>	<b>14,753,184</b>	<b>273,672,041</b>
<b>Expenditures</b>					
Current					
Instruction	106,571,225	-	-	1,915,045	108,486,270
Instruction-related activities					
Supervision of instruction	7,300,325	-	-	502,938	7,803,263
Instructional library, media, and technology	1,457,734	-	-	-	1,457,734
School site administration	10,439,931	-	-	987,920	11,427,851
Pupil services					
Home-to-school transportation	2,175,537	-	-	-	2,175,537
Food services	1,011,072	-	-	1,645,143	2,656,215
All other pupil services	13,464,590	-	-	146,560	13,611,150
Administration					
Data processing	1,588,726	-	-	-	1,588,726
All other administration	12,441,858	-	-	283,107	12,724,965
Plant services	18,017,567	187,818	-	1,328,698	19,534,083
Ancillary services	569,986	-	-	880,249	1,450,235
Community services	2,010,180	-	-	-	2,010,180
Other outgo	17,364	-	-	-	17,364
Enterprise services	256,725	-	-	-	256,725
Facility acquisition and construction	10,113	166,801,809	-	21,837,455	188,649,377
Debt service					
Principal	-	-	96,965,000	2,255,000	99,220,000
Interest and other	-	-	26,224,761	792,852	27,017,613
<b>Total expenditures</b>	<b>177,332,933</b>	<b>166,989,627</b>	<b>123,189,761</b>	<b>32,574,967</b>	<b>500,087,288</b>
Excess (Deficiency) of Revenues Over Expenditures	13,117,484	(151,558,617)	(70,152,331)	(17,821,783)	(226,415,247)
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	-	-	2,500,000	2,500,000
Other sources - proceeds from bond issuance	-	-	74,720,000	25,720,000	100,440,000
Other sources - premium on bond issuance	-	-	-	4,357,589	4,357,589
Transfers out	(2,500,000)	-	-	-	(2,500,000)
Other uses - payment to refunded bond escrow agent	-	-	(74,177,881)	(1,333,463)	(75,511,344)
<b>Net Financing Sources (Uses)</b>	<b>(2,500,000)</b>	<b>-</b>	<b>542,119</b>	<b>31,244,126</b>	<b>29,286,245</b>
<b>Net Change in Fund Balances</b>	<b>10,617,484</b>	<b>(151,558,617)</b>	<b>(69,610,212)</b>	<b>13,422,343</b>	<b>(197,129,002)</b>
Fund Balance - Beginning, as restated	30,073,213	208,013,401	130,405,668	23,720,225	392,212,507
<b>Fund Balance - Ending</b>	<b>\$ 40,690,697</b>	<b>\$ 56,454,784</b>	<b>\$ 60,795,456</b>	<b>\$ 37,142,568</b>	<b>\$ 195,083,505</b>

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, 2021

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Total Net Change in Fund Balances - Governmental Funds \$ (197,129,002)

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 in the period.

Capital outlays	\$ 188,930,229
Depreciation expense	<u>(19,859,804)</u>

Net expense adjustment	169,070,425
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The District issued capital appreciation general obligations bonds. The accretion of interest on the general obligation bonds during the current fiscal year was (1,215,216)

The District issued capital appreciation certificates of participation. The accretion of interest on the certificates of participation during the current fiscal year was (412,863)

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. (10,098,383)

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. 871,741

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. (9,850,706)



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, 2021

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<p>In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year.</p>	\$ (4,688,867)
<p>Proceeds received from general obligation bonds and certificates of participation 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>	(100,440,000)
<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>	
<p>Premium on issuance recognized</p>	(4,357,589)
<p>Deferred charge on refunding recognized</p>	10,120,809
<p>Premium amortization</p>	7,011,253
<p>Discount amortization</p>	(1,755)
<p>Deferred charge on refunding amortization</p>	(5,034,098)
<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>	
<p>General obligation bonds</p>	161,145,000
<p>Certificates of participation</p>	3,580,000
<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>	<u>1,677,732</u>
<p>Change in net position of governmental activities</p>	<u><u>\$ 20,248,481</u></u>

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

The Santa Monica-Malibu Unified School District (the District) was established in 1875, under the laws of the State of California. The District operates under a locally elected seven-member Board form of government and provides educational services to grades TK - 12 as mandated by the State and/or Federal agencies. The District operates nine elementary 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 Ed Foundation raises funds to enhance and supplement the curriculum of the Santa Monica schools. The Foundation's mission is to engage the community to invest in a vibrant educational experience for all public-school students in Santa Monica.

Although the District does not control the timing or 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.

**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*. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

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

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

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

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

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

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

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

### **Investments**

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

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

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

### **Stores Inventories**

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

### **Capital Assets and Depreciation**

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

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

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

### **Interfund Balances**

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

### **Compensated Absences**

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

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

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

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

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

**Debt Issuance Costs, Premiums and Discounts**

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

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

**Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt, for pension related items, and for OPEB related items. The deferred charge on refunding resulted from the difference between the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred amounts related to pension and OPEB relate to differences between expected and actual earnings on investments, changes of assumptions, and other pension and OPEB related changes.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for deferred charges on refunding of debt, for pension related items, and for OPEB related items. The deferred amounts related to pension and OPEB relate to the differences between contributions and the District's proportionate share of contributions, differences between expected and actual experience, and differences between projected and actual earnings on investments.

**Pensions**

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



**Postemployment Benefits Other Than Pensions (OPEB)**

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

**Fund Balances - Governmental Funds**

As of June 30, 2021, 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 \$66,934,939, 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. 84**

As of July 1, 2020, the District adopted GASB Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhance the value provided by the information reported in financial statements for assessing government accountability and stewardship. The impact to the District resulted in a reclassification of the District's student body activities from fiduciary to governmental. The effect of the implementation of this standard on beginning fund balance and net position is disclosed in Note 16.

**Note 2 - Deposits and Investments**

**Summary of Deposits and Investments**

Deposits and investments as of June 30, 2021, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 232,918,325
Component unit - Santa Monica Education Foundation*	<u>13,098,385</u>
Total deposits and investments	<u><u>\$ 246,016,710</u></u>

Deposits and investments as of June 30, 2021, consist of the following:

Cash on hand and in banks	\$ 1,514,215
Cash in revolving	20,005
Investments	<u>244,482,490</u>
Total deposits and investments	<u><u>\$ 246,016,710</u></u>

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

Cash and cash equivalents	\$ 565,972
Investments	
Bond funds	4,129,710
Mutual funds	1,813,050
Foreign stock funds	1,628,595
Other domestic stock funds	<u>4,961,058</u>
Total deposits and investments	<u><u>\$ 13,098,385</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 \$224,699,703 (cost basis of \$225,967,564 less fair market value loss adjustment of \$1,267,861) with the Los Angeles County Treasury Investment Pool that has an average weighted maturity of 1,045 days. In addition, the District's investments of \$7,250,374 in First American Government Obligations Money Market Funds have an average weighted maturity of 14 days.

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the Los Angeles County Treasury Investment Pool is not required to be rated, nor has it been rated as of June 30, 2021. The District's investment in First American Government Obligations 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, 2021, the District's bank balance of \$1,175,220, 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, 2021:

Investment Type	Reported Amount	Fair Value Measurements Using Level 1 Inputs
Santa Monica Education Foundation		
Bond funds	\$ 4,129,710	\$ 4,129,710
Mutual funds	1,813,050	1,813,050
Foreign stock funds	1,628,595	1,628,595
Other domestic stock funds	4,961,058	4,961,058
	<u>4,961,058</u>	<u>4,961,058</u>
Total	<u>\$ 12,532,413</u>	<u>\$ 12,532,413</u>

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

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

Receivables and amounts due from other governments at June 30, 2021, 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	\$ 4,153,526	\$ -	\$ 524,221	\$ 4,677,747
State Government				
LCFF apportionment	2,893,637	-	-	2,893,637
Lottery	680,470	-	-	680,470
Categorical aid	3,668,492	-	83,278	3,751,770
Local Government				
Interest	258,395	239,044	48,155	545,594
Other LEAs	2,747,534	-	-	2,747,534
Other local sources	2,417,858	550	696,494	3,114,902
	<u>\$ 16,819,912</u>	<u>\$ 239,594</u>	<u>\$ 1,352,148</u>	<u>\$ 18,411,654</u>

**Note 5 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 15,122,223	\$ -	\$ -	\$ 15,122,223
Construction in progress	299,187,427	168,272,168	(27,430,527)	440,029,068
Total capital assets not being depreciated	<u>314,309,650</u>	<u>168,272,168</u>	<u>(27,430,527)</u>	<u>455,151,291</u>
Capital assets being depreciated				
Land improvements	72,819,578	17,114,628	-	89,934,206
Buildings and improvements	426,074,050	20,419,126	-	446,493,176
Furniture and equipment	27,669,300	456,451	-	28,125,751
Total capital assets being depreciated	<u>526,562,928</u>	<u>37,990,205</u>	<u>-</u>	<u>564,553,133</u>
Total capital assets	<u>840,872,578</u>	<u>206,262,373</u>	<u>(27,430,527)</u>	<u>1,019,704,424</u>
Accumulated depreciation				
Land improvements	(16,681,937)	(2,915,604)	-	(19,597,541)
Buildings and improvements	(141,883,873)	(15,343,042)	-	(157,226,915)
Furniture and equipment	(18,473,566)	(1,601,158)	-	(20,074,724)
Total accumulated depreciation	<u>(177,039,376)</u>	<u>(19,859,804)</u>	<u>-</u>	<u>(196,899,180)</u>
Governmental activities capital assets, net	<u>\$ 663,833,202</u>	<u>\$ 186,402,569</u>	<u>\$ (27,430,527)</u>	<u>\$ 822,805,244</u>

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



**Note 6 - Interfund Transactions**

**Operating Transfers**

Interfund transfers for the year ended June 30, 2021, consisted of the following:

The General Fund transferred \$600,000 to the Non-Major Governmental Child Fund for program contributions.	\$ 600,000
The General Fund transferred \$900,000 to the Non-Major Governmental Cafeteria Fund for program contributions.	900,000
The General Fund transferred \$1,000,000 to the Non-Major Governmental Deferred Maintenance Fund for future maintenance projects.	<u>1,000,000</u>
Total	<u><u>\$ 2,500,000</u></u>

**Note 7 - Accounts Payable**

Accounts payable at June 30, 2021, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Salaries and benefits	\$ 16,429,187	\$ 197,772	\$ 1,173,324	\$ 17,800,283
Services	1,367,977	150,594	82,261	1,600,832
Supplies	1,306,006	-	-	1,306,006
Construction	305,354	30,857,186	430,210	31,592,750
Special education contracts	294,421	-	-	294,421
Other payables	2,111,950	-	-	2,111,950
Total	<u>\$ 21,814,895</u>	<u>\$ 31,205,552</u>	<u>\$ 1,685,795</u>	<u>\$ 54,706,242</u>

**Note 8 - Unearned Revenue**

Unearned revenue at June 30, 2021, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	\$ 64,283	\$ -	\$ 64,283
State categorical aid	388,377	37,270	425,647
Other local	837,830	42,141	879,971
Total	\$ 1,290,490	\$ 79,411	\$ 1,369,901

**Note 9 - Long-Term Liabilities Other than OPEB and Pensions**

**Summary**

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

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021	Due in One Year
Long-Term Liabilities					
General obligation bonds	\$ 780,584,702	\$ 75,935,216	\$ (161,145,000)	\$ 695,374,918	\$ 39,115,000
Certificates of participation	9,830,882	26,132,863	(3,580,000)	32,383,745	2,275,000
Unamortized debt premiums	49,431,271	4,357,589	(7,011,253)	46,777,607	-
Unamortized debt discounts	(21,496)	-	1,755	(19,741)	-
Supplemental early retirement liability	4,059,872	-	(1,014,968)	3,044,904	1,014,968
Compensated absences	1,282,302	143,227	-	1,425,529	-
Total	\$ 845,167,533	\$ 106,568,895	\$ (172,749,466)	\$ 778,986,962	\$ 42,404,968

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			Interest Accreted	Bonds Redeemed	Bonds Outstanding June 30, 2021
				Outstanding July 1, 2020 As restated	Issued				
6/17/1999	8/1/2023	3.20-5.50%	\$ 38,000,034	\$ 25,349,702	\$ -	\$ 1,215,216	\$ (7,215,000)	\$ 19,349,918	
7/27/2010	7/1/2023	3.00-5.00%	10,690,000	1,150,000	-	-	(1,150,000)	-	
7/27/2010	7/1/2035	5.796-6.634%	54,310,000	54,310,000	-	-	(54,310,000)	-	
2/7/2013	8/1/2032	2.00-5.00%	45,425,000	41,625,000	-	-	(25,795,000)	15,830,000	
4/3/2013	7/1/2037	0.17-5.00%	82,995,327	6,785,000	-	-	(1,025,000)	5,760,000	
8/13/2014	7/1/2037	1.00-4.00%	30,000,000	7,730,000	-	-	(7,730,000)	-	
7/7/2015	8/1/2040	2.00-5.00%	60,000,000	36,280,000	-	-	(31,765,000)	4,515,000	
12/10/2015	8/1/2034	3.25-5.00%	47,915,000	47,915,000	-	-	(1,880,000)	46,035,000	
10/11/2016	7/1/2035	1.00-4.00%	28,190,000	27,200,000	-	-	(305,000)	26,895,000	
10/11/2016	7/1/2032	3.00%	660,000	660,000	-	-	-	660,000	
10/11/2016	7/1/2035	2.00-4.00%	52,140,000	52,140,000	-	-	-	52,140,000	
6/21/2017	7/1/2042	3.125-5.00%	60,000,000	34,175,000	-	-	(125,000)	34,050,000	
9/6/2018	8/1/2043	3.00-5.00%	120,000,000	79,350,000	-	-	(8,405,000)	70,945,000	
10/2/2019	8/1/2049	2.00-4.00%	110,000,000	110,000,000	-	-	(14,365,000)	95,635,000	
10/2/2019	8/1/2049	2.00-4.00%	35,000,000	35,000,000	-	-	(5,010,000)	29,990,000	
11/6/2019	8/1/2036	3.00-4.00%	115,000,000	115,000,000	-	-	-	115,000,000	
11/6/2019	8/1/2043	1.59-3.114%	105,915,000	105,915,000	-	-	(2,065,000)	103,850,000	
7/14/2020	7/1/2040	0.301-2.314%	74,720,000	-	74,720,000	-	-	74,720,000	
				<u>\$ 780,584,702</u>	<u>\$ 74,720,000</u>	<u>\$ 1,215,216</u>	<u>\$ (161,145,000)</u>	<u>\$ 695,374,918</u>	

### Election of 1998, Series 1999

On June 17, 1999, the District issued \$38,000,034 aggregate principal amount of the Election of 1998 General Obligation Bonds. The 1998 Bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting by \$40,379,966, and an aggregate principal debt service balance of \$78,380,000. The bonds mature on August 1, 2023, with interest rates ranging from 3.20% 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, 2021, the principal balance outstanding was \$19,349,918.

### Election of 2006, Series C

On July 27, 2010, the District issued the Election of 2006, Series C, General Obligation Bonds in the amount of \$10,690,000. The Election of 2006, Series C, Bonds were issued as current interest bonds and have a final maturity on July 1, 2023, with interest rates ranging from 3.00% to 5.00%. Proceeds from the sale of the bonds were used to refund the 2009 General Obligation Bond Anticipation Notes and to pay the costs of issuance of the Bonds. At June 30, 2021, the principal balance was paid in full.

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

On July 27, 2010, the District issued the Election of 2006, Series C-1, General Obligation Bonds in the amount of \$54,310,000. The Election of 2006, Series C-1, Bonds were issued as current interest bonds and have a final maturity on July 1, 2035, with interest rates ranging from 5.796% to 6.334%. Proceeds from the sale of the bonds were used for the construction, renovation, modernization and equipping of school facilities and to pay the costs of issuance of the Bonds. The Series C-1 bonds were refunded on a crossover basis with the issuance of the 2016 General Obligation Refunding Bonds. The crossover date was July 1, 2020. As a result, at June 30, 2021, the principal balance outstanding was paid in full.

**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. At June 30, 2021, the principal balance outstanding was \$15,830,000. The unamortized premium was \$942,365.

**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. At June 30, 2021, the principal balance outstanding was \$5,760,000. The unamortized premium was \$266,268.

**Election of 2012, Series A**

On August 13, 2014, the District issued the Election of 2012, Series A, General Obligation Bonds in the amount of \$30,000,000. The Election of 2012, Series A, Bonds were issued as current interest bonds and have a final maturity on July 1, 2037, with interest rates ranging from 1.00% to 4.00%. Proceeds from the sale of the bonds were used to finance the repair, upgrading, acquisition, construction and equipping of District sites and facilities, including technology upgrades, and to pay the costs of issuance of the Bonds. At June 30, 2021, the principal balance outstanding was paid in full.

**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. At June 30, 2021, the principal balance outstanding was \$4,515,000. The unamortized premium was \$285,536.

**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. At June 30, 2021, the principal balance outstanding was \$46,035,000. The unamortized premium was \$3,660,014.

**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, 2021, the principal balance outstanding on the Series A Bonds was \$26,895,000, and \$660,000 was outstanding on the Series B Bonds. The unamortized premium on the Series A bonds was \$2,770,858. The unamortized discount on the Series B bonds was \$(19,741). The unamortized gain on the refunding was \$3,868,411.

**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, 2021, the principal balance outstanding was \$52,140,000. The unamortized premium was \$5,800,593.

**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, 2021, the principal balance outstanding was \$34,050,000. The unamortized premium was \$3,800,766.

**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. At June 30, 2021, the principal balance outstanding was \$70,945,000. The unamortized premium was \$5,518,824.

**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 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, 2021, the principal balance outstanding was \$95,635,000. The unamortized premium was \$7,398,123.

**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, 2021, the principal balance outstanding was \$29,990,000. The unamortized premium was \$2,375,850.

**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, 2021, the principal balance outstanding was \$115,000,000. The unamortized premium was \$9,706,732.

**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, 2021, the principal balance outstanding was \$103,850,000. The unamortized loss on refunding was \$8,067,488.

**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, 2021, the principal balance outstanding was \$74,720,000. The unamortized loss on refunding was \$9,829,109.

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	Unaccrued Interest	Current Interest to Maturity	Total
2022	\$ 38,919,938	\$ 195,062	\$ 23,859,133	\$ 62,974,133
2023	26,494,376	570,624	21,136,449	48,201,449
2024	22,935,604	804,396	20,445,968	44,185,968
2025	19,445,000	-	19,737,495	39,182,495
2026	18,640,000	-	18,977,039	37,617,039
2027-2031	141,220,000	-	81,868,135	223,088,135
2032-2036	198,190,000	-	53,717,409	251,907,409
2037-2041	132,600,000	-	24,130,822	156,730,822
2042-2046	63,220,000	-	9,369,442	72,589,442
2047-2050	33,710,000	-	2,106,150	35,816,150
Total	\$ 695,374,918	\$ 1,570,082	\$ 275,348,042	\$ 972,293,042

### Certificates of Participation

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Certificates Outstanding July 1, 2020 As restated	Issued	Interest Accreted	Redeemed	Certificates Outstanding June 30, 2021
11/15/2001	5/1/2025	3.5-5.2%	\$ 15,206,501	\$ 8,505,882	\$ -	\$ 412,863	\$ (1,940,000)	\$ 6,978,745
12/1/2010	5/1/2024	2.0-5.0%	8,015,000	1,325,000	-	-	(1,325,000)	-
12/3/2020	5/1/2042	4.00%	25,720,000	-	25,720,000	-	(315,000)	25,405,000
				<u>\$ 9,830,882</u>	<u>\$ 25,720,000</u>	<u>\$ 412,863</u>	<u>\$ (3,580,000)</u>	<u>\$ 32,383,745</u>

### Certificates of Participation, 2001 Series C

In November 2001, the Los Angeles County Schools Regionalized Business Services Corporation entered into a sublease in which the Corporation leased to the District certain real property and buildings and improvements thereon. The Corporation issued the 2001 Series C Certificates of Participation consisting of \$10,740,000 current interest certificates and \$4,466,501 capital appreciation certificates, with the value of the capital appreciation certificates accreting by \$8,248,499, and an aggregate principal debt service balance of \$23,455,000. The proceeds of the issue were used to purchase real property in the District. The certificates have a final maturity to occur on May 1, 2025, with interest rates ranging from 3.50 to 5.20%. As of June 30, 2021, the principal balance outstanding was \$6,978,745 and unamortized premium of \$9,632.

### 2010 Refunding Certificates of Participation, Series B

In December 2010, the California School Boards Association Finance Corporation entered a sublease in which the Corporation leased to the District certain real property and buildings and improvements thereon. The Corporation issued the 2010 Refunding Certificates of Participation Series B to refund a portion of the District's outstanding Certificates of Participation, 2001 Series C, finance the construction, renovation, and modernization of school facilities, and pay the costs related to the execution and delivery of the Certificates. The Series B certificates consisted of \$8,015,000 current interest certificates. The certificates were paid off with a portion of the 2020 Certificates of Participation.

### 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, 2021, the principal balance outstanding was \$25,405,000 and unamortized premium of \$4,242,046. The unamortized gain on refunding was \$154,127.



**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
2022	\$ 2,216,803	\$ 58,197	\$ 1,016,200	\$ 3,291,200
2023	2,465,558	154,442	1,003,000	3,623,000
2024	2,518,161	246,839	976,000	3,741,000
2025	2,143,223	336,777	943,000	3,423,000
2026	600,000	-	921,600	1,521,600
2027-2031	4,130,000	-	4,189,600	8,319,600
2032-2036	6,455,000	-	3,188,200	9,643,200
2037-2041	9,510,000	-	1,666,000	11,176,000
2042	2,345,000	-	93,800	2,438,800
<b>Total</b>	<b>\$ 32,383,745</b>	<b>\$ 796,255</b>	<b>\$ 13,997,400</b>	<b>\$ 47,177,400</b>

**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, 2021, future minimum payments on supplemental early retirement incentives were as follows:

Year Ending June 30,	Supplemental Early Retirement
2022	\$ 1,014,968
2023	1,014,968
2024	1,014,968
<b>Total</b>	<b>\$ 3,044,904</b>

**Compensated Absences**

Compensated absences (unpaid employee vacation) for the District at June 30, 2021, amounted to \$1,425,529.

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

For the fiscal year ended June 30, 2021, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
Retiree Health Plan	\$ 60,784,608	\$ 16,047,976	\$ 3,606,137	\$ 6,504,375
Medicare Premium Payment (MPP) Program	903,722	-	-	90,890
Total	<u>\$ 61,688,330</u>	<u>\$ 16,047,976</u>	<u>\$ 3,606,137</u>	<u>\$ 6,595,265</u>

The details of each plan are as follows:

**Retiree Health Plan**

**Plan Administration**

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

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

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

**Plan Membership**

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

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

**Benefits Provided**

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

**Contributions**

The contribution requirements of the Plan members and the District are established and may be amended by the District, the Santa Monica-Malibu Classroom Teachers Association (SMMCTA), the Service Employees International Union Local 99 (SEIU), and unrepresented groups. The District contributions are based on pay-as-you-go financing requirements, which include the statutory minimum required monthly premium, plus an administrative fee, on behalf of each retiree. In addition, the District makes supplemental contributions towards eligible retirees’ premiums until age 65 according to the provisions of the District’s agreement with its various employee groups. Any additional contributions are based on availability of funds. For the measurement period of June 30, 2021, the District contributed \$1,879,864, to the Plan, all of which was used for current premiums.

**Net OPEB Liability of the District**

The District’s net OPEB liability of \$60,784,608, 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 July 1, 2019. The components of the net OPEB liability of the District at June 30, 2021, were as follows:

Total OPEB liability	\$ 68,524,532
Plan fiduciary net position	<u>(7,739,924)</u>
Net OPEB liability	<u>\$ 60,784,608</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>11.30%</u>

**Actuarial Assumptions**

The total OPEB liability as of June 30, 2021, was determined by applying updated procedures to the financial reporting actuarial valuation as of July 1, 2019 and rolling forward the total OPEB liability to June 30, 2021. The following assumptions were 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	2.43 %
Healthcare cost trend rates	5.80 % for 2021

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 RP-2014 Employee Mortality Table without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table without projection. If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reeducation. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actual experience study for the period July 1, 2017, to June 30, 2019.

**Changes in the Net OPEB Liability**

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance, June 30, 2020	\$ 58,438,970	\$ 6,073,959	\$ 52,365,011
Service cost	3,020,133	-	3,020,133
Interest	1,912,637	-	1,912,637
Employer contributions	-	1,879,864	(1,879,864)
Net investment income	-	1,671,883	(1,671,883)
Changes of assumptions and other inputs	7,032,656	-	7,032,656
Benefit payments	(1,879,864)	(1,879,864)	-
Administrative expense	-	(5,918)	5,918
Net change in total OPEB liability	10,085,562	1,665,965	8,419,597
Balance, June 30, 2021	<u>\$ 68,524,532</u>	<u>\$ 7,739,924</u>	<u>\$ 60,784,608</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.16% in 2020 to 2.43% in 2021 and a healthcare cost trends rate from 5.90% in 2020 to 5.8% in 2021.

**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 (1.43%)	\$ 72,377,267
Current discount rate (2.43%)	60,784,608
1% increase (3.43%)	51,408,359

**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 (4.80%)	\$ 48,815,882
Current healthcare cost trend rate (5.80%)	60,784,608
1% increase (6.80%)	76,314,675

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

For the year ended June 30,2021, the District recognized OPEB expense of \$6,504,375. At June 30,2021, 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	\$ -	\$ 2,487,124
Changes of assumptions	15,994,737	-
Net difference between projected and actual earnings on OPEB plan investments	<u>53,239</u>	<u>1,119,013</u>
Total	<u>\$ 16,047,976</u>	<u>\$ 3,606,137</u>

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ 1,848,769
2023	1,852,944
2024	1,865,456
2025	1,847,711
2026	2,120,161
Thereafter	2,906,798
Total	<u>\$ 12,441,839</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, 2019 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, 2021, the District reported a liability of \$903,722 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. 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, 2020 and June 30, 2019, respectively, was 0.2133%, and 0.2183%, resulting in a net decrease in the proportionate share of 0.0050%.

For the year ended June 30, 2021, the District recognized OPEB expense of \$90,890.

**Actuarial Methods and Assumptions**

The June 30, 2020 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total OPEB liability to June 30, 2020, using the assumptions listed in the following table:

Measurement Date	June 30, 2021	June 30, 2020
Valuation Date	July 1, 2019	July 1, 2019
Experience Study	June 30, 2017 through June 30, 2019	June 30, 2017 through June 30, 2019
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	5.00%	5.00%
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, 2019, 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 294 or an average of 0.18% of the potentially eligible population (159,339).

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, 2020, 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, 2020, is 2.21%. 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 2.21%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2020, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 1.29% from 3.50% as of June 30, 2019.

**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 (1.21%)	\$ 999,317
Current discount rate (2.21%)	903,722
1% increase (3.21%)	822,379

**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>Healthcare Costs Trend Rate</u>	<u>Net OPEB Liability</u>
1% decrease (3.50% Part A and 4.40% Part B)	\$ 819,436
Current Medicare costs trend rate (4.50% Part A and 5.40% Part B)	903,722
1% increase (5.50% Part A and 6.40% Part B)	1,000,752



**Note 11 - Fund Balances**

Fund balances are composed of the following elements:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
<b>Nonspendable</b>					
Revolving cash	\$ 20,005	\$ -	\$ -	\$ -	\$ 20,005
Stores inventories	-	-	-	77,456	77,456
Prepaid expenditures	142,762	-	-	-	142,762
Total nonspendable	<u>162,767</u>	<u>-</u>	<u>-</u>	<u>77,456</u>	<u>240,223</u>
<b>Restricted</b>					
Legally restricted programs	6,604,216	-	-	1,231,589	7,835,805
Food service	-	-	-	665,052	665,052
Capital projects	-	56,454,784	-	8,383,658	64,838,442
Debt services	-	-	60,795,456	-	60,795,456
Student activities	-	-	-	317,864	317,864
Total restricted	<u>6,604,216</u>	<u>56,454,784</u>	<u>60,795,456</u>	<u>10,598,163</u>	<u>134,452,619</u>
<b>Committed</b>					
Adult education program	-	-	-	290,302	290,302
Deferred maintenance program	-	-	-	1,040,348	1,040,348
Total committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,330,650</u>	<u>1,330,650</u>
<b>Assigned</b>					
Child development	-	-	-	184,423	184,423
Retiree benefits	2,224,388	-	-	-	2,224,388
Capital projects	-	-	-	24,951,876	24,951,876
Total assigned	<u>2,224,388</u>	<u>-</u>	<u>-</u>	<u>25,136,299</u>	<u>27,360,687</u>
<b>Unassigned</b>					
Unassigned	<u>31,699,326</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,699,326</u>
Total	<u>\$ 40,690,697</u>	<u>\$ 56,454,784</u>	<u>\$ 60,795,456</u>	<u>\$ 37,142,568</u>	<u>\$ 195,083,505</u>

**Note 12 - Risk Management**

**Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2021, 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 2021, the District participated in Schools Linked for Insurance Management (SLIM), an insurance purchasing pool. The intent of SLIM is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in SLIM. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts.

**Employee Medical Benefits**

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

**Note 13 - Employee Retirement Systems**

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

For the fiscal year ended June 30, 2021, 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	\$ 118,601,908	\$ 26,911,859	\$ 8,212,415	\$ 15,317,427
CalPERS	64,457,667	11,350,723	4,582,218	11,459,909
Total	\$ 183,059,575	\$ 38,262,582	\$ 12,794,633	\$ 26,777,336

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, 2019, 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, 2021, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.15%	16.15%
Required state contribution rate	10.328%	10.328%

**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, 2021, are presented above and the District’s total contributions were \$10,411,287.

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

At June 30, 2021, 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	\$ 118,601,908
State’s proportionate share of the net pension liability	<u>61,139,298</u>
Total	<u><u>\$ 179,741,206</u></u>

The net pension liability was measured as of June 30, 2020. 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, 2020 and June 30, 2019, respectively was 0.1224% and 0.1234%, resulting in a net decrease in the proportionate share of 0.0010%.

Santa Monica-Malibu Unified School District

Notes to Financial Statements

June 30, 2021

For the year ended June 30, 2021, the District recognized pension expense of \$15,317,427. In addition, the District recognized pension expense and revenue of \$8,565,016 for support provided by the State. At June 30, 2021, 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	\$ 10,411,287	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	1,908,629	4,867,637
Differences between projected and actual earnings on pension plan investments	2,817,299	-
Differences between expected and actual experience in the measurement of the total pension liability	209,278	3,344,778
Changes of assumptions	11,565,366	-
Total	\$ 26,911,859	\$ 8,212,415

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
2022	\$ (1,719,099)
2023	959,906
2024	1,915,118
2025	1,661,374
Total	\$ 2,817,299

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ 2,422,582
2023	1,924,038
2024	2,934,925
2025	(1,022,661)
2026	(611,070)
Thereafter	(176,956)
Total	<u>\$ 5,470,858</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, 2019 and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
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 (Pension Consulting Alliance-PCA) 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 future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2020, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
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 (7.10%) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 179,190,963
Current discount rate (7.10%)	118,601,908
1% increase (8.10%)	68,577,112

**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, 2019 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, 2021, 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	20.70%	20.70%



**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, 2021, are presented above and the total District contributions were \$6,515,343.

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

As of June 30, 2021, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$64,457,667. The net pension liability was measured as of June 30, 2020. 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, 2020 and June 30, 2019, respectively was 0.2101% and 0.2199%, resulting in a net decrease in the proportionate share of 0.0098%.

For the year ended June 30, 2021, the District recognized pension expense of \$11,459,909. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 6,515,343	
Change in proportion and differences between contributions made and District’s proportionate share of contributions	60,304	4,582,218
Differences between projected and actual earnings on pension plan investments	1,341,804	-
Differences between expected and actual experience in the measurement of the total pension liability	3,196,903	-
Changes of assumptions	236,369	-
	<u>\$ 11,350,723</u>	<u>\$ 4,582,218</u>
Total	<u>\$ 11,350,723</u>	<u>\$ 4,582,218</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
2022	\$ (502,130)
2023	447,884
2024	778,494
2025	617,556
Total	<u>\$ 1,341,804</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
2022	\$ 538,799
2023	(730,998)
2024	(814,106)
2025	(82,337)
Total	<u>\$ (1,088,642)</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, 2019 and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

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

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

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

**Discount Rate**

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

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.15%)	\$ 92,669,650
Current discount rate (7.15%)	64,457,667
1% increase (8.15%)	41,043,136

**Social Security**

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

**On Behalf Payments**

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$6,919,154 (10.328% 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 14 - Commitments and Contingencies**

**Grants**

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2021.

**Litigation**

The District is currently involved in a legal case against the District related to the Williams Act Uniform Compliance “Pupil Fees”. The expected outcome of this case is estimated to cost the District \$1,570,000. This amount has been recorded in these financial statements as a current liability. There is other 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, 2021.

**Construction Commitments**

As of June 30, 2021, 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	\$ 2,317,688	March 2022
Measure ES Projects		
Infrastructure	50,997	June 2022
21st Century	21,018	June 2022
Library	29,275	June 2022
Leadership & Capacity - Building	96,522	June 2022
SAMOHI - Campus Plan	95,429	June 2022
SAMOHI - Interim Repair/Upgrades	10,694	June 2022
SAMOHI - Barnum Hall Repairs & Upgrades	628	June 2022
SAMOHI - HVAC & Electrical Project	404,318	December 2021
SAMOHI - Solar Project	28,956	December 2021
SAMOHI - Discovery Building	18,804,567	June 2022
SAMOHI - Centralized Expense	14,000	June 2022
Franklin - Window, Floor, Paint & Door Project & HVAC Project	165,066	June 2022
Mckinley - Window, Floor, Paint & Door Project & HVAC Project	515,308	June 2022
Will Rogers - Window, Floor, Paint & Door Project	23,680	December 2021
Roosevelt - Window, Floor, Paint & Door Project	54,026	December 2021
Olympic - Window, Floor, Paint & Door Project & HVAC Project	44,924	December 2021
JAMS - HVAC & Electrical Project - Phase I	67,936	December 2021
Santa Monica - Others HVAC (Cost will be distributed once incurred)	738,017	June 2022
JAMS Auditorium	995,100	June 2022
Santa Monica Others - Centralized Cost	42,000	June 2022
Centralized Cost - Santa Monica Others (Distributed end of Fiscal Year)	1,276,756	June 2022

Santa Monica-Malibu Unified School District

Notes to Financial Statements

June 30, 2021

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Measure SMS Projects		
SAMOHI - Phase 3	\$ 9,823,135	June 2024
SAMOHI - Interim Repairs/Upgrades Project	3,209,419	June 2024
JAMS Auditorium - Funded from SMS	1,624,388	June 2022
JAMS Middle Schools (MS) Master Planning Assessment	280,421	June 2022
JAMS HVAC & Electrical Project - Phase II	64,996	December 2021
Lincoln Middle Schools (MS) Master Planning Assessment	121,155	June 2022
Lincoln Bldg G & K Modernization	790,044	March 2022
Lincoln HVAC & Electrical Project	7,463,016	September 2022
John Muir/SMASH - Window, Floor, Paint & Door & HVAC Project	4,086,741	June 2022
Grant - HVAC & Electrical Project	4,388,841	December 2022
Will Rogers - HVAC & Electrical Project	2,529,440	December 2022
Roosevelt - HVAC & Electrical Project	1,906,454	December 2022
Project Based Learning - MBO	845,086	On Hold
Franklin ES Master Planning Assessment	919,497	June 2025
Roosevelt ES Master Planning Assessment	928,960	June 2025
McKinley ES Master Planning Assessment	2,030,988	June 2025
Grant ES Master Planning Assessment	881,498	June 2025
Will Rogers ES Master Planning Assessment	1,314,258	June 2025
Santa Monica Others - FF&E Project	65,114	June 2022
Edison ES - FF&E Project	926	December 2021
Franklin ES - FF&E Project	474,813	June 2022
Grant ES - FF&E Project	797,380	June 2022
McKinley ES - FF&E Project	42,061	December 2021
Will Rogers ES - FF&E Project	63,994	December 2021
Roosevelt ES - FF&E Project	696,343	June 2022
JAMS MS - FF&E Project	1,169,290	June 2022
Lincoln MS - FF&E Project	899,633	June 2022
SAMOHI - FF&E Project	21,705	June 2022
SMASH/Muir ES - FF&E Project	6,377	December 2021
Washington West - FF&E Project	14,023	December 2021
Safety & Security Projects (Will be distributed at end of School Year)	508,838	Ongoing
Edison ES - Safety & Security Project	4,282	December 2021
Franklin ES - Safety & Security Project	21,363	June 2022
Grant ES - Safety & Security Project	21,719	June 2022
McKinley ES - Safety & Security Project	4,094	December 2021
Will Rogers ES - Safety & Security Project	3,939	December 2021
Roosevelt ES - Safety & Security Project	4,670	December 2021
JAMS - MS Safety & Security Project	1,363,513	June 2022
Lincoln MS - Safety & Security Project	8,335	December 2021
Obama Center - Safety & Security Project	94,355	June 2022
Smash/Muir ES - Safety & Security Project	4,680	December 2021
Washington West - Safety & Security Project	112,118	June 2022
SAMOHI - Safety & Security Project	58,240	June 2022
Measure SMS - SMO Centralized Cost	2,429,762	Ongoing

Santa Monica-Malibu Unified School District

Notes to Financial Statements

June 30, 2021

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Measure M Projects		
Webster - HVAC & Electrical Project	\$ 55,127	December 2021
Malibu Elementary Schools Alignment & Playground Project	705,869	December 2021
Malibu Campus Plan - Phase I	5,044,377	June 2024
Malibu Campus Plan Interim Measures	155,447	June 2022
Webster ES FF&E Project	6,149	December 2021
Malibu Elementary FF&E Project	499,165	June 2021
Malibu High FF&E Project	43,148	December 2021
Webster ES Safety & Security Project	6,732	June 2022
Malibu Elementary Safety & Security Project	7,692	June 2022
Malibu High Safety & Security Project	224,099	December 2022
Measure M - Centralized Expenses	1,252,730	Ongoing
Total	\$ 85,897,344	

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

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

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

During the year ended June 30, 2021, the District made payments of \$1,230,865, and \$4,502,375, to ASCIP and SLIM, respectively for property and liability and workers' compensation coverage, respectively.

**Note 16 - Restatement of Prior Year Net Position and Fund Balance**

As of July 1, 2020, the Santa Monica-Malibu Unified School District adopted GASB Statement No. 84, *Fiduciary Activities* (GASB 84). As a result of the implementation of GASB 84, the District has reclassified its associated student body activity previously reported as fiduciary funds to a governmental fund – Student Activity Fund. The following table describes the effects of the implementation on beginning fund balance/net position.

	Non-Major Governmental Funds	Total Governmental Funds
Beginning Fund Balance previously reported at June 30, 2020	\$ 23,286,539	\$ 391,778,821
Reclassification of student activity funds from agency funds to a special revenue fund	433,686	433,686
Fund Balance - Beginning as Restated July 1, 2020	\$ 23,720,225	\$ 392,212,507
Government-Wide Financial Statements		
Beginning Net Position previously reported at June 30, 2020		\$ 14,192,666
Reclassification of student activity funds from agency funds to a special revenue fund		433,686
Net Position - Beginning as Restated July 1, 2020		\$ 14,626,352

**Note 17 - Subsequent Events**

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 0.12% 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.

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 0.12% 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.

On August 3, 2021, the District issued the 2021 Refunding General Obligation Bonds in the amount of \$122,170,000. The 2021 Refunding Bonds have a final maturity date of August 1, 2038, with interest rates ranging from 0.14% to 2.424%. The bonds were used to refinance portions of the Election of 2006, Series D; the Election of 2012, Series B; the Election of 2012, Series D; the 2013 Refunding; and the 2015 Refunding General Obligation Bonds.





Required Supplementary Information  
June 30, 2021

# Santa Monica-Malibu Unified School District

Santa Monica-Malibu Unified School District  
 Budgetary Comparison Schedule – General Fund  
 Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
<b>Revenues</b>				
Local Control Funding Formula				
State apportionments	\$ 7,805,312	\$ 8,585,843	\$ 8,585,835	\$ (8)
Education protection account state aid	1,818,182	2,000,000	1,968,506	(31,494)
Local sources	94,178,821	98,837,325	100,621,538	1,784,213
Federal sources	4,161,631	14,570,022	10,823,714	(3,746,308)
Other State sources	3,072,544	6,716,099	17,492,410	10,776,311
Other local sources	49,307,499	46,312,158	50,958,414	4,646,256
Total revenues <sup>1</sup>	<u>160,343,989</u>	<u>177,021,447</u>	<u>190,450,417</u>	<u>13,428,970</u>
<b>Expenditures</b>				
Current				
Certificated salaries	65,646,473	65,953,683	65,694,957	258,726
Classified salaries	32,250,304	31,603,079	33,686,462	(2,083,383)
Employee benefits	43,488,522	42,208,912	48,602,482	(6,393,570)
Books and supplies	3,270,825	10,020,616	8,389,284	1,631,332
Services and operating expenditures	20,591,353	23,189,181	19,406,295	3,782,886
Other outgo	(690,009)	(247,003)	1,304,259	(1,551,262)
Capital outlay	270,050	392,836	249,194	143,642
Debt service				
Debt service - principal	18,000	-	-	-
Debt service - interest and other	132,000	-	-	-
Total expenditures <sup>1</sup>	<u>164,977,518</u>	<u>173,121,304</u>	<u>177,332,933</u>	<u>(4,211,629)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(4,633,529)</u>	<u>3,900,143</u>	<u>13,117,484</u>	<u>9,217,341</u>
Other Financing Uses				
Other sources	250,000	-	-	-
Transfers out	(3,100,000)	(3,100,000)	(2,500,000)	600,000
Net Change in Fund Balances	(7,483,529)	800,143	10,617,484	9,817,341
Fund Balance - Beginning, as restated	<u>30,073,213</u>	<u>30,073,213</u>	<u>30,073,213</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 22,589,684</u>	<u>\$ 30,873,356</u>	<u>\$ 40,690,697</u>	<u>\$ 9,817,341</u>

<sup>1</sup> On behalf payments of \$6,919,154, 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, 2021

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 3,020,133	\$ 2,370,918	\$ 2,077,187	\$ 2,016,686
Interest	1,912,637	2,050,071	2,100,375	1,974,060
Difference between expected and actual experience	-	(3,264,350)	-	-
Changes of assumptions	7,032,656	8,193,212	5,561,651	-
Benefit payments	(1,879,864)	(1,906,398)	(1,484,273)	(1,445,115)
Net change in total OPEB liability	10,085,562	7,443,453	8,254,940	2,545,631
Total OPEB Liability - Beginning	58,438,970	50,995,517	42,740,577	40,194,946
Total OPEB Liability - Ending (a)	<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	\$ 1,879,864	\$ 1,906,398	\$ 1,484,273	\$ 2,445,115
Net investment income	1,671,883	209,781	343,772	311,899
Benefit payments	(1,879,864)	(1,906,398)	(1,484,273)	(1,445,115)
Administrative expense	(5,918)	(5,051)	(4,713)	(4,176)
Net change in plan fiduciary net position	1,665,965	204,730	339,059	1,307,723
Plan Fiduciary Net Position - Beginning	6,073,959	5,869,229	5,530,170	4,222,447
Plan Fiduciary Net Position - Ending (b)	<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>\$ 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	11.30%	10.39%	11.51%	12.94%
Covered Payroll	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Net OPEB Liability as a Percentage of Covered Payroll	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018

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

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

Santa Monica-Malibu Unified School District  
Schedule of District Contributions for OPEB  
Year Ended June 30, 2021

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

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

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

Santa Monica-Malibu Unified School District  
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program  
Year Ended June 30, 2021

Year ended June 30,	2021	2020	2019	2018
Proportion of the net OPEB liability	0.2133%	0.2183%	0.2232%	0.2314%
Proportionate share of the net OPEB liability	\$ 903,722	\$ 812,832	\$ 854,202	\$ 994,653
Covered payroll	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Plan fiduciary net position as a percentage of the total OPEB liability	-0.71%	-0.81%	-0.40%	0.01%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

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

Santa Monica-Malibu Unified School District  
Schedule of the District's Proportionate Share of the Net Pension Liability  
Year Ended June 30, 2021

	2021	2020	2019	2018
<b>CalSTRS</b>				
Proportion of the net pension liability	0.1224%	0.1234%	0.1243%	0.1278%
Proportionate share of the net pension liability	\$ 118,601,908	\$ 111,436,765	\$ 114,272,455	\$ 118,214,471
State's proportionate share of the net pension liability	61,139,298	60,796,195	68,048,603	71,711,086
Total	<u>\$ 179,741,206</u>	<u>\$ 172,232,960</u>	<u>\$ 182,321,058</u>	<u>\$ 189,925,557</u>
Covered payroll	<u>\$ 67,297,626</u>	<u>\$ 67,555,147</u>	<u>\$ 67,206,168</u>	<u>\$ 67,800,668</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	176.23%	164.96%	170.03%	174.36%
Plan fiduciary net position as a percentage of the total pension liability	72%	73%	71%	69%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
<b>CalPERS</b>				
Proportion of the net pension liability	0.2101%	0.2199%	0.2315%	0.2303%
Proportionate share of the net pension liability	<u>\$ 64,457,667</u>	<u>\$ 64,090,590</u>	<u>\$ 61,732,127</u>	<u>\$ 54,968,070</u>
Covered payroll	<u>\$ 30,871,533</u>	<u>\$ 30,586,469</u>	<u>\$ 30,836,411</u>	<u>\$ 29,392,792</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	208.79%	209.54%	200.19%	187.01%
Plan fiduciary net position as a percentage of the total pension liability	70%	70%	71%	72%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

Santa Monica-Malibu Unified School District  
Schedule of the District's Proportionate Share of the Net Pension Liability  
Year Ended June 30, 2021

	2017	2016	2015
<b>CalSTRS</b>			
Proportion of the net pension liability	0.1242%	0.1318%	0.1260%
Proportionate share of the net pension liability	\$ 100,480,053	\$ 88,739,307	\$ 73,375,330
State's proportionate share of the net pension liability	61,767,308	46,933,185	44,307,192
Total	<u>\$ 162,247,361</u>	<u>\$ 135,672,492</u>	<u>\$ 117,682,522</u>
Covered payroll	<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>158.23%</u>	<u>147.24%</u>	<u>128.03%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>74%</u>	<u>77%</u>
Measurement Date	June 30, 2016	June 30, 2015	June 30, 2014
<b>CalPERS</b>			
Proportion of the net pension liability	0.2312%	0.2325%	0.2310%
Proportionate share of the net pension liability	\$ 45,665,948	\$ 34,274,607	\$ 26,174,060
Covered payroll	<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>164.51%</u>	<u>133.06%</u>	<u>107.69%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>74%</u>	<u>79%</u>	<u>83%</u>
Measurement Date	June 30, 2016	June 30, 2015	June 30, 2014

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

Santa Monica-Malibu Unified School District  
Schedule of the District Contributions  
Year Ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>CaISTRS</b>				
Contractually required contribution	\$ 10,411,287	\$ 11,507,894	\$ 10,997,978	\$ 9,697,850
Less contributions in relation to the contractually required contribution	<u>10,411,287</u>	<u>11,507,894</u>	<u>10,997,978</u>	<u>9,697,850</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 64,466,173</u>	<u>\$ 67,297,626</u>	<u>\$ 67,555,147</u>	<u>\$ 67,206,168</u>
Contributions as a percentage of covered payroll	<u>16.15%</u>	<u>17.10%</u>	<u>16.28%</u>	<u>14.43%</u>
<b>CaIPERS</b>				
Contractually required contribution	\$ 6,515,343	\$ 6,088,175	\$ 5,524,528	\$ 4,789,203
Less contributions in relation to the contractually required contribution	<u>6,515,343</u>	<u>6,088,175</u>	<u>5,524,528</u>	<u>4,789,203</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 31,475,087</u>	<u>\$ 30,871,533</u>	<u>\$ 30,586,469</u>	<u>\$ 30,836,411</u>
Contributions as a percentage of covered payroll	<u>20.700%</u>	<u>19.721%</u>	<u>18.0620%</u>	<u>15.5310%</u>

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



Santa Monica-Malibu Unified School District  
Schedule of the District Contributions  
Year Ended June 30, 2021

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>CaISTRS</b>			
Contractually required contribution	\$ 8,529,324	\$ 6,814,032	\$ 5,351,837
Less contributions in relation to the contractually required contribution	<u>8,529,324</u>	<u>6,814,032</u>	<u>5,351,837</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 67,800,668</u>	<u>\$ 63,504,492</u>	<u>\$ 60,268,435</u>
Contributions as a percentage of covered payroll	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
<b>CaIPERS</b>			
Contractually required contribution	\$ 4,082,071	\$ 3,288,625	\$ 3,032,060
Less contributions in relation to the contractually required contribution	<u>4,082,071</u>	<u>3,288,625</u>	<u>3,032,060</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 29,392,792</u>	<u>\$ 27,759,137</u>	<u>\$ 25,758,729</u>
Contributions as a percentage of covered payroll	<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.

At June 30, 2021, the District General Fund exceeded the budgeted amount in total as follows:

Funds	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund	\$ 176,221,304	\$ 179,832,933	\$ 3,611,629

**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 3.16% to 2.43% and the plan healthcare cost trends rate was changed from 5.90% to 5.80% since the previous valuation.

**Schedule of District Contributions for OPEB**

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

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

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

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The plan rate of investment return assumption was changed from 3.50% to 2.21% since the previous valuation.

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

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

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

#### **Schedule of District Contributions**

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



Supplementary Information  
June 30, 2021

# Santa Monica-Malibu Unified School District

Santa Monica-Malibu Unified School District  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed Through California Department of Education (CDE)			
Adult Basic Education and ESL	84.002A	14508	\$ 33,593
Adult Secondary Education	84.002	13978	<u>19,826</u>
Subtotal			<u>53,419</u>
Title I, Part A, Basic Grants Low-Income and Neglected			
ESSA School Improvement (CSI) Funding for LEAs	84.010	14329	792,672
	84.010	15438	<u>83,871</u>
Subtotal			<u>876,543</u>
Title IV, Part A, Student Support and Academic			
Enrichment Grants	84.424	15396	35,447
Title II, Part A, Supporting Effective Instruction	84.367	14341	202,842
Title III, English Learner Student Program	84.365	14346	44,415
Carl D. Perkins Career and Technical Education:			
Secondary, Section 131	84.048	14894	38,687
COVID-19 Education Stabilization Fund			
Child Nutrition: COVID CARES Act			
Supplemental Meal Reimbursement	84.425D	15535	58,798
COVID-19 Governor's Emergency Education			
Relief (GEER) Fund: Learning Loss Mitigation	84.425C	15517	340,814
COVID-19 Elementary and Secondary Emergency			
Relief (ESSER) Fund	84.425D	15536	941,838
COVID-19 Elementary and Secondary Emergency			
Relief II (ESSER II) Fund	84.425D	15547	<u>1,951,164</u>
Subtotal COVID-19 Education Stabilization Fund			<u>3,292,614</u>
Passed through Tri-City SELPA			
Special Education (IDEA) Cluster			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	2,175,785
Preschool Grants, Part B, Sec 619	84.173	13430	<u>53,207</u>
Subtotal Special Education (IDEA) Cluster			<u>2,228,992</u>
Early Intervention Grants, Part C	84.181	23761	<u>59,099</u>
Total U.S. Department of Education			<u>6,832,058</u>
U.S Department of Treasury			
Passed through CDE			
COVID-19 Coronavirus Relief Fund: Learning			
Loss Mitigation	21.019	25516	<u>4,103,874</u>

Santa Monica-Malibu Unified School District  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA 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			
Child Development: Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act - One-time stipend			
	93.575	15555	<u>\$ 221,186</u>
Passed through CDE			
Child Nutrition Cluster			
National School Lunch Program	10.555	13396	624,441
School Breakfast Program - Especially Needy Breakfast	10.553	13526	244,431
School Breakfast Program - National School Breakfast	10.553	13590	20,685
Commodities	10.555	13396	<u>59,222</u>
Total Child Nutrition Cluster			<u>948,779</u>
Child and Adult Care Food Program	10.558	13393	<u>9,419</u>
Total U.S. Department of Agriculture			<u>958,198</u>
Total Federal Financial Assistance			<u>\$ 12,115,316</u>

**ORGANIZATION**

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

**GOVERNING BOARD**

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

**ADMINISTRATION**

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

Santa Monica-Malibu Unified School District

Schedule of Instructional Time

Year Ended June 30, 2021

Grade Level	Number of Days		Number of Days Credited Form J-13A	Total Days Offered	Status
	Traditional Calendar	Multitrack Calendar			
Kindergarten	180	-	-	180	Complied
Grades 1 - 3					
Grade 1	180	-	-	180	Complied
Grade 2	180	-	-	180	Complied
Grade 3	180	-	-	180	Complied
Grades 4 - 8					
Grade 4	180	-	-	180	Complied
Grade 5	180	-	-	180	Complied
Grade 6	180	-	-	180	Complied
Grade 7	180	-	-	180	Complied
Grade 8	180	-	-	180	Complied
Grades 9 - 12					
Grade 9	180	-	-	180	Complied
Grade 10	180	-	-	180	Complied
Grade 11	180	-	-	180	Complied
Grade 12	180	-	-	180	Complied



Santa Monica-Malibu Unified School District  
 Reconciliation of Annual Financial and Budget Report with Audited Financial Statements  
 Year Ended June 30, 2021

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

	General Fund	Building Fund	Non-Major Governmental Funds	
			Student Activity Fund	Special Reserve Fund for Capital Outlay Projects
Fund Balance				
Balance, June 30, 2021, Unaudited Actuals	\$ 39,900,532	\$ 57,064,195	\$ 131,888	\$ 17,701,502
Current year changes in Fund 71 reported in the General Fund from consolidation				
Increase in investment	2,038,817	-	-	-
Increase in accounts receivable	2,399	-	-	-
Increase in accounts payable	(82,436)	-	-	-
Increase in cash	-	-	186,578	-
Increase in investment	-	-	-	7,250,374
Decrease in unearned revenue	837,830	-	-	-
Decrease in accounts receivable	(436,445)	-	-	-
Increase in accounts payable	(1,570,000)	(609,411)	(602)	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Balance, June 30, 2021, Audited Financial Statements	<u>\$ 40,690,697</u>	<u>\$ 56,454,784</u>	<u>\$ 317,864</u>	<u>\$ 24,951,876</u>

Santa Monica-Malibu Unified School District  
Schedule of Financial Trends and Analysis  
Year Ended June 30, 2021

	(Budget) 2022 <sup>1</sup>	2021	2020	2019
General Fund <sup>3</sup>				
Revenues	\$ 171,697,734	\$ 190,459,299	\$ 171,818,095	\$ 160,878,644
Expenditures	171,437,563	177,076,207	168,620,728	163,314,366
Other uses and transfers out	4,365,307	2,500,000	2,850,000	-
Total Expenditures and Other Uses	<u>175,802,870</u>	<u>179,576,207</u>	<u>171,470,728</u>	<u>163,314,366</u>
Prior-period adjustment	-	-	-	(8,861,132)
Increase/(Decrease) in Fund Balance	<u>(4,105,136)</u>	<u>10,883,092</u>	<u>347,367</u>	<u>(11,296,854)</u>
Ending Fund Balance	<u>\$ 34,626,781</u>	<u>\$ 38,731,917</u>	<u>\$ 27,848,825</u>	<u>\$ 27,501,458</u>
Available Reserves <sup>2</sup>	<u>\$ 19,544,810</u>	<u>\$ 31,699,326</u>	<u>\$ 22,054,105</u>	<u>\$ 5,017,101</u>
Available Reserves as a Percentage of Total Outgo	<u>11.12%</u>	<u>17.65%</u>	<u>12.86%</u>	<u>3.07%</u>
Long-Term Liabilities	<u>N/A</u>	<u>\$ 1,023,734,867</u>	<u>\$ 1,073,872,731</u>	<u>\$ 750,514,361</u>
K-12 Average Daily Attendance at P-2	<u>9,054</u>	<u>9,841</u>	<u>9,841</u>	<u>10,092</u>

The General Fund balance has increased by \$11,230,459 over the past two years. The fiscal year 2021-2022 budget projects a decrease of \$4,105,136 (10.6%). For a district this size, the State recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years but anticipates incurring an operating deficit during the 2021-2022 fiscal year. Total long-term liabilities have increased by \$273,220,506 over the past two years.

Average daily attendance has decreased by 251 over the past two years. An additional decline of 787 ADA is anticipated during fiscal year 2021-2022.

<sup>1</sup> Budget 2022 is included for analytical purposes only and has not been subjected to audit.

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

<sup>3</sup> 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, 2021

	Student Activity Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
<b>Assets</b>					
Deposits and investments	\$ 322,568	\$ 1,051,981	\$ 1,614,854	\$ 637,470	\$ 1,054,692
Receivables	-	2,226	1,363	5,639	450
Due from other governments	-	23,906	176,563	405,343	-
Stores inventories	-	-	-	77,456	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 322,568</u>	<u>\$ 1,078,113</u>	<u>\$ 1,792,780</u>	<u>\$ 1,125,908</u>	<u>\$ 1,055,142</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 4,704	\$ 83,724	\$ 687,525	\$ 383,400	\$ 14,794
Due to other governments	-	-	313,919	-	-
Unearned revenue	-	-	79,411	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>4,704</u>	<u>83,724</u>	<u>1,080,855</u>	<u>383,400</u>	<u>14,794</u>
<b>Fund Balances</b>					
Nonspendable	-	-	-	77,456	-
Restricted	317,864	704,087	527,502	665,052	-
Committed	-	290,302	-	-	1,040,348
Assigned	-	-	184,423	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>317,864</u>	<u>994,389</u>	<u>711,925</u>	<u>742,508</u>	<u>1,040,348</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balances	<u>\$ 322,568</u>	<u>\$ 1,078,113</u>	<u>\$ 1,792,780</u>	<u>\$ 1,125,908</u>	<u>\$ 1,055,142</u>

Santa Monica-Malibu Unified School District  
Combining Balance Sheet – Non-Major Governmental Funds  
June 30, 2021

	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
<b>Assets</b>				
Deposits and investments	\$ 4,666,144	\$ 3,374,593	\$ 25,069,787	\$ 37,792,089
Receivables	702,919	4,315	29,424	746,336
Due from other governments	-	-	-	605,812
Stores inventories	-	-	-	77,456
	<u>5,369,063</u>	<u>3,378,908</u>	<u>25,099,211</u>	<u>39,221,693</u>
<b>Total assets</b>				
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 364,313	\$ -	\$ 147,335	\$ 1,685,795
Due to other governments	-	-	-	313,919
Unearned revenue	-	-	-	79,411
	<u>364,313</u>	<u>-</u>	<u>147,335</u>	<u>2,079,125</u>
<b>Total liabilities</b>				
<b>Fund Balances</b>				
Nonspendable	-	-	-	77,456
Restricted	5,004,750	3,378,908	-	10,598,163
Committed	-	-	-	1,330,650
Assigned	-	-	24,951,876	25,136,299
	<u>5,004,750</u>	<u>3,378,908</u>	<u>24,951,876</u>	<u>37,142,568</u>
<b>Total fund balances</b>				
<b>Total liabilities and fund balances</b>				
	<u>\$ 5,369,063</u>	<u>\$ 3,378,908</u>	<u>\$ 25,099,211</u>	<u>\$ 39,221,693</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, 2021

	Student Activity Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
<b>Revenues</b>					
Federal sources	\$ -	\$ 53,419	\$ 230,605	\$ 1,007,578	\$ -
Other State sources	-	728,789	1,985,819	77,965	-
Other local sources	764,427	(187)	341,521	6,519	(3,113)
Total revenues	<u>764,427</u>	<u>782,021</u>	<u>2,557,945</u>	<u>1,092,062</u>	<u>(3,113)</u>
<b>Expenditures</b>					
Current					
Instruction	-	240,401	1,674,644	-	-
Instruction-related activities					
Supervision of instruction	-	-	502,938	-	-
School site administration	-	333,688	654,232	-	-
Pupil services					
Food services	-	-	24,426	1,620,717	-
All other pupil services	-	44,898	101,662	-	-
Administration					
All other administration	-	38,078	163,993	81,036	-
Plant services	-	42,707	137,973	-	754,446
Ancillary services	880,249	-	-	-	-
Facility acquisition and construction	-	-	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest and other	-	-	-	-	-
Total expenditures	<u>880,249</u>	<u>699,772</u>	<u>3,259,868</u>	<u>1,701,753</u>	<u>754,446</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(115,822)</u>	<u>82,249</u>	<u>(701,923)</u>	<u>(609,691)</u>	<u>(757,559)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	-	600,000	900,000	1,000,000
Other sources	-	-	-	-	-
Other uses	-	-	-	-	-
Net Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>600,000</u>	<u>900,000</u>	<u>1,000,000</u>
Net Change in Fund Balances	(115,822)	82,249	(101,923)	290,309	242,441
Fund Balance - Beginning, as restated	433,686	912,140	813,848	452,199	797,907
Fund Balance - Ending	<u>\$ 317,864</u>	<u>\$ 994,389</u>	<u>\$ 711,925</u>	<u>\$ 742,508</u>	<u>\$ 1,040,348</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, 2021

	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
<b>Revenues</b>				
Federal sources	\$ -	\$ -	\$ -	\$ 1,291,602
Other State sources	-	3,393,535	-	6,186,108
Other local sources	1,143,545	(14,627)	5,037,389	7,275,474
Total revenues	<u>1,143,545</u>	<u>3,378,908</u>	<u>5,037,389</u>	<u>14,753,184</u>
<b>Expenditures</b>				
<b>Current</b>				
Instruction	-	-	-	1,915,045
Instruction-related activities				
Supervision of instruction	-	-	-	502,938
School site administration	-	-	-	987,920
Pupil services				
Food services	-	-	-	1,645,143
All other pupil services	-	-	-	146,560
Administration				
All other administration	-	-	-	283,107
Plant services	288,443	-	105,129	1,328,698
Ancillary services	-	-	-	880,249
Facility acquisition and construction	474,072	-	21,363,383	21,837,455
Debt service				
Principal	-	-	2,255,000	2,255,000
Interest and other	-	-	792,852	792,852
Total expenditures	<u>762,515</u>	<u>-</u>	<u>24,516,364</u>	<u>32,574,967</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>381,030</u>	<u>3,378,908</u>	<u>(19,478,975)</u>	<u>(17,821,783)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	-	2,500,000
Other sources	-	-	30,077,589	30,077,589
Other uses	-	-	(1,333,463)	(1,333,463)
Net Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>28,744,126</u>	<u>31,244,126</u>
Net Change in Fund Balances	381,030	3,378,908	9,265,151	13,422,343
Fund Balance - Beginning, as restated	4,623,720	-	15,686,725	23,720,225
Fund Balance - Ending	<u>\$ 5,004,750</u>	<u>\$ 3,378,908</u>	<u>\$ 24,951,876</u>	<u>\$ 37,142,568</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, 2021. 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, 2021, the fair market value of food commodities in inventory was insignificant.

SEFA Reconciliation

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

	Federal Financial Assistance Listing/Federal CFDA Number	Amount
Description		
Total Federal Revenues reported on the financial statements		\$ 12,704,361
Federal interest subsidy	N/A	(589,045)
Total Federal Financial Assistance		\$ 12,115,316

**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 Instructional Time**

This schedule presents information on the day of instructional days offered by the District and whether the District complied with the provisions of *Education Code* Section 43504.

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

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

**Schedule of Financial Trends and Analysis**

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

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

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





Independent Auditor's Reports  
June 30, 2021

**Santa Monica-Malibu Unified School  
District**



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Santa Monica-Malibu Unified School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Santa Monica-Malibu Unified School District’s basic financial statements and have issued our report thereon dated January 20, 2022.

**Emphasis of Matter – Change in Accounting Principle**

As discussed in Notes 1 and 16 to the financial statements, Santa Monica-Malibu Unified School District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of the net position and fund balance as of July 1, 2020. Our opinions are not modified with respect to this matter.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying *Schedule of Financial Statement Findings as item 2021-001*, that we consider to be a material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Santa Monica-Malibu Unified School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial 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**

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

We noted certain matters that we reported to management of Santa Monica-Malibu Unified School District in a separate letter dated January 20, 2022.

### **Purpose of this Report**

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



Rancho Cucamonga, California  
January 20, 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 Board of Directors  
Santa Monica-Malibu Unified School District  
Santa Monica, California

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

We have audited Santa Monica-Malibu Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Santa Monica-Malibu Unified School District's major federal programs for the year ended June 30, 2021. Santa Monica-Malibu Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

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

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

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

In our opinion, Santa Monica-Malibu Unified School District's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

### **Report on Internal Control over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Rancho Cucamonga, California  
January 20, 2022



## Independent Auditor's Report on State Compliance

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

### Report on State Compliance

We have audited Santa Monica-Malibu Unified School District's (the District) compliance with the types of compliance requirements described in the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the state laws and regulations listed in the table below for the year ended June 30, 2021.

### Management's Responsibility

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

### Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance with state laws and regulations based on our audit of the types of compliance requirements referred to below. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

## Compliance Requirements Tested

In connection with the audit referred to above, we selected and tested transactions and records to determine the District’s compliance with laws and regulations applicable to the following items:

	<u>Procedures Performed</u>
<b>LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS</b>	
Attendance and Distance Learning	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
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
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
<b>SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS</b>	
California Clean Energy Jobs Act	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Independent Study - Course Based	No, see below
<b>CHARTER SCHOOLS</b>	
Attendance	No, see below
Mode of Instruction	No, see below
Nonclassroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Charter School Facility Grant Program	No, see below

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

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

We did not perform procedures related to the California Clean Energy Jobs Act because the District did not have any reported expenditures, but has also not yet filed its final expenditure report.

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

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

***Basis for Qualified Opinion on Classroom Teacher Salaries***

As described in the accompanying *Schedule of State Compliance Findings and Questioned Costs*, Santa Monica-Malibu Unified School District did not comply with requirements regarding Classroom Teacher Salaries as noted in finding 2021-002. Compliance with such requirements is necessary, in our opinion, for Santa Monica-Malibu Unified School District to comply with the requirements referred to above.

***Qualified Opinion on Classroom Teacher Salaries***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Santa Monica-Malibu Unified School District complied, in all material respects, with the compliance requirements referred to above for the year ended June 30, 2021.

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

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

In our opinion, Santa Monica-Malibu Unified School District complied, in all material respects, with the laws and regulations of the state programs referred to above for the year ended June 30, 2021 except as described in the accompanying *Schedule of State Compliance Findings and Questioned Costs*.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.



Rancho Cucamonga, California

January 20, 2022





Schedule of Findings and Questioned Costs  
June 30, 2021

# 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>
COVID-19 Coronavirus Relief Fund: Learning Loss Mitigation	21.019
Child Nutrition: COVID-19 CARES Act Supplemental Meal Reimbursement	84.425D
COVID-19 Elementary and Secondary Emergency Relief (ESSER) Fund	84.425D
COVID-19 Elementary and Secondary Emergency Relief II (ESSER II) Fund	84.425D
COVID-19 Governor's Emergency Education Relief (GEER) Fund: Learning Loss Mitigation	84.425C
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	No

**State Compliance**

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

                    Name of Program

Classroom Teachers 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 findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
20000	Inventory of Equipment
30000	Internal Control
60000	Miscellaneous

2021-001      Code 30000

Criteria or Specific Requirements

Management is responsible for the design, implementation, and maintenance of internal controls to ensure the financial statements are free from material misstatement, whether due to error or fraud. Such internal controls should include a review of 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.

#### Corrective Action Plan and Views of Responsible Officials

In order to prevent future findings related to accounts receivable and payable accruals, 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.

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

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 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:

Gerardo Cruz,	Director of Fiscal & Business Services
David Chiang,	Assistant Director of Fiscal Services
Rex Aclan,	Accounting Technician – Student Body Funds for John Adams Middle
Julie Bechtloff,	Accounting Technician – Accounts Receivable
Tess Cerdon,	Accounting Technician – Accounts Payable
Jenny Nicolas,	Accounting Assistant II – Student Body Funds for Santa Monica High
Mary Slawter,	Accounting Assistant II – Student Body Funds for Malibu High
Stacy Vela,	Accounting Technician – Student Body Funds for Lincoln Middle

None reported.

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

Five Digit Code	AB 3627 Finding Type
61000	Classroom Teacher Salaries

2021-002      Code 61000

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.

Corrective Action Plan and Views of Responsible Official

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.



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***

2020-001      Code 30000

Criteria or Specific Requirements

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

Condition

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

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

Questioned costs

There were no questioned costs associated with the condition identified.

Context

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

Effect

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

Cause

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

Recommendation

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

Current Status

Implemented

2020-002      Code 30000

Criteria or Specific Requirements

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

#### Condition

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

#### Questioned costs

There were no questioned costs associated with the condition identified.

#### Context

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

#### Effect

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

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

#### Cause

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

#### Recommendation

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

#### Current Status

Not implemented. See Finding 2021-001.

**State Compliance Findings**

2020-003      Code 40000

Criteria or Specific Requirements

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

Condition

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

Questioned Costs

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

Context

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

Santa Monica-Malibu Unified School District

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2021

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Effect

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

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

Cause

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

Recommendation

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

Current Status

Implemented



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

In planning and performing our audit of the financial statements of Santa Monica-Malibu Unified School District (the District) for the year ended June 30, 2021, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated January 20, 2022, on the government-wide financial statements of the District.

#### **Associated Student Body (ASB)**

##### Santa Monica High School

##### *Observation*

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

##### *Recommendation*

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

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

A handwritten signature in black ink that reads "Eide Bailly LLP".

Rancho Cucamonga, California  
January 20, 2022