SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
COUNTY OF LOS ANGELES
SANTA MONICA, CALIFORNIA

AUDIT REPORT
June 30, 2019

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the Santa Monica-Malibu Unified School District ("the District") as of and for the fiscal year ended June 30, 2019, 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 did not audit the financial statements of the Santa Monica-Malibu Education Foundation, which represent the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it related to the amounts included for the Santa Monica-Malibu Education Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *2018-2019 Guide for Annual Audits of California K-12 Local Educational Agencies and State Compliance Reporting* prescribed by Title 5, *California Code of Regulations, Section 19810*. 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.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the District, as of June 30, 2019, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11, the Budgetary Comparison Schedule – General Fund on page 63, the Schedules the District's of Proportionate Share of Net Pension Liability on pages 64 and 65, the Schedules of District's Pension Contributions on pages 66 and 67, the Schedule of Changes in the District's Net OPEB Liability and the Related Ratios on page 68, the Schedule of the District's Proportionate Share of the Net OPEB Liability and Related Ratios on page 69, and the Schedule of District's OPEB Contributions on page 70, 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.

Supplementary Information

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements of the District. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2, U.S. Code of Federal Regulator (CFR) Part 200, Uniform Administrative Requirement, Cost Principles, and Audit Requirements of Federal Awards, and is also not a required part of the basic financial statements of the District.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
December 13, 2019

INTRODUCTION

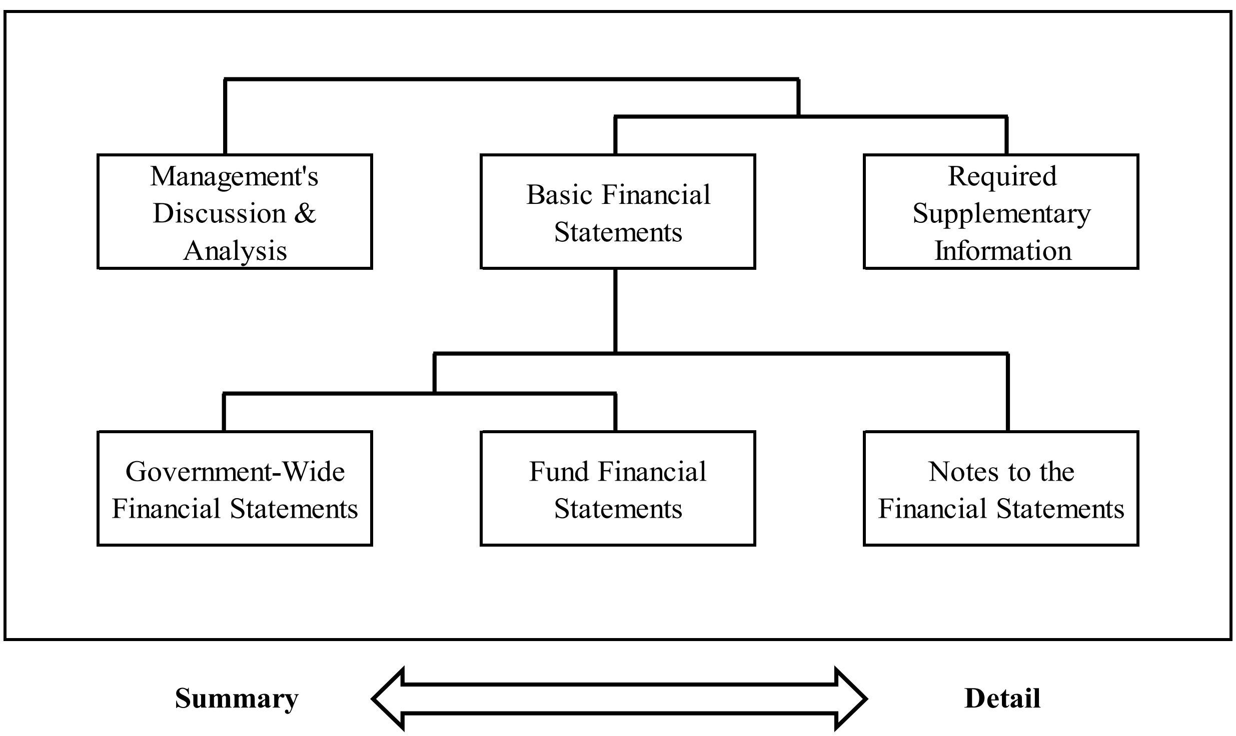
Our discussion and analysis of Santa Monica-Malibu Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2019. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Total net position for the primary government was $29,557,931 at June 30, 2019. This was a decrease of $23,356,864 from the prior fiscal year's net position.
- Overall revenues for the primary government were $226,173,508 which fail short of expenses at $240,669,240.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financial Section



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

- **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.

- **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.

  - **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

  - **Proprietary Funds** report services for which the District charges customers a fee. Like the government-wide statements, they provide both long- and short-term financial information.

  - **Fiduciary Funds** report balances for which the District is a custodian or *trustee* of the funds, such as Associated Student Bodies and pension funds.

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

Government-Wide Statements

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

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

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

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position was $29,557,931 at June 30, 2019, as reflected in Table A-1 below. Of this amount, ($149,399,122) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

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

	Governmental Activities		
	2019	**2018**	**Net Change**
ASSETS			
Current and other assets	$ 231,324,756	$ 192,832,943	$ 38,491,813
Capital assets	534,921,430	465,573,277	69,348,153
Total Assets	766,246,186	658,406,220	107,839,966
DEFERRED OUTFLOWS OF RESOURCES	77,173,855	78,994,130	(1,820,275)
LIABILITIES			
Current liabilities	80,625,513	66,164,963	14,460,550
Long-term liabilities	721,397,460	608,194,965	113,202,495
Total Liabilities	802,022,973	674,359,928	127,663,045
DEFERRED INFLOWS OF RESOURCES	11,839,137	10,125,627	1,713,510
NET POSITION			
Net investment in capital assets	117,769,149	115,880,806	1,887,343
Restricted	61,188,904	61,543,437	(354,533)
Unrestricted	(149,399,122)	(124,509,448)	(24,889,674)
Total Net Position	$ 29,557,931	$ 52,914,795	($23,356,864)

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

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

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

	Governmental Activities		
	2019	**2018**	**Net Change**
REVENUES			
Program revenues			
Charges for services	$ 6,969,932	$ 7,087,558	$ (117,626)
Operating grants and contributions	30,486,140	28,769,686	1,716,454
Capital grants and contributions	0	0	0
General revenues			
Property taxes	138,671,364	155,462,262	(16,790,898)
Unrestricted federal and state aid	15,160,145	14,444,664	715,481
Other	34,885,927	33,848,220	1,037,707
Total Revenues	226,173,508	239,612,390	(13,438,882)
EXPENSES			
Instruction	114,966,397	103,805,316	11,161,081
Instruction-related services	22,506,398	20,250,931	2,255,467
Pupil services	19,139,757	17,830,772	1,308,985
General administration	12,024,620	10,186,877	1,837,743
Plant services	28,272,070	20,628,834	7,643,236
Ancillary and community services	3,615,409	3,249,298	366,111
Debt service	21,664,111	19,081,800	2,582,311
Other Outgo	18,480,478	12,905,864	5,574,614
Total Expenses	240,669,240	207,939,692	32,729,548
Change in net position	(14,495,732)	31,672,698	(46,168,430)
Net Position - Beginning	52,914,795	42,967,182	9,947,613
Restatements	(8,861,132)	(21,725,085)	12,863,953
Net Position - Ending	$ 29,557,931	$ 52,914,795	$ (23,356,864)

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

The total cost of all our governmental activities this fiscal year was $240,939,692 (refer to Table A-2). The amount that our taxpayers ultimately financed for these activities through taxes was $138,671,364. The remaining cost was paid by other governments and organizations who subsidized certain programs with grants and contributions of $37,456,072.

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

	Net Cost of Services	
	2019	**2018**
Instruction	$ 99,354,878	$ 89,289,157
Instruction-related services	19,416,285	17,538,573
Pupil services	13,769,861	12,857,889
General administration	11,243,189	9,597,870
Plant services	23,009,314	11,720,203
Ancillary and community services	3,242,655	3,062,023
Debt service	21,664,111	19,081,800
Other outgo and depreciation	11,512,875	8,934,933
Total Expenses	$ 203,213,168	$ 172,082,448

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 $186,353,288, which is more than last fiscal year's ending fund balance of $161,677,647. The District's General Fund had $376,687 less in operating revenues than expenditures for the fiscal year ended June 30, 2019. This deficit was attributed to multiple factors across the budget. This amount includes a $1,181,115 higher Local General Fund Contribution to Special Education; lower RDA (Community Redevelopment Funds) property tax of $2,004,879 from the local control funding formula; and a large restatement decrease of ERAF (Education Revenue Augmentation Funds) property tax in the amount of $8,861,132 due to the District becoming a Basic Aid District in 2017-18 – these funds were returned in the year 2018-19. The District's Building Fund had $85,182,368 less in operating revenues than expenditures due to a significant increase in expenditures towards facilities construction during the fiscal year ended June 30, 2019. Also for the fiscal year ended June 30, 2019, the District's Bond Interest & Redemption Fund had $6,201,743 less in operating revenues than expenditures.

CURRENT YEAR BUDGET 2018-19

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a quarterly basis to reflect changes to both revenues and expenditures that become known during the fiscal year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District's financial projections and current budget based on State and local financial information. For the General Fund, the final budget differs from the original budget mainly with regard to revenues from state apportionments. Updated information for local control funding formula sources from revised local property tax data and minimum state aid resulted in an increase in revenues on the final budget for the General Fund; therefore, the District closed the fiscal year as a Basic Aid District for the second consecutive year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of fiscal year 2018-19 the District had invested $534,921,430 in capital assets, net of accumulated depreciation. Completion of certain construction projects resulted in a transfer of construction in progress of roughly $143,874,509 to capitalized assets. Additionally, other construction projects commenced or continued adding $86,527,878 to construction in progress. A total of $17,753,660 in depreciation expense was recorded in fiscal year 2018-19 within the government-wide statement of activities.

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

	Governmental Activities		
	2019	**2018**	**Net Change**
CAPITAL ASSETS			
Land	$ 15,122,223	$ 15,122,223	$ 0
Construction in progress	155,618,593	212,965,702	(57,347,109)
Land improvements	67,997,706	17,591,763	50,405,943
Buildings & improvements	425,971,777	332,503,211	93,468,566
Furniture & equipment	27,468,763	26,950,769	517,994
Accumulated depreciation	(157,257,632)	(139,560,391)	(17,697,241)
Total Capital Assets, Net	$ 534,921,430	$ 465,573,277	$ 69,348,153

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Liabilities

At fiscal year-end 18-19, the District had $ 750,514,361 in long-term liabilities including current portion, an increase of 16 percent from last year — as shown in Table A-5. During 2018-19 the District issued Election 2012, Series D general obligation bonds. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

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

	Governmental Activities		
	2019	**2018**	**Net Change**
LONG-TERM LIABILITIES			
Total general obligation bonds	$ 516,363,424	$ 413,515,171	$ 102,848,253
Total certificates of participation	11,354,169	12,659,860	(1,305,691)
Capital leases	0	28,125	(28,125)
Compensated absences	917,512	889,275	28,237
Net OPEB obligation	45,874,674	38,066,329	7,808,345
Net pension liability	176,004,582	173,182,541	2,822,041
Less: current portion of long-term debt	(29,116,901)	(30,146,336)	1,029,435)
Total Long-term Liabilities	$ 721,397,460	$ 608,194,965	$ 113,202,495

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

Landmark legislation passed in Year 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). The District continues to utilize and analyze the impact of the LCFF on funding for our program offerings and services. The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low income brackets, those that are English language learners and foster youth. All school districts reached the statewide target base funding levels in fiscal year 2018-19.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (continued)

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

The State's economy continues to grow but the outlook is for slower growth ahead. Personal income is expected to slow from 3.34% in 2019-20 to 1.63% in 2020-21 according to the Legislative Analyst Office (LAO). Additionally, UCLA GDP outlook maintains its prediction of slowing growth for the economy to 3.1% in 2018, 2.1% in 2019, and 1.4% in 2020 – this also warns that as the economy slows, the threat of a recession increase. Lastly, the LAO estimates increases to Proposition 98 minimum guarantees in 2019-20 of about 3.8%.

The District continues to be a Basic Aid District in fiscal year 2018-19 for the second consecutive year because it receives revenue in excess of the LCFF entitlement. The District benefits as a Basic Aid district when funded above its computed revenue (LCFF) along with the fast growth in property taxes yielding a large increase in revenues. However, it is difficult to accurately project property tax growth, making long-term forecasts unreliable. The District does not receive additional funding when enrollment increases (or is higher than estimated.) The District should review its "Inter-district: transfer policy" and keep higher reserves.

The District participates in state employee pensions plans, PERS and STRS, and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2019. The amount of the liability is material to the financial position of the District. To address the underfunding issues, the pension plans continue to raise employer rates in future years and the increased costs are significant.

All of these factors were considered in preparing the District's budget for the 2019-20 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION
June 30, 2019

	Primary Government Governmental Activities	June 30, 2018 Discretely Presented Component Unit
Assets		
Cash and investments	$ 217,614,943	$ 10,533,606
Accounts receivable	10,364,345	136,198
Inventories, at cost	23,872	-
Prepaid expenses	284,725	19,284
Other current assets	3,036,871	-
Non depreciable:		
Land	15,122,223	-
Construction in progress	155,618,593	-
Depreciable:		
Land improvements	67,997,706	-
Buildings and improvements	425,971,777	-
Equipment	27,468,763	69,514
Less accumulated depreciation	(157,257,632)	(50,791)
Total assets	766,246,186	10,707,811
Deferred Outflow of Resources		
Deferred outflows related to net pension liability	55,713,918	-
Deferred outflows related to OPEB	4,907,339	-
Deferred amount on debt refunding	16,552,598	-
Total Deferred Outflows of Resources	77,173,855	-
Liabilities		
Accrued liabilities	43,781,167	2,092,552
Interest payable	6,537,144	-
Unearned revenue	1,190,301	-
Long-term liabilities:		
Due within one year	29,116,901	-
Due in more than a year	721,397,460	-
Total liabilities	802,022,973	2,092,552
Deferred Inflow of Resources		
Deferred inflows related to net pension liability	11,776,564	-
Deferred inflows related to OPEB	62,573	-
Total Deferred Inflows of Resources	11,839,137	-
Net Position		
Net investment in capital assets	117,768,149	18,723
Restricted for:		
Education programs	5,683,647	6,857,363
Debt service	39,215,492	-
Child nutrition program	380,819	-
Capital projects	15,908,946	-
Permanent endowment	-	770,914
Unrestricted	(149,399,122)	968,259
Total net position	$ 29,557,931	$ 8,615,259

See notes to basic financial statements

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2019

		Program Revenues			Net (Expense) Revenue and Changes in Net Position	June 30, 2018
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Discretely Presented Component Unit
Governmental Activities:						
Instruction	$ 114,966,397	$ 1,454,714	$ 14,156,805	$ -	$ (99,354,878)	$ -
Instruction-related services:						
Supervision of instruction	8,358,038	145,241	1,426,545	-	(6,786,252)	-
Instructional library, media, and technology	1,565,148	308	104,813	-	(1,460,027)	-
School site administration	12,583,212	219,730	1,193,476	-	(11,170,006)	-
Pupil services:						
Home-to-school transportation	2,135,019	-	85,573	-	(2,049,446)	-
Food services	3,824,148	1,405,161	1,688,859	-	(730,128)	-
All other pupil services	13,180,590	539	2,189,764	-	(10,990,287)	-
General administration:						
Data processing	1,662,742	-	20,599	-	(1,642,143)	-
All other general administration	10,361,878	165,709	595,123	-	(9,601,046)	-
Plant services	28,272,070	2,356,878	2,905,878	-	(23,009,314)	-
Ancillary services	902,431	5,090	33,546	-	(863,795)	-
Community services	2,712,978	41,631	292,487	-	(2,378,860)	-
Interest on long-term debt	21,664,111	-	-	-	(21,664,111)	-
Other outgo	726,818	1,174,931	5,792,672	-	6,240,785	-
Depreciation (unallocated)	17,753,660	-	-	-	(17,753,660)	-
Total Governmental Activities	$ 240,669,240	$ 6,969,932	$ 30,486,140	$ -	(203,213,168)	-
Discretely Presented Component Unit						
Santa Monica-Malibu Education Foundation	$ 3,411,561	$ 50,355	$ 2,975,168	$ -		(386,038)
Total	$ 3,411,561	$ 50,355	$ 2,975,168	$ -		(386,038)
		General revenues:				
		Taxes and subventions:				
		Taxes levied for general purposes			85,468,444	-
		Taxes levied for debt service			36,455,840	-
		Taxes levied for other specific purposes			16,747,080	-
		Federal and state aid not restricted to specific purposes			15,160,145	-
		Interest and investment earnings			680,264	486,687
		Miscellaneous			34,205,663	589
		Total general revenues			188,717,436	487,276
		Change in net position			(14,495,732)	101,238
		Net position beginning of fiscal year			52,914,795	8,514,021
		Restatements			(8,861,132)	-
		Net position, beginning of fiscal year - restated			44,053,663	8,514,021
		Net position, end of fiscal year			$ 29,557,931	$ 8,615,259

See notes to basic financial statements

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	General Fund	Building Fund	Bond Interest and Redemption Fund	Other Governmental Funds	Total
Assets					
Cash and investments	$ 39,756,056	$ 112,873,125	$ 45,193,024	$ 19,792,738	$ 217,614,943
Accounts receivable	7,631,124	674,969	-	2,058,252	10,364,345
Stores inventories	-	-	-	23,872	23,872
Prepaid expenditures	284,725	-	-	-	284,725
Other current assets	3,036,871	-	-	-	3,036,871
Total assets	$ 50,708,776	$ 113,548,094	$ 45,193,024	$ 21,874,862	$ 231,324,756
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 22,169,433	19,557,286	$ -	$ 2,054,448	$ 43,781,167
Unearned revenue	1,037,885	-	-	152,416	1,190,301
Total liabilities	23,207,318	19,557,286	-	2,206,864	44,971,468
Fund balances:					
Nonspendable					
Revolving cash	20,003	-	-	-	20,003
Store inventories	-	-	-	23,872	23,872
Prepaid expenditures	284,725	-	-	-	284,725
Restricted					
Medi-Cal billing option	25,655	-	-	-	25,655
Lottery - instructional materials	2,131,321	-	-	-	2,131,321
Classified professional development	107,333				107,333
College readiness block grant	42,430	-	-	-	42,430
Low-performing student block grant	226,255				226,255
Ongoing and major maintenance	274,970	-	-	-	274,970
Other restricted - local revenue	2,201,382	-	-	-	2,201,382
Adult education	-	-	-	437,613	437,613
Child development	-	-	-	236,688	236,688
Nutrition	-	-	-	356,947	356,947
Capital projects	-	93,990,808	-	16,489,464	110,480,272
Debt service	-	-	45,193,024	-	45,193,024
Committed					
Deferred maintenance	-	-	-	760,019	760,019
Assigned					
Adult education	-	-	-	296,241	296,241
Child development	-	-	-	1,067,154	1,067,154
Other	17,170,283	-	-	-	17,170,283
Unassigned					
Unassigned	5,017,101	-	-	-	5,017,101
Total fund balances	27,501,458	93,990,808	45,193,024	19,667,998	186,353,288
Total liabilities and fund balances	$ 50,708,776	$ 113,548,094	$ 45,193,024	$ 21,874,862	$ 231,324,756

See notes to basic financial statements

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2019

Total fund balances - governmental funds			$ 186,353,288
In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.			
Capital assets at historical cost		$ 692,179,062	
Accumulated depreciation		(157,257,632)	
	Net		534,921,430
In governmental funds, the net effect of refunding bonds is recognized when debt is issued, whereas this amount is deferred and amortized in the government-wide financial statements:			16,552,598
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of net position, it is recognized in the period that it is incurred.			(6,537,144)
Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:			
General obligation bonds payable		$ (456,989,498)	
Bond premiums		(38,509,092)	
Bond discounts		23,174	
Accreted bond interest payable		(20,888,008)	
Certificates of participation (COP)		(5,452,319)	
COP premiums		(203,036)	
COP accreted interest payable		(5,698,814)	
Compensated absences payable		(917,512)	
Net OPEB liability		(45,874,674)	
Net pension liability		(176,004,582)	
	Total		(750,514,361)
In governmental funds, deferred outflows and inflows of resources relating to pensions and OPEB are not reported because they are applicable to future periods. In the statement of net position deferred outflows and inflows of resources relating to pensions and OPEB are reported.			
Deferred outflows of resources		$ 60,621,257	
Deferred inflows of resources		(11,839,137)	48,782,120
Total net position, governmental activities			$ 29,557,931

See notes to basic financial statements

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2019

	General Fund	Building Fund	Bond Interest and Redemption Fund	Other Governmental Funds	Total
Revenues:					
LCFF Sources:					
State apportionments	$ 8,585,957	$ -	$ -	$ -	$ 8,585,957
Education protection state aid	2,096,214	-	-	-	2,096,214
Local sources	85,386,023	-	-	-	85,386,023
Federal	4,381,856	-	1,716,132	3,007,331	9,105,319
Other state	17,427,783	32,938	53,609	4,435,571	21,949,901
Other local	54,827,692	2,668,570	37,052,444	12,701,075	107,249,781
Total revenues	172,705,525	2,701,508	38,822,185	20,143,977	234,373,195
Expenditures:					
Certificated salaries	66,053,344	-	-	3,158,450	69,211,794
Classified salaries	30,761,323	545,616	-	3,804,767	35,111,706
Employee benefits	51,326,987	302,448	-	3,698,302	55,327,737
Books and supplies	6,399,486	811,710	-	1,946,875	9,158,071
Contracted services and other operating expenditures	18,662,388	20,147,417	-	8,760,314	47,570,119
Capital outlay	349,532	66,076,685	-	693,067	67,119,284
Other outgo	(499,646)	-	-	527,523	27,877
Debt service					
Principal	28,125	-	23,121,117	919,183	24,068,425
Interest	673	-	21,902,811	949,252	22,852,736
Total expenditures	173,082,212	87,883,876	45,023,928	24,457,733	330,447,749
Excess of revenues over (under) expenditures	(376,687)	(85,182,368)	(6,201,743)	(4,313,756)	(96,074,554)
Other Financing Sources (Uses):					
Bond premiums	-	399,942	9,211,385	-	9,611,327
Proceeds from sale of bonds	-	120,000,000	-	-	120,000,000
Transfers in	-	-	-	2,059,035	2,059,035
Transfers out	(2,059,035)	-	-	-	(2,059,035)
Total other financing sources (uses)	(2,059,035)	120,399,942	9,211,385	2,059,035	129,611,327
Net change in fund balances	(2,435,722)	35,217,574	3,009,642	(2,254,721)	33,536,773
Fund balance - beginning	38,798,312	58,773,234	42,183,382	21,922,719	161,677,647
Prior period adjustments	(8,861,132)	-	-	-	(8,861,132)
Fund balance - beginning - restated	29,937,180	58,773,234	42,183,382	21,922,719	152,816,515
Fund balances - ending	$ 27,501,458	$ 93,990,808	$ 45,193,024	$ 19,667,998	$ 186,353,288

See notes to basic financial statements

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2019

Total net change in fund balances - governmental funds			$ 33,536,773
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.			
	Capital asset additions	$ 87,102,291	
	Depreciation expense	(17,753,660)	69,348,631
If a planned capital project is canceled and will not be completed, costs previously capitalized as Construction in Progress must be written off to expense. Costs written off for canceled projects were:			(478)
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. For the fiscal year ended June 30, 2019, the District has following repayments of long-term debt:			
	General obligation bonds	$ 23,121,117	
	Certificates of participation	919,183	
	Capital leases	28,125	24,068,425
In governmental funds, proceeds from debt are recognized as other financing sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt net of issue premium and discount were:			
	Bond proceeds	$ (120,000,000)	
	Bond premiums	(9,611,327)	(129,611,327)
In government funds, if debt is issued at a premium, the premium is recognized as an other financing source in the period it is incurred. In the government-wide statements, the premium plus a deferred loss from debt refunding, is amortized as interest over the life of the debt. Amortization of the debt issue premium, plus any deferred loss from debt refunding, for the period is:			
	Bond premiums	$ 2,067,556	
	Bond discounts	(1,783)	
	Deferred amount of refunding	(1,166,027)	
	COP premiums	45,308	945,054
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:			
	Bond accreted interest accrual	$ (1,712,699)	
	Bond accreted interest paid	3,288,883	
	COPs accreted interest accrual	(524,617)	
	COPs accreted interest paid	865,817	
	Bond interest accrual	(6,537,144)	
	Bond interest paid	4,863,331	243,571

See notes to basic financial statements

(Continued)

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, Continued
For the Fiscal Year Ended June 30, 2019

In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid).			(28,237)
In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This fiscal year, the difference between OPEB costs and actual employer contributions was:			
	Net OPEB liability	$ (7,808,345)	
	Deferred outflow of resources	4,852,168	
	Deferred inflow of resources	(45,845)	(3,002,022)
In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pensions costs are recognized on the accrual basis. This fiscal year, the difference between accrual basis pension costs and actual employer contributions was:			
	Net pension liability	$ (2,822,041)	
	Deferred outflow of resources	(5,506,416)	
	Deferred inflow of resources	(1,667,665)	(9,996,122)
Changes in net position of governmental activities			$ (14,495,732)

See notes to basic financial statements

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
June 30, 2019

	Expendable Trust	Agency Funds		
	Retiree Benefits Fund	Student Body Funds	Payroll Clearance Fund	Total
Assets				
Cash and investments	$ 8,325,081	$ 336,320	$ 238,864	$ 575,184
Accounts receivable	6,989	-	-	-
Total assets	8,332,070	$ 336,320	$ 238,864	$ 575,184
Liabilities:				
Accounts payable	$ -	$ -	$ 238,864	$ 238,864
Due to student groups	-	336,320	-	336,320
Total liabilities	-	$ 336,320	$ 238,864	$ 575,184
Net Position:				
Unrestricted	$ 8,332,070			

See notes to basic financial statements

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2019

	Expendable Trust Retiree Benefits Fund
Additions:	
Contributions	$ 1,305,272
Investment earnings	374,053
Total additions	1,679,325
Deductions:	
Employee benefits	1,197,767
Change in net position	481,558
Net position - beginning	7,850,512
Net position - ending	$ 8,332,070

See notes to basic financial statements

NOTE 1— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

The District operates under a locally elected Board form of government and provides educational services to grades K-12 as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

B. Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has the following discretely presented component unit:

The Santa Monica-Malibu Education Foundation (Foundation) is a legally separate, tax-exempt component unit of the District. The Foundation was established in 1982 in response to devastating federal and state education budget cuts. The Foundation was founded by a dedicated group of parents, community leaders, and local business owners to enhance and supplement the curriculum of the District. The Foundation is run by a fourteen-member Board of Directors. Although the District does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the District by the donors. Because these restricted resources held by the Foundation can be used only by, or for the benefit of, the District, the Foundation is considered a component unit of the District and is discretely presented in the District's financial statements.

NOTE 1— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation

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

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

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

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

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

Major Governmental Funds

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

Building Fund: This fund exists primarily to account separately for proceeds from the sale of bonds *(Education Code Section* 15146) and may not be used for any purposes other than those for which the bonds were issued. Other authorized revenues to the Building Fund are proceeds from the sale or lease-with-option-to-purchase of real property *(Education Code Section* 17462) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board *(Education Code Section* 41003).

NOTE 1— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Major Governmental Funds (continued)

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

Non-Major Governmental Funds

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

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

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

Cafeteria Special Revenue Fund: This fund is used to account separately for federal, state, and local resources to operate the food service program *(Education Code Sections* 38090-38093). The Cafeteria Special Revenue Fund shall be used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program *(Education Code Sections* 38091 and 38100).

Deferred Maintenance Fund: This fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes *(Education Code Sections* 17582-17587). In addition, whenever the state funds provided pursuant to *Education Code Sections* 17584 and 17585 (apportionments from the State Allocation Board) are insufficient to fully match the local funds deposited in this fund, the governing board of a school district may transfer the excess local funds deposited in this fund to any other expenditure classifications in other funds of the District *(Education Code Sections* 17582 and 17583).

NOTE 1— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

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

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

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

Trust and Agency Funds: Trust and agency funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the District's own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Retiree Benefit Fund: This fund exists to account separately for amounts held in trust from salary reduction agreements and/or other irrevocable contributions for employees' retirement benefit payments.

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

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

NOTE 1— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting - Measurement Focus

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

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net position should be reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities results from special revenue funds and the restrictions on their use.

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

Revenues — Exchange and Non-Exchange Transactions
Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, "available" means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursements grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year.

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

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

NOTE 1— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting — Measurement Focus (continued)

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

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

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

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

Cash and Cash Equivalents
The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances.

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

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

NOTE 1— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Capital Assets

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

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition value as of the date received. The District maintains a capitalization threshold of $5,000. The District does not own any infrastructure as defined in GASB Statement No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

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

Asset Class	Estimated Useful Life
Buildings and Improvements	25 - 50 years
Furniture and Equipment	5 - 15 years
Vehicles	8 years

Interfund Balances

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

Compensated Absences

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

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

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Accrued Liabilities and Long-Term Obligations

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

Premiums and Discounts

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

Deferred Outflows/Deferred Inflows of Resources

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

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans (the Plans) of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 1— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

NOTE 1— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Net Position
Net Position represents the difference between assets and liabilities. Net Position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net Position are 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 $61,188,904 of restricted net position.

F. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are dental and vision premiums. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

G. Interfund Activity

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

H. 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.

I. Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

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

NOTE 1— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Property Tax

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

K. Future Accounting Pronouncements

GASB Statements listed below will be implemented in future financial statements:

Statement No. 84	"Fiduciary Activities"	The provision of this statement is effective for fiscal years beginning after December 15, 2018.
Statement No. 87	"Leases"	The provision of this statement is effective for fiscal years beginning after December 15, 2019.
Statement No. 89	"Accounting for Interest Cost Incurred before the End of a Construction Period"	The provision of this statement is effective for fiscal years beginning after December 15, 2019.
Statement No. 90	"Majority Equity Interest-an Amendment of GASB Statements No. 14 and No. 61	The provision of this statement is effective for fiscal years beginning after December 15, 2018.
Statement No. 91	"Conduit Debt Obligations"	The provision of this statement is effective for fiscal years beginning after December 15, 2020.

NOTE 2— CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Funds	Fiduciary Funds
Investment in county treasury	$ 217,014,422	$ 2,694,716
Cash on hand and in banks	580,518	336,320
Cash in revolving fund	20,003	-
CalPERS CERBT	-	5,869,229
Total Cash and Investments	$ 217,614,943	$ 8,900,265

B. Policies and Practices

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

Investment in County Treasury — The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section* 41001. The Los Angeles County Treasurer's pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County's investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District's investment in the pool is based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

NOTE 2— CASH AND INVESTMENTS (continued)

C. General Authorizations

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Marker 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	$65 Million
Joint Powers Authority Pools	N/A	None	None

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately $219,498,437 and an amortized book value of $219,709,138 for all governmental funds and fiduciary funds. The average weighted maturity for this pool is 547 days. The District also maintains an investment with CalPERS — California Employers' Retiree Benefit Trust (CERBT) Strategy 1 with a fair value of $5,869,229.

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2019, the pooled investments in the County Treasury and CalPERS CERBT were not rated.

NOTE 2— CASH AND INVESTMENTS (continued)

F. Custodial Credit Risk — Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The fair value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2019, the District's bank balance was not exposed to custodial credit risk.

G. Fair Value

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy 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 (unadjusted) in active markets for identical assets.

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, either directly or indirectly.

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 reasonable 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.

Uncategorized - Investments in the Los Angeles County Treasury Investment Pool and CalPERS CERBT are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

The District's fair value measurements at June 30, 2019 were as follows:

	Fair Value of Investments
	Uncategorized
Investment in county treasury	$ 219,709,138
CalPERS CERBT	5,869,229
Total fair market value of investments	$ 225,578,367

NOTE 3— ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2019 consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities	Total Fiduciary
Federal Government					
Categorical aid	$ 2,761,183	$ -	$ 502,273	$ 3,263,456	$ -
State Government					
Categorical aid	1,085,737	-	236,344	1,322,081	-
Lottery	501,290	-	-	501,290	-
Local Government					
Other local sources	3,282,914	674,969	1,319,635	5,277,518	6,989
Total accounts receivable	$ 7,631,124	$ 674,969	$ 2,058,252	$ 10,364,345	$ 6,989

NOTE 4— CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

	Balance July 1, 2018	Additions	Deletions	Transfers	Balance June 30, 2019
Governmental Activities					
Capital assets, not being depreciated:					
Land	$ 15,122,223	$ -	$ -	$ -	$ 15,122,223
Construction in progress	212,965,702	86,527,878	(478)	(143,874,509)	155,618,593
Total capital assets, not being depreciated	228,087,925	86,527,878	(478)	(143,874,509)	170,740,816
Capital assets being depreciated:					
Land improvements	17,591,763	-	-	50,405,943	67,997,706
Buildings and improvements	332,503,211	-	-	93,468,566	425,971,777
Furniture and equipment	26,950,769	574,413	(56,419)	-	27,468,763
Total capital assets being depreciated	377,045,743	574,413	(56,419)	143,874,509	521,438,246
Accumulated depreciation for:					
Land improvements	(12,996,701)	(762,362)	-	-	(13,759,063)
Buildings and improvements	(111,177,964)	(15,358,409)	-	-	(126,536,373)
Furniture and equipment	(15,385,726)	(1,632,889)	56,419	-	(16,962,196)
Total accumulated depreciation	(139,560,391)	(17,753,660)	56,419	-	(157,257,632)
Total capital assets, being depreciated, net	237,485,352	(17,179,247)	-	143,874,509	364,180,614
Governmental activity capital assets, net	$ 465,573,277	$ 69,348,631	$ (478)	$ -	$ 534,921,430
Depreciation unallocated	$ 17,753,660				
Total depreciation expense	$ 17,753,660				

NOTE 5— INTERFUND TRANSACTIONS

Transfers

Interfund transfers for the fiscal year ended June 30, 2019 consisted of the following:

	Interfund Transfers In	
Interfund Transfers Out	Non-Major Governmental Funds	Total
General Fund	$ 2,059,035	$ 2,059,035
Total interfund transfers	$ 2,059,035	$ 2,059,035

From the General Fund to the Cafeteria Fund for operational costs	$ 559,035
From the General Fund to the Deferred Maintenance Fund for maintenance costs	1,500,000
Total interfund transfers	$ 2,059,035

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2019 consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities	Total Fiduciary
Payroll	$ 16,002,114	$ 68,469	$ 721,362	$ 16,791,945	$ 238,864
Construction	-	19,488,817	-	19,488,817	-
Vendors payable	3,939,472	-	1,332,794	5,272,266	-
Due to grantor governments	2,225,422	-	-	2,225,422	-
Other liabilities	2,425	-	292	2,717	-
Totals accrued liabilities	$ 22,169,433	$ 19,557,286	$ 2,054,448	$ 43,781,167	$ 238,864

NOTE 7— UNEARNED REVENUE

Unearned revenue at June 30, 2019 consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal categorical sources	$ 55,769	$ -	$ 55,769
State categorical sources	144,286	82,894	227,180
Local sources	837,830	69,522	907,352
Total unearned revenue	$ 1,037,885	$ 152,416	$ 1,190,301

NOTE 8— LONG-TERM DEBT

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due within One Year
Governmental Activities					
General obligation bonds:					
Principal	$ 360,110,615	$ 120,000,000	$ (23,121,117)	$ 456,989,498	$ 20,244,265
Unamortized premium	30,965,321	9,611,327	(2,067,556)	38,509,092	2,131,846
Unamortized discount	(24,957)	-	1,783	(23,174)	(1,783)
Accreted interest	22,464,192	1,712,699	(3,288,883)	20,888,008	4,716,638
Total general obligation bonds	413,515,171	131,324,026	(28,475,773)	516,363,424	27,090,966
Certificates of participation payable:					
Principal	6,371,502	-	(919,183)	5,452,319	892,929
Unamortized premium	248,344	-	(45,308)	203,036	45,308
Accreted interest	6,040,014	524,617	(865,817)	5,698,814	858,320
Total certificates of participation payable	12,659,860	524,617	(1,830,308)	11,354,169	1,796,557
Capital leases	28,125	-	(28,125)	-	-
Compensated absences	889,275	1,119,889	(1,091,652)	917,512	229,378
Net OPEB liability	38,066,329	7,808,345	-	45,874,674	-
Net pension liability	173,182,541	2,822,041	-	176,004,582	-
Totals	$ 638,341,301	$ 143,598,918	$ (31,425,858)	$ 750,514,361	$ 29,116,901

Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.

Payments on certificates of participation are made in the Special Reserve Fund for Capital Outlay Projects.

Payments for capital lease obligations are made in the General Fund.

Payments for compensated absences are typically liquidated in the General Fund and the Non-Major Governmental Funds.

Payments for Net OPEB liability are typically made in the General Fund.

Payments for pension liability are typically liquidated in the General Fund and the Non-Major Governmental Funds.

NOTE 8— LONG-TERM DEBT (continued)

A. Bonded Debt

Payments for bonds associated with general obligation bonds are made in the Bond Interest and Redemption Fund. A summary of bonded debt is as follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2018	Additions	Deductions	Bonds Outstanding June 30, 2019
1998 Refunding Bonds	6/18/1998	8/1/2018	3.75%-5.25%	$ 68,145,000	$ 4,525,000	$ -	$ (4,525,000)	$ -
Election 1998, Series 1999	5/26/1999	8/1/2023	3.20-5.50%	38,000,034	12,540,615	-	(1,831,117)	10,709,498
Election 1998, Series 1999 Accreted Interest					22,464,192	1,712,699	(3,288,883)	20,888,008
Election 2006, Series B	7/23/2009	8/1/2019	1.50%-5.00%	11,875,000	3,070,000	-	(1,440,000)	1,630,000
Election 2006, Series C	7/14/2010	7/1/2023	3.00%-5.00%	10,690,000	2,925,000	-	(800,000)	2,125,000
2013 Refunding Bonds	1/8/2013	8/1/2032	2.00%-5.00%	45,425,000	44,280,000	-	(1,235,000)	43,045,000
Election 2006, Series D	3/19/2013	7/1/2037	0.17%-5.00%	82,995,327	60,250,000	-	(265,000)	59,985,000
Election 2012, Series A	7/29/2014	7/1/2037	1.00%-4.00%	30,000,000	7,730,000	-	-	7,730,000
Election 2012, Series B	7/1/2015	7/1/2040	1.00%-3.70%	60,000,000	36,280,000	-	-	36,280,000
2015 Refunding Bonds	11/10/2015	8/1/2034	3.25%-5.00%	47,915,000	47,915,000	-	-	47,915,000
2016 Series A Refunding Bonds	10/11/2016	7/1/2035	1.00%-4.00%	28,190,000	27,795,000	-	(295,000)	27,500,000
2016 Series B Refunding Bonds	10/11/2016	7/1/2032	3.00%	660,000	660,000	-	-	660,000
2016 Series C Refunding Bonds	10/11/2016	7/1/2035	2.00%-4.00%	52,140,000	52,140,000	-	-	52,140,000
Election 2012, Series C	6/21/2017	7/1/2042	3.125%-5.00%	60,000,000	60,000,000	-	(12,730,000)	47,270,000
Election 2012, Series D	9/6/2018	8/1/2043	3.00%-5.00%	120,000,000	-	120,000,000	-	120,000,000
		General obligation bonds			382,574,807	121,712,699	(26,410,000)	477,877,506
		Unamortized premium			30,965,321	9,611,327	(2,067,556)	38,509,092
		Unamortized discount			(24,957)	-	1,783	(23,174)
		Total general obligation bonds			$ 413,515,171	$ 131,324,026	$ (28,475,773)	$ 516,363,424

Series 1998 Refunding Bonds
On June 18, 1998, the District issued $68,145,000 of General Obligation Refunding Bonds Series 1998, with interest rates ranging from 3.75% to 5.25%. The bonds were issued to refund and defease all of the 1991A Bonds and 1993 Bonds maturing after August 1, 1998. The original issuance consisted entirely of current interest serial bonds. Interest on the bonds is payable semi-annually each February 1 and August 1, commencing February 1, 1999, principal on the bonds is payable annually each August 1, commencing August 1, 1999 through the final maturity date of August 1, 2018. The principal balance outstanding on June 30, 2019 amounted to $0.

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

NOTE 8— LONG-TERM DEBT (continued)

A. Bonded Debt (continued)

Election 1998 (continued)
Series 1999, which was issued on May 26, 1999 for $38,000,034 with interest rates ranging from 3.20% to 5.50%. The original issuance consisted of $15,825,000 in current interest serial bonds and $22,175,034 in capital appreciation serial bonds. Interest on the current interest bonds accrues from its dated date and is payable semi-annually each February 1 and August 1, commencing February 1, 2000, principal on the bonds is payable annually each August 1, commencing August 1, 2000 through the final maturity date of August 1, 2011. The capital appreciation bonds accrue interest from its dated date, compounded semi-annually on February 1 and August 1 of each year, principal on the bonds is payable annually each August 1, commencing August 1, 2012 through the final maturity date of August 1, 2023. The principal balance outstanding and accreted interest on June 30, 2019 amounted to $10,709,498 and $20,888,008 respectively.

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

Series A, which was issued on October 2, 2007 for $60,000,000 with interest rates ranging from 4.00% to 5.00%. The original issuance consisted of $45,835,000 in current interest serial bonds and $14,165,000 in current interest term bonds. Interest on the bonds is payable semi-annually each February 1 and August 1, commencing February 1, 2008, principal on the bonds is payable annually each August 1, commencing August 1, 2008 through the final maturity date of August 1, 2032. The principal balance outstanding on June 30, 2019 amounted to $0.

Series B, which was issued on July 23, 2009 for $11,875,000 with interest rates ranging from 1.50% to 5.00%. The original issuance consisted entirely of current interest serial bonds. Interest on the bonds is payable semiannually each February 1 and August 1, commencing February 1, 2010, principal on the bonds is payable annually each August 1, commencing August 1, 2010 through the final maturity date of August 1, 2019. The principal balance outstanding on June 30, 2019 amounted to $1,630,000.

Series C, which was issued on July 14, 2010 for $10,690,000 with interest rates ranging from 3.00% to 5.00%. The original issuance consisted entirely of current interest serial bonds. Interest on the bonds is payable semiannually each January 1 and July 1, commencing January 1, 2011, principal on the bonds is payable annually each July 1, commencing July 1, 2011 through the final maturity date of July 1, 2023. On October 11, 2016, the District issued 2016 Series A to advance refund the entire remaining balance of 2006 General Obligation Refunding Bonds, a partial of Election 2006 Series C Bonds, and a partial of Election 2006 Series D Bonds. The advance refunding resulted in a legal defeasance of the bonds. An irrevocable trust was established with funds sufficient to fund payments on the bonds until the redemption date. The difference between the debt service of the original bonds and the refunding bonds is $10,283,406 and an economic gain (difference between the present values of the old and new debt) of $5,185,372. Because the transaction qualifies as a legal defeasance the obligations for the defeased bonds have been removed from the District's financial statements. The principal balance outstanding on June 30, 2019 amounted to $2,125,000.

NOTE 8— LONG-TERM DEBT (continued)

A. Bonded Debt (continued)

Election 2006 (continued)

Series D, which was issued on March 19, 2013 for $82,995,327 with interest rates ranging from 0.17% to 5.00%. The original issuance consisted of $42,780,000 in current interest serial bonds, $24,200,000 in current interest term bonds and $16,015,327 in capital appreciation serial bonds. Interest on the current interest bonds is payable semi-annually each January 1 and July 1, commencing July 1, 2013, principal on the bonds is payable annually each July 1, commencing July 1, 2013 through the final maturity date of July 1, 2037. On October 11, 2016, the District issued 2016 Series A to advance refund the entire remaining balance of 2006 General Obligation Refunding Bonds, a partial of Election 2006 Series C Bonds, and a partial of Election 2006 Series D Bonds. The advance refunding resulted in a legal defeasance of the bonds. An irrevocable trust was established with funds sufficient to fund payments on the bonds until the redemption date. The difference between the debt service of the original bonds and the refunding bonds is $10,283,406 and an economic gain (difference between the present values of the old and new debt) of $5,185,372. Because the transaction qualifies as a legal defeasance the obligations for the defeased bonds have been removed from the District's financial statements. The principal balance outstanding on June 30, 2019 amounted to $59,985,000.

2013 General Obligation Refunding Bonds

On January 8, 2013, the District issued $45,425,000 of 2013 General Obligation Refunding Bonds, with interest rates ranging from 2.00% to 5.00%. The bonds were issued to refund all or a portion of the District's outstanding General Obligation Bonds, Election of 2006, Series A and pay costs of issuance of the bonds. The original issuance consisted entirely of current interest serial bonds. Interest on the bonds is payable semiannually each February 1 and August 1, commencing August 1, 2013, principal on the bonds is payable annually each August 1, commencing August 1, 2013 through the final maturity date of August 1, 2032. The principal balance outstanding on June 30, 2019 amounted to $43,045,000.

Election 2012

On November 6, 2012, the voter's in the District approved Measure ES, a bond proposition whereby the District is authorized to borrow $385 million.

Series A, on July 29, 2014, the District issued $30,000,000 of Election 2012, Series A General Obligation Bonds, with interest rates ranging from 1.00% to 4.00%. The original issuance consisted entirely of current interest serial bonds. Interest on the bonds is payable semi-annually each January 1 and July 1, commencing January 1, 2015. Principal on the bonds is payable on July 1 consisting of seven separate payments through the final maturity date of July 1, 2037. As of June 30, 2019, the full principal balance of $7,730,000 remained outstanding.

Series B, on July 1, 2015, the District issued $60,000,000 of Election 2012, Series B General Obligation Bonds, with interest rates ranging from 1.00% to 3.70%. The original issuance consisted entirely of current interest serial bonds. Interest on the bonds is payable semi-annually each January 1 and July 1, commencing January 1, 2016. Principal on the bonds is payable on July 1 through the final maturity date of July 1, 2040. As of June 30, 2019, the full principal balance of $36,280,000 remained outstanding.

NOTE 8 — LONG-TERM DEBT (continued)

A. Bonded Debt (continued)

Election 2012 (continued)

Series C, on June 21, 2017, the District issued $60,000,000 of Election 2012, Series C General Obligation Bonds, with interest rates ranging from 3.125% to 5.00%. The original issuance consisted $46,995,000 of current interest serial bonds and $13,005,000 term bonds. Interest on the bonds is payable semi-annually each January 1 and July 1, commencing January 1, 2018. Principal on the bonds is payable on July 1 through the final maturity date of July 1, 2042. The principal balance outstanding on June 30, 2019 amounted to $47,270,000.

Series D, on September 6, 2018, the District issued $120,000,000 of Election 2012, Series D General Obligation Bonds, with interest rates ranging from 3.00% to 5.00%. The original issuance consisted entirely of current interest serial bonds. Interest on the bonds is payable semi-annually each February 1 and August 1, commencing February 1, 2019. Principal on the bonds is payable on August 1 through the final maturity date of August 1, 2043. As of June 30, 2019, the full principal balance of $120,000,000 remained outstanding.

2015 General Obligation Refunding Bonds

On November 10, 2015, the District issued $47,915,000 of 2015 General Obligation Refunding Bonds, with interest rates ranging from 3.25% to 5.00%. The bonds were issued to advance refund the District's outstanding General Obligation Bonds, Election of 2006, Series B-1 and pay costs of issuance of the bonds. The original issuance consisted entirely of current interest serial bonds. Interest on the bonds is payable semi-annually each February 1 and August 1, commencing February 1, 2016, principal on the bonds is payable annually each August 1, commencing August 1, 2020 through the final maturity date of August 1, 2034. The principal balance outstanding on June 30, 2019 amounted to $47,915,000.

Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amount on refunding on the statement of net position and are amortized as an expense over the life of the bond. As of June 30, 2019, the principal balance on the defeased debt was $48,125,000.

2016 General Obligation Refunding Bonds

On October 11, 2016, the District issued $28,190,000, $660,000, and $52,140,000 of 2016 General Obligation Refunding Bonds Series A, Series B, and Series C respectively, with interest rates ranging from 1.00% to 5.00%. The bonds were issued to advance refund the District's outstanding 2006 General Obligation Refunding Bonds, Election 2006, Series C, Election 2006, Series C-1, and Election 2006, Series D and pay costs of issuance of the bonds. Interest on the bonds is payable semi-annually each July 1 and January 1, commencing January 1, 2017, principal on the bonds is payable annually each July 1, commencing July 1, 2017 through the final maturity date of July 1, 2035. The principal balance outstanding on June 30, 2019 for Series A, B, and C amounted to $27,500,000, $660,000 and $52,140,000 respectively.

Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amount on refunding on the statement of net position and are amortized as an expense over the life of the bond. As of June 30, 2019, the principal balance on the 2006 General Obligation Refunding Bonds, Election 2006, Series C, Election 2006, Series C-1, and Election 2006, Series D defeased debts were $0, $4,955,000, $54,310,000, $16,015,327 respectively.

NOTE 8— LONG-TERM DEBT (continued)

A. Bonded Debt (continued)

Debt Service Requirements to Maturity — Bonds The bonds mature through 2043 as follows:

Fiscal Years	General Obligation Bonds		
Ending June 30,	Principal	Interest	Total
2020	$ 20,244,265	$ 19,566,784	$ 39,811,049
2021	16,293,576	22,254,731	38,548,307
2022	10,702,008	21,862,278	32,564,286
2023	11,621,960	21,640,678	33,262,638
2024	12,377,689	20,640,109	33,017,798
2025-2029	75,505,000	71,552,072	147,057,072
2030-2034	119,000,000	52,228,376	171,228,376
2035-2039	126,675,000	25,761,738	152,436,738
2040-2044	64,570,000	6,804,429	71,374,429
Total	$ 456,989,498	$ 262,311,195	$ 719,300,693

B. Certificates of Participation (COPs) – Direct Placements

A summary of the District's certificate of participation are as follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Certificates Outstanding July 1, 2018	Additions	Deductions	Certificates Outstanding June 30, 2019
2001 Series C	11/15/2001	5/1/2025	3.5%-5.4%	$ 15,206,501	$ 4,466,502	$ -	$ (634,183)	$ 3,832,319
2002 Series C Accreted Interest					6,040,014	524,617	(865,817)	5,698,814
2010 Series B	12/1/2010	2/1/2024	2.0%-5.0%	8,015,000	1,905,000	-	(285,000)	1,620,000
		Certificated of participation			12,411,516	524,617	(1,785,000)	11,151,133
		Unamortized premium			248,344	-	(45,308)	203,036
		Total certificates of participation			$ 12,659,860	$ 524,617	$ (1,830,308)	$ 11,354,169

2001 Series C

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

The certificates have interest rates ranging from 3.50% to 5.40%. Interest on the current interest certificates is payable semi-annually each May 1 and November 1, commencing May 1, 2002, principal on the certificates is payable annually each May 1, commencing May 1, 2002 through the final maturity date of May 1, 2018. Interest on the capital appreciation certificates accretes from the dated date, compounded semi-annually on each May 1 and November 1, commencing May 1, 2002, principal and interest payments are payable semi-annually each May 1 and November 1, commencing November 1, 2018 through the final maturity date of May 1, 2025. A portion of the outstanding certificates were refunded with proceeds from the 2010 Refunding Certificates. The outstanding principal and accreted interest balance at June 30, 2019 amounted to $3,832,319 and $5,698,814 respectively.

NOTE 8— LONG-TERM DEBT (continued)

B. Certificates of Participation (COPs) – Direct Placements (continued)

2001 Series C (continued)

The District's failure to make any base rental payment when due will not constitute a default under the sublease so long as (i) there are sufficient amounts in the Series C reserve fund to pay the principal and interest due, (ii) the District has not fail to pay more than two consecutive base rental payments, and (iii) any such delinquent base rental is paid within one year its original due date. direct placements contain a provision that in an event of default,

2010 Refunding, Series B (Tax-Exempt)

On December 1, 2010, the District and the California School Boards Association Finance Corporation entered a sublease in which the Corporation leased to the District certain real property and building and improvements situated thereon. The 2010 Refunding Certificates of Participation, Series B were executed and delivered to refund a portion of the District's outstanding Certificates of Participation, 2001 Series C, finance the construction, renovation, and modernization of school sites and facilities, and pay the costs related to the execution and delivery of the Certificates. Series B Certificates consisted of $8,015,000 in current interest serial certificates. The certificates have interest rates ranging from 2.00% to 5.00%. Interest on the certificates is payable semi-annually each May 1 and November 1, commencing May 1, 2011, principal on the certificates is payable annually each May 1, commencing May 1, 2014 through the final maturity date of May 1, 2024. The principal balance outstanding at June 30, 2019 amounted to $1,620,000.

Debt Service Requirements to Maturity – COPs

The certificates mature through 2025 as follows:

Fiscal Years	Certificates of Participation		
Ending June 30,	Principal	Interest	Total
2020	$ 892,929	$ 974,802	$ 1,867,731
2021	1,038,227	1,272,704	2,310,931
2022	1,006,861	1,306,670	2,313,531
2023	985,632	1,331,899	2,317,531
2024	959,700	1,350,831	2,310,531
2025	568,970	1,376,031	1,945,001
Total	$ 5,452,319	$ 7,612,937	$ 13,065,256

C. Capital Leases

The District entered into two capital leases with options to purchase for bus fleets. Payments for capital lease obligations are made in the General Fund. As of June 30, 2019, the capital leases were fully paid.

D. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2019 amounted to $917,512. This amount is included as part of long-term liabilities in the government-wide financial statements.

NOTE 8— LONG-TERM DEBT (continued)

E. Other Postemployment Benefits (OPEB)

The District follows GASB Statement No, 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. The ending OPEB balance at June 30, 2019 was $45,874,674. See Notes 10 and 11 for additional information regarding the net OPEB liability and the postemployment benefit plan.

F. Pension Liability

The District's beginning net pension liability was $173,182,541 and increased by $2,822,041 during the fiscal year ended June 30, 2019. The ending net pension liability at June 30, 2019 was $176,004,582. See Note 12 for additional information regarding the net pension liability.

NOTE 9— FUND BALANCES

Fund balances were composed of the following elements at June 30, 2019:

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable					
Revolving cash	$ 20,003	$ -	$ -	$ -	$ 20,003
Stores inventories	-	-	-	23,872	23,872
Prepaid expenditures	284,725	-	-	-	284,725
Total Non-spendable	304,728	-	-	23,872	328,600
Restricted					
Educational programs	5,009,346	-	-	437,613	5,446,959
Capital projects	-	93,990,808	-	16,489,464	110,480,272
Debt service	-	-	45,193,024	-	45,193,024
All others	-	-	-	593,635	593,635
Total Restricted	5,009,346	93,990,808	45,193,024	17,520,712	161,713,890
Committed					
Others commitments	-	-	-	760,019	760,019
Total Committed	-	-	-	760,019	760,019
Assigned					
Reserve for FY 20-23 deficit spending	12,765,201	-	-	-	12,765,201
Reserve up to two months expenses	3,390,114	-	-	-	3,390,114
Other assignments	1,014,968	-	-	1,363,395	2,378,363
Total Assigned	17,170,283	-	-	1,363,395	18,533,678
Unassigned					
Reserve for economic uncertainties	5,017,101	-	-	-	5,017,101
Unassigned	-	-	-	-	-
Total Unassigned	5,017,101	-	-	-	5,017,101
Total	$ 27,501,458	$ 93,990,808	$ 45,193,024	$ 19,667,998	$ 186,353,288

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

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

At June 30, 2019, net OPEB liability and related deferred outflows/inflows of resources are as follows:

	Governmental Activities
Net OPEB liabilities:	$ 45,126,288
Total net OPEB liabilities	$ 45,126,288

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 4,907,339	$ -
Net differences between projected and actual earnings of investments		62,573
Total	$ 4,907,339	$ 62,573

Plan Description

Plan administration. 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 (PPO) 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 (Delta Dental and Delta Care). This contribution includes the statutory minimum ($133.00 per month for 2018) that the District designates for PEMHCA. The $133.00 per month is scheduled by law to be indexed with medical inflation (CPI) for years 2016 and thereafter. The District also contributes the PEMHCA administrative fee of 0.33% of premium for all active employees.

Benefits provided. The District also offers PEMHCA to its retirees. The District contributes the statutory minimum ($133.00 per month for 2018) as well as the administrative fee of 0.33% of premium to PEMHCA on behalf of each retiree eligible for and participating in PEMHCA. Furthermore, the District makes supplemental contributions towards eligible retirees' premiums until age 65 according to provisions of the District's agreements with its various employee groups, as described below.

Certificated and Management employees with at least 10 years of full-time equivalent service and age 55 or over may retire with District-paid medical and dental benefits. The Classified agreement does not specific a minimum age and service for retirement; for purposes of this valuation, we have assumed that Classified will be subject to the same provisions as the other groups. The District contribution each year is set equal to the Blue Shield HMO or Kaiser HMO retiree-only premium plus the retiree-only premium for Delta Dental or Delta Care Dental. For retirees electing PERS Choice or PERS Care, the District contribution is limited to the Kaiser retiree-only premium. The supplemental District contributions end at age 65, at which point retirees may elect to continue coverage for their further lifetime under PEMHCA and receive the statutory minimum District contribution (currently $128.00/month).

Plan membership. At July 1, 2017, membership consisted of the following:

Active plan members	1,399
Inactive employees or beneficiaries currently receiving benefit payments	399
Total	1,798

NOTE 10— OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Contributions. The District currently finances benefits on a pay-as-you-go basis. The District has a CERBT Strategy 1 OPEB Trust.

Net OPEB Liability
The District's Net OPEB Liability was measured as of June 30, 2019 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of July 1, 2017. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

Actuarial assumptions. The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary increase	3.00 percent
Inflation rate	3.00 percent
Investment rate of return	5.00 percent, net of OPEB plan investment expense
Healthcare cost trend rate	5.00 percent for 2019 and later years

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

Actuarial assumptions used in the July 1, 2017 valuation were based on a review of plan experience during the period July 1, 2015 to June 30, 2017.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. The calculated investment rate of return was set equal to the expected ten-year compound (geometric) real return plus inflation (rounded to the nearest 25 basis points, where appropriate). The table below provides the long-term expected real rates of return by asset class (based on published capital market assumptions).

Asset Class	Assumed Asset Allocation	Real Rate of Return
Global Equity	57%	4.4
Fixed Income	27%	1.5
Treasury Inflation-Protected Security	5%	1.2
Real Estate Investment Trusts	8%	3.7
Commodities	3%	0.6

Discount rate. GASB 75 requires a discount rate that reflects the following:

a) The long-term expected rate of return on OPEB plan investments – to the extent that the OPEB plan's fiduciary net position (if any) is projected to be sufficient to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return;
b) A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher – to the extent that the conditions in (a) are not met.

NOTE 10— OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

To determine a resulting single (blended) rate, the amount of the plan's projected fiduciary net position (if any) and the amount of projected benefit payments is compared in each period of projected benefit payments. The discount rate used to measure the District's Total OPEB liability is based on these requirements and the following information:

Reporting Date	Measurement Date	Long-Term Expected Return of Plan Investments	Municipal Bond 20 Year High Grade Rate Index	Discount Rate
June 30, 2018	June 30, 2018	5.00%	3.62%	5.00%
June 30, 2019	June 30, 2019	5.00%	3.13%	4.06%

Change in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at fiscal year ending June 30, 2018	$ 42,740,577	$ 5,530,170	$ 37,210,407
Changes Recognized for the Measurement Period:			
Service Cost	2,077,187	-	2,077,187
Interest on the total OPEB liability	2,100,375	-	2,100,375
Changes of benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Changes of assumptions	5,561,651	-	5,561,651
Contributions from the employer	-	1,484,273	(1,484,273)
Net investment income	-	343,772	(343,772)
Administrative expenses	-	(4,713)	4,713
Benefit payments	(1,484,273)	(1,484,273)	-
Net Changes during July 1,2018 to June 30, 2019	8,254,940	339,059	7,915,881
Balance at fiscal year ending June 30, 2019 (Measurement Date)	$ 50,995,517	$ 5,869,229	$ 45,126,288

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 1-percentage-point lower (3.06 percent) or 1-percentage- point higher (5.06 percent) than the current discount rate:

Plan's Net OPEB Liability (Asset)		
Current Discount Rate - 1%	Current Discount Rate (4.06%)	Current Discount Rate + 1%
$ 52,204,937	$ 45,126,288	$ 39,240,462

NOTE 10— OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Sensitivity of the Net OPEB Liability to changes in the health care 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 1-percentage-point lower (4.00 percent) or 1-percentage-point higher (6.00 percent) than the current healthcare cost trend rates:

Plan's Net OPEB Liability (Asset)		
Current Trend Rate - 1%	Current Healthcare Cost Trend Rate (5.00%)	Current Trend Rate + 1%
$ 41,788,366	$ 45,126,288	$ 49,229,492

Investments

Investment policy. The allocation of the plan’s invested assets is established by CERBT Strategy 1. The objective is to seek returns that reflect the broad investment performance of the financial markets through capital appreciation and investment income. The asset allocations and benchmarks for CERBT Strategy 1 are listed below:

Asset Class	Target Allocation	Target Range	Benchmark
Global Equity	57%	+/- 2%	MSCI All Country World Index IMI (net)
Fixed Income	27%	+/- 2%	Bloomberg Barclays Long Liability Index
Treasury Inflation-Protected Security	5%	+/- 2%	Bloomberg Barclays Barclays US TIPS Index
Real Estate Investment Trusts	8%	+/- 2%	FTSE EPRA/NAREIT Developed Liquid Index (net)
Commodities	3%	+/- 2%	S&P GSCI Total Return Index
Cash	0%	+/- 2%	91 Day Treasury Bill

CalPERS may overweight or underweight an allocation to a particular asset class based on market, economic, or CalPERS policy considerations.

Rate of return. For the year ended on the measurement date, the annual money-weighted rate of return on investments, net of investment expense, was 6.18 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

Annual money-weighted rate of return, net of investment expense	6.18%

NOTE 10— OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2019, the District recognized OPEB expense of $4,538,678. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 4,907,339	$ -
Net differences between projected and actual earnings of investments		62,573
Total	$ 4,907,339	$ 62,573

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

Measurement Period Ended June 30,	Recognized Net Deferred Outflows (Inflows) of Resources
2020	$ 637,625
2021	637,625
2022	637,623
2023	641,802
2024	654,312
Thereafter	1,635,779
Total	$ 4,844,766

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS MEDICARE PREMIUMS PAYMENT PROGRAM (OPEB)

Plan Description

CalSTRS administers a cost sharing multiple-employer other postemployment benefit plan (OPEB), the Medicare Premiums Payment Program (MPP) for all eligible members of the State Teachers' Retirement plan that were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund. CalSTRS issues a publicly available financial report that can be obtained at https://www.calstrs.com/comprehensive-annual-financial-report.

Benefits Provided

The Medicare Premiums Payment Program (MPP) provides all employees' Medicare Part A premiums and Medicare Part A and B late enrollment surcharges for eligible members of the State Teachers' Retirement plan that were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A.

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS MEDICARE PREMIUMS PAYMENT PROGRAM (OPEB) (continued)

Contributions

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, benefit payments 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.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the District reported a liability of $748,386 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. 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, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively, was 0.1960 percent, and 0.2030 percent, resulting in a net decrease in the proportionate share of 0.0070 percent.

For the fiscal year ended June 30, 2018, the District recognized OPEB expense of $(107,536).

Actuarial Assumptions

The District's net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2017 that was rolled forward to determine the June 30, 2018 total OPEB liability, based on the following actuarial methods and assumptions:

Measurement Date	June 30, 2018
Valuation Date	June 30, 2017
Experince Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	3.87%
Medicare Part A Premium Costs Trend Rate[1]	3.70%
Medicare Part B Premium Costs Trend Rate[1]	4.10%

[1]The assumed increases in the Medicare Part A and Part B Cost Trend Rates vary by year; however, the increases are approximately equivalentto a 3.7 percent and 4.1 percent increase each year for Medicare Part A and Part B, respectively.

In addition, 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 a member's 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 459 or an average of 0.27 percent of the potentially eligible population (171,593).

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 fi t the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS MEDICARE PREMIUMS PAYMENT PROGRAM (OPEB) (continued)

Actuarial Assumptions (continued)

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, 2018, 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, 2018, is 3.87 percent. The MPP Program is funded on a pay-as-you-go basis, and under the pay-as-you-go method, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.87 percent, which is The Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2018, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 0.29 percent from 3.58 percent as of June 30, 2017.

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

The following presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2018:

	1% Decrease 2.87%	Discount Rate 3.87%	1% Increase 4.87%
Net OPEB Liability	$ 827,753	$ 748,386	$ 676,724

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

The following presents the net OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measure period ended June 30, 2018:

	1% Decrease (2.7% Part A and 3.1 Part B)	Current Healthcare Cost Trend Rates (3.7% Part A and 4.1% Part B)	1% Increase (4.7% Part A and 5.1% Part B)
Net OPEB Liability	$ 682,453	$ 748,386	$ 819,297

Payables to the OPEB Plan

At June 30, 2019, the District had no amount outstanding for contributions to the OPEB plan required for the fiscal year ended June 30, 2019.

NOTE 12 – PENSION PLANS

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

As of June 30, 2019, the District's proportionate share of the net pension liabilities, pension expense, and deferred inflows of resources and deferred outflows of resources for each of the retirement plans are as follows:

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Proportionate Share of Pension Expense
CalSTRS	$ 114,272,455	$ 39,291,522	$ 11,628,116	$ 16,875,590
CalPERS	61,732,127	16,422,396	148,448	11,874,017
Total	$ 176,004,582	$ 55,713,918	$ 11,776,564	$ 28,749,607

California State Teacher's Retirement System (CalSTRS)

A. General Information about the Pension Plan

Plan Descriptions – 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, 2017, 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/memberpublications.

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

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

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

NOTE 12— PENSION PLANS (continued)

California State Teacher's Retirement System (CalSTRS) (continued)

A. General Information about the Pension Plan (continued)

Benefits Provided (Continued)

The STRP provisions and benefits in effect at June 30, 2019, are summarized as follows:

	CalSTRS	
Hire Date	Before January 1, 2013	On or After January 1, 2013
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50-63	55-65
Monthly benefits, as a % of eligible compensation	2.0% to 2.4%	2.00%
Required employee contribution rates (Average)	10.250%	10.205%
Required employer contribution rates	16.280%	16.280%
Required state contribution rates	9.828%	9.828%

Contributions **–** Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

For the fiscal year ended June 30, 2019, the contributions were as follows:

	CalSTRS
Contribution – employer	$ 10,997,978
Contribution – state	$ 10,430,667

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2019, 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:

District's proportionate share of the net pension liability	$ 114,272,455
State's proportionate share of the net pension liability associated with the District	68,048,603
Total	$ 182,321,058

The District's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. 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 plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the District's proportion was 0.12433%, which decreased by 0.00349%, its proportion measured as of June 30, 2017.

NOTE 12— PENSION PLANS (continued)

California State Teacher's Retirement System (CalSTRS) (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

For the fiscal year ended June 30, 2019, the District recognized pension expense of $16,875,590. At June 30, 2019, 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
Difference between expected and actual experience	$ 354,347	$ 1,658,238
Changes of assumptions	17,751,117	-
Changes in proportions	3,887,546	5,571,059
Net difference between projected and actual earning on pension plan investments	-	4,398,819
Differences between District contributions and proportionate share of contributions	6,300,534	-
District contributions subsequent to the measurement date	10,997,978	-
Total	$ 39,291,522	$ 11,628,116

$10,997,978 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020. Other than differences between projected and actual investment earnings, deferred inflows and outflows of resources are recognized in pension expense beginning in the current period using a straight line method over a closed seven year period equal to the average of the expected remaining service lives of all plan members who are provided with pensions through CalSTRS (active and inactive), as of July 1, 2017. Similarly, deferred inflows and outflows relating to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period.

As of June 30, 2019, the deferred outflows of resources and deferred inflows of resources related to STRP from the aforementioned sources are as follows:

Fiscal Year Ended June 30	Amount
2020	$ 5,328,997
2021	3,680,040
2022	681,393
2023	2,993,382
2024	4,368,814
Thereafter	(387,198)
Total	$ 16,665,428

NOTE 12— PENSION PLANS (continued)

California State Teacher's Retirement System (CalSTRS) (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Actuarial Assumptions – The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

	CalSTRS
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return[1]	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2% simple for DB (Annually)
	Maintain 85% purchasing power level for DB
	Not applicable for DBS/CBB

[1] Net of investment expenses but gross of administrative expenses.

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table issued by the Society of Actuaries.

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 inputs to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2018, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long Term Expected Real Rate of Return*
Global Equity	47%	6.30%
Fixed Income	12%	0.30%
Real Estate	13%	5.20%
Private Equity	13%	9.30%
Absolute Return	9%	2.90%
Inflations Sensitive	4%	3.80%
Cash/Liquidity	2%	-1.00%
	100%	

*20 year geometric average

NOTE 12— PENSION PLANS (continued)

California State Teacher's Retirement System (CalSTRS) (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Actuarial Assumptions (continued)

Discount Rate **–** The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those 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 the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate **–** The following presents the District's proportionate share of the net pension liability, calculated using the discount rate, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or higher than the current rate:

1% Decrease		6.10%
Net Pension Liability	$	167,395,771
Current Discount Rate		7.10%
Net Pension Liability	$	114,272,455
1% Increase		8.10%
Net Pension Liability	$	70,228,067

Pension Plan Fiduciary Net Position —Detailed information about pension plan's fiduciary net position is available in the separately issued CalSTRS financial reports.

C. Payable to the Pension Plan

At June 30, 2019, the District had no amount outstanding for contributions to the pension plan required for the fiscal year ended June 30, 2019.

D. 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 $10,430,667. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves.

NOTE 12— PENSION PLANS (continued)

California Public Employees' Retirement System (CalPERS)

A. General Information About the Pension Plan

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(s) regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report(s) 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 Plans' provisions and benefits in effect at June 30, 2019, are summarized as follows:

	CalPERS	
Hire Date	Before January 1, 2013	On or After January 1, 2013
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly For Life
Retirement Age	50-63	52-67
Monthly benefits, as a % of eligible compensation	1.17 - 2.5%	1.0 - 2.5%
Required employee contribution rates (Average)	7.000%	7.000%
Required employer contribution rates	18.062%	18.062%

Specific details for retirement, disability or death benefit calculations for each of the pension plans are available in the CalPERS' Comprehensive Annual Financial Report (CAFR). The CalPERS' CAFR is available online at https://www.calpers.ca.gov/page/forms-publications.

NOTE 12— PENSION PLANS (continued)

California Public Employees' Retirement System (CalPERS) (continued)

A. General Information About the Pension Plan (continued)

Contributions – Section 20814 (c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employees 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 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 of employees. The contributions rates are expressed as percentage of annual payroll.

For the fiscal year ended June 30, 2019, the contributions were as follows:

Contribution - employer	$	5,524,528
Contribution – state		2,093,031

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2019, the District reported net pension liability for its proportionate shares of the net pension liability in the amount of $61,732,127.

The District's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. 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 plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the District's proportion was 0.23153%, which increased by 0.00127% from its proportion measured as of June 30, 2017.

For the fiscal year ended June 30, 2019, the District recognized pension expense of $11,874,017. At June 30, 2019, 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
Difference between expected and actual experience	$ 4,046,932	$ -
Changes of assumptions	6,163,681	-
Changes in proportions	180,913	125,342
Net difference between projected and actual earning on pension plan investments	506,342	-
Differences between District contributions and proportionate share of contributions	-	23,106
District contributions subsequent to the measurement date	5,524,528	-
Total	$ 16,422,396	$ 148,448

NOTE 12— PENSION PLANS (continued)

California Public Employees' Retirement System (CalPERS) (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

$5,524,528 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020. The net difference between projected and actual earnings on plan investments is amortized over a five-year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and the remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

All other deferred inflows of resources and deferred outflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the CalPERS Plan for the June 30, 2018 measurement date is 4.0 years. The first year of amortization is recognized in pension expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed 3.0 years.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30		Amount
2020	$	6,347,739
2021		4,785,467
2022		(19,418)
2023		(364,368)
Total	$	10,749,420

Actuarial Method and Assumptions – The collective total pension liability for the June 30, 2018 measurement period was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018.

	CalPERS
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.15%
Inflation	2.50%
Salary increases	Varies by Entry Age and Service
Mortality rate table[1]	Derived using CalPERS' Membership Data for all Funds
Post-retirement Benefit Increases	2% until PPPA Allowance Floor on Purchasing Power Applies, 2.50% thereafter

[1]The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study rep (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

NOTE 12— PENSION PLANS (continued)

California Public Employees' Retirement System (CalPERS) (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Long-term Expected Rate of Return - The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

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 of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 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 expected real rates of return by asset class are as followed:

Asset Class[1]	Assumed Asset Allocation	Real Return Years 1-10[2]	Real Return Years 11+[3]
Global Equity	50%	4.80%	5.98%
Global Fixed Income	28%	1.00%	2.26%
Inflation Sensitive	0%	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Estate	13%	3.75%	4.93%
Cash/Liquidity	1%	0.00%	-0.92%
	100%		

(1) In the System's CAFR, Fixed Income is included in Global Debt Securities;
Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
(2) An expected inflation of 2.00% used for this period.
(3) An expected inflation of 2.92% used for this period.

Discount Rate - The discount rate used to measure the total pension liability for PERF B was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 12— PENSION PLANS (continued)

California Public Employees' Retirement System (CalPERS) (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the DiscountRate – The following presents the District's proportionate share of the net pension liability, calculated using the discount rate, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

1% Decrease		6.15%
Net Pension Liability	$	89,879,025
Current Discount Rate		7.15%
Net Pension Liability	$	61,732,127
1% Increase		8.15%
Net Pension Liability	$	38,380,246

Pension Plan Fiduciary Net Position —Detailed information about pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

C. Payable to the Pension Plan

At June 30, 2019, the District had no amount outstanding for contributions to the pension plan required for the fiscal year ended June 30, 2019.

D. On Behalf Payments

The State of California makes contributions to CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalPERS in the amount of $2,093,031. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves.

NOTE 13— SUBSEQUENT EVENT

On September 10, 2019, the District issued $110,000,000 and $35,000,000 of General Obligation Bonds of School Facilities Improvement District No. 1 and No. 2 respectively. On October 7, 2019, the District issued $105,915,000 Refunding General Obligation Bonds to refinance certain outstanding general obligation bonds.

NOTE 14— COMMITMENTS AND CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2017.

NOTE 14— COMMITMENTS AND CONTINGENCIES (continued)

B. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall the financial position of the District on June 30, 2019, however, with one of the cases against the District, if the appellate court overturns the district court's decision in favor of the District, the Plaintiff may be able to recover attorney fees from the District.

C. Construction Commitments

As of June 30, 2019, the District had commitments with respect to unfinished capital projects as follows:

	Construction Commitment	
Capital Projects		
Measure BB	$	37,590,842
Measure ES		35,115,059
Total	$	72,705,901

NOTE 15— PARTICIPATION IN JOINT POWERS AUTHORITIES

The District is a member of three joint powers authorities (JPAs). The first is the Alliance of Schools for Cooperative Insurance Programs (ASCIP) to provide property and liability insurance coverage, the next is the Schools Excess Liability Fund (SELF) to provide excess property and liability insurance coverage, and the final is the Schools Linked for Insurance Management (SLIM) to provide workers' compensation insurance coverage. The relationship is such that the JPAs are not component units of the District for financial reporting purposes.

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

NOTE 16— DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Refunded Debt

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* the District recognized deferred outflows of resources in the District-wide financial statements. The deferred outflow of resources pertains to the difference in the carrying value of the refunded debt and its reacquisition price (deferred amount on refunding). Previous financial reporting standards require this to be presented as part of the District's long-term debt. This deferred outflow of resources is recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the new debt, whichever is shorter. At June 30, 2019, the deferred amount on refunding was $16,552,598.

NOTE 17 – RESTATEMENT

The District was overpaid the ERAF Property Tax revenue by LACOE in prior fiscal year. As a result, both the governmental activities' net position and general fund fund balance were restated in an amount of $8,861,132.

REQUIRED SUPPLEMENTARY INFORMATION

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2019

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual*	(Negative)
Revenues:				
LCFF Sources:				
State apportionments	$ 8,585,843	$ 8,585,843	$ 8,585,957	$ 114
Education protection state aid	2,000,000	2,000,000	2,096,214	96,214
Local sources	91,028,004	87,454,222	85,386,023	(2,068,199)
Federal	3,949,238	4,742,592	4,381,856	(360,736)
Other state	6,493,753	5,723,747	5,600,902	(122,845)
Other local	50,576,953	52,465,167	54,827,692	2,362,525
Total revenues	162,633,791	160,971,571	160,878,644	(92,927)
Expenditures:				
Certificated salaries	66,209,252	66,798,165	66,053,344	744,821
Classified salaries	30,666,716	30,840,468	30,761,323	79,145
Employee benefits	40,740,816	39,893,602	39,500,106	393,496
Books and supplies	7,650,314	9,734,798	6,399,486	3,335,312
Contracted services and other operating expenditures	15,336,722	18,587,708	18,662,388	(74,680)
Capital outlay	92,160	485,422	349,532	135,890
Other outgo	(427,938)	(522,157)	(499,646)	(22,511)
Debt service				
Principal	27,500	28,125	28,125	-
Interest	1,300	674	673	1
Total expenditures	160,296,842	165,846,805	161,255,331	4,591,474
Excess of revenues over (under) expenditures	2,336,949	(4,875,234)	(376,687)	4,498,547
Other Financing Sources (Uses):				
Transfers out	(3,300,000)	(2,400,000)	(2,059,035)	340,965
Total other financing sources (uses)	(3,300,000)	(2,400,000)	(2,059,035)	340,965
Net change in fund balance	(963,051)	(7,275,234)	(2,435,722)	4,839,512
Fund balance - beginning	38,798,312	38,798,312	38,798,312	-
Prior period adjustments	-	-	(8,861,132)	(8,861,132)
Fund balance - beginning - restated	38,798,312	38,798,312	29,937,180	(8,861,132)
Fund balance - ending	$ 37,835,261	$ 31,523,078	$ 27,501,458	$ (4,021,620)

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

- STRS on-behalf payments of $9,975,995 and PERS on-behalf payments of $1,850,886 are not included in the actual revenues and expenditures reported in this schedule.

See notes to required supplementary information

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY

For the Fiscal Year Ended June 30, 2019

Last 10 Fiscal Years*

The following table provides required supplementary information regarding the District's CALSTRS Pension Plan.

	June 30, 2019	June 30, 2018
District's proportion of the net pension liability	0.124%	0.128%
District's proportionate share of the net pension liability	$ 114,272,455	$ 118,214,471
State's proportionate share of the net pension liability associated with the District	68,048,603	71,711,086
Total	$ 182,321,058	$ 189,925,557
District's covered payroll	$ 67,206,168	$ 67,800,668
District's proportionate share of the net pension liability as percentage of covered payroll	170.03%	174.36%
Plan fiduciary net position as a percentage of the total pension liability	70.99%	69.46%

The following table provides required supplementary information regarding the District's CALPERS Pension Plan.

	June 30, 2019	June 30, 2018
District's proportion of the net pension liability	0.232%	0.230%
District's proportionate share of the net pension liability	$ 61,732,127	$ 54,968,070
District's covered payroll	$ 30,836,411	$ 29,392,792
District's proportionate share of the net pension liability as percentage of covered payroll	200.19%	187.01%
Plan fiduciary net position as a percentage of the total pension liability	70.85%	71.87%

* This is a 10 year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available

See notes to required supplementary information

June 30, 2017	June 30, 2016	June 30, 2015
0.124%	0.132%	0.126%
$ 100,480,053	$ 88,739,307	$ 73,375,330
61,767,308	46,933,185	44,307,192
$ 162,247,361	$ 135,672,492	$ 117,682,522
$ 63,504,492	$ 60,268,419	$ 57,309,309
158.23%	147.24%	128.03%
70.04%	74.02%	76.52%

June 30, 2017	June 30, 2016	June 30, 2015
0.231%	0.233%	0.231%
$ 45,665,948	$ 34,274,607	$ 26,174,060
$ 27,759,137	$ 25,758,704	$ 24,305,768
164.51%	133.06%	107.69%
73.90%	79.43%	87.77%

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS

For the Fiscal Year Ended June 30, 2019

Last 10 Fiscal Years*

The following table provides required supplementary information regarding the District's CALSTRS Pension Plan.

	June 30, 2019	**June 30, 2018**
Contractually required contribution (actuarially determined)	$ 10,997,978	$ 9,697,850
Contribution in relation to the actuarially determined contributions	(10,997,978)	(9,697,850)
Contribution deficiency (excess)	$ -	$ -
District's covered payroll	$ 67,555,147	$ 67,206,168
Contributions as a percentage of covered payroll	16.280%	14.430%

The following table provides required supplementary information regarding the District's CALPERS Pension Plan.

	June 30, 2019	**June 30, 2018**
Contractually required contribution (actuarially determined)	$ 5,524,528	$ 4,789,203
Contribution in relation to the actuarially determined contributions	(5,524,528)	(4,789,203)
Contribution deficiency (excess)	$ -	$ -
District's covered payroll	$ 30,586,469	$ 30,836,411
Contributions as a percentage of covered payroll	18.062%	15.531%

* This is a 10 year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available

See notes to required supplementary information

June 30, 2017	June 30, 2016	June 30, 2015
$ 8,529,324	$ 6,814,032	$ 5,351,837
(8,529,324)	(6,814,032)	(5,351,837)
$ -	$ -	$ -
$ 67,800,668	$ 63,504,492	$ 60,268,419
12.580%	10.730%	8.880%

June 30, 2017	June 30, 2016	June 30, 2015
$ 4,082,071	$ 3,288,625	$ 3,032,060
(4,082,071)	(3,288,625)	(3,032,060)
$ -	$ -	$ -
$ 29,392,792	$ 27,759,137	$ 25,758,704
13.888%	11.847%	11.771%

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS

For the Fiscal Year Ended June 30, 2019

Employer Fiscal Year End June 30,	2019	2018
Measurement Period Fiscal Year Ended June 30,	2019	2018
Total OPEB Liability		
Service Cost	$ 2,077,187	$ 2,016,686
Interest on the Total OPEB Liability	2,100,375	1,974,060
Changes of Benefit Terms	-	-
Difference between Expected and Actual Experience	-	-
Changes of Assumptions	5,561,651	-
Benefit Payments	(1,484,273)	(1,445,115)
Net Change in Total OPEB Liability	8,254,940	2,545,631
Total OPEB Liability - Beginning	42,740,577	40,194,946
Total OPEB Liability - Ending	$ 50,995,517	$ 42,740,577
OPEB Fiduciary Net Position		
Contributions from the Employer	$ 1,484,273	$ 2,445,115
Net Investment Income	343,772	311,899
Administrative Expenses/Trustee Fees	(4,713)	(4,176)
Benefit Payments	(1,484,273)	(1,445,115)
Net Change in Plan Fiduciary Net Position	339,059	1,307,723
Plan Fiduciary Net Position - Beginning	5,530,170	4,222,447
Plan Fiduciary Net Position - Ending	$ 5,869,229	$ 5,530,170
District's Net OPEB Liability	$ 45,126,288	$ 37,210,407
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	11.51%	12.94%
Covered-Employee Payroll	$ 104,303,501	$ 98,657,614
District's Net OPEB Liability as a Percentage of Covered-Employee Payroll	43.26%	37.72%

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

See notes to required supplementary information

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY MEDICARE PREMIUM PAYMENT PROGRAM

For the Fiscal Year Ended June 30, 2019

	2019	2018
Employer Fiscal Year End June 30,	2019	2018
Measurement Period Fiscal Year End June 30,	2018	2017
District's proportion of the net OPEB liability	0.196%	0.203%
District's proportionate share of the net OPEB liability	$ 748,386	$ 855,922
District's covered payroll[1]	N/A	N/A
District's proportionate share of the net OPEB liability as a percentage of covered payroll	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	-0.404%	0.010%

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

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

See notes to required supplementary information

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFITS EMPLOYER CONTRIBUTIONS

For the Fiscal Year Ended June 30, 2019

Last 10 Years*

	2018-19	2017-18
Actuarially Determine Contribution	$ 3,767,554	$ 3,657,819
Contributions in Relation to the Actuarially Determined Contribution	1,484,273	2,445,115
Contribution Deficiency (Excess)	$ 2,283,281	$ 1,212,704
Cover Payroll During Fiscal Year	$ 104,303,501	$ 98,657,614
Contributions as a Percentage of Covered Employee Payroll	1.42%	2.48%

* GASB 75 requires this information for plans funding with OPEB trusts be reported in the employer's Required Supplementary Information for 10 years or as many years as are available upon implementation. Fiscal year 2018 was the 1st year of implementation, therefore only two fiscal years are shown.

See notes to required supplementary information

NOTE 1- PURPOSE OF SCHEDULES

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

Schedule of the District's Proportionate Share of the Net Pension Liability
The schedule presents the District's proportion (percentage) of the collective net pension liability, the District's proportionate share (amount) of the collective net pension liability, the District's covered-employee payroll, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability. In the future, as data becomes available, 10 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.

CalSTRS - The assumptions used in determining the Total Pension Liability of the STRP changed as a result of the actuarial experience study for the period starting July 1, 2020 and ending June 30, 2015. The assumption changes were to price inflation, wage growth, discount rate and the mortality tables.

CalPERS - In Fiscal Year 2017-18, demographic assumptions and inflation rate were charged in accordance to the CalPERS Experience Study and Review of Actuarial assumptions December 2017. There were no changes in the discount rate.

Schedule of District Pension Contributions
The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District's covered-employee payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered-employee payroll. In the future, as data becomes available, 10 years of information will be presented.

Schedule of Changes in the District's Net OPEB Liability and Related Ratios
The schedule presents the beginning balances of the total OPEB liability, the OPEB plan's fiduciary net position, the Net OPEB liability, the effects during the period, the ending balances of the total OPEB liability, the OPEB plan's fiduciary net position, and the Net OPEB liability, the covered-employee payroll, and the net OPEB liability as a percentage of covered-employee payroll. In the future, as data becomes available, 10 years of information will be presented.

Schedule of the District's Proportionate Share of the Net OPEB Liability
The schedule presents the District's proportion (percentage) of the collective net OPEB liability, the employer's proportionate share (amount) of the collective net OPEB liability, the District's covered-employee payroll, the District's proportionate share (amount) of the collective net OPEB liability as a percentage of the total OPEB liability. In the future, as data becomes available, 10 years of information will be presented.

NOTE 1- PURPOSE OF SCHEDULES (continued)

Schedule of Postemployment Healthcare Benefits Employer Contributions
The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the OPEB plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the OPEB plan in relation to the statutorily or contractually required employer contribution, the District's covered-employee payroll, and the amount of contributions recognized by the OPEB plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered-employee payroll. In the future, as data becomes available, 10 years of information will be presented.

NOTE 2- EXCESS OF EXPENDITURES OVER APPROPRIATIONS
For the fiscal year ended June 30, 2019, excess of expenditures over appropriations, by major object accounts, occurred in the General Fund as follows:

Contracted services and other operating expenditures	$ 74,680
Other outgo	$ 22,511

SUPPLEMENTARY INFORMATION

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SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2019

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
Assets				
Cash and investments	$ 733,280	$ 1,469,239	$ 235,956	$ 928,580
Accounts receivable	33,830	587,182	291,840	827
Stores inventories	-	-	23,872	-
Total assets	$ 767,110	$ 2,056,421	$ 551,668	$ 929,407
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ 33,256	$ 600,163	$ 170,849	$ 169,388
Unearned revenue	-	152,416	-	-
Total liabilities	33,256	752,579	170,849	169,388
Fund balances:				
Nonspendable				
Store inventories	-	-	23,872	-
Restricted				
Adult education	437,613	-	-	-
Child development	-	236,688	-	-
Nutrition	-	-	356,947	-
Capital projects	-	-	-	-
Committed				
Deferred maintenance	-	-	-	760,019
Assigned				
Adult education	296,241	-	-	-
Child development	-	1,067,154	-	-
Total fund balances	733,854	1,303,842	380,819	760,019
Total liabilities and fund balances	$ 767,110	$ 2,056,421	$ 551,668	$ 929,407

Capital Facilities Fund	Special Reserve Fund For Capital Outlay Projects	Total Nonmajor Governmental Funds
$ 3,023,914	$ 13,401,769	$ 19,792,738
777,239	367,334	2,058,252
-	-	23,872
$ 3,801,153	$ 13,769,103	$ 21,874,862
$ 518,744	$ 562,048	$ 2,054,448
-	-	152,416
518,744	562,048	2,206,864
-	-	23,872
-	-	437,613
-	-	236,688
-	-	356,947
3,282,409	13,207,055	16,489,464
-	-	760,019
-	-	296,241
-	-	1,067,154
3,282,409	13,207,055	19,667,998
$ 3,801,153	$ 13,769,103	$ 21,874,862

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2019

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
Revenues:				
Federal	$ 45,771	$ 1,697,494	$ 1,264,066	$ -
Other state	701,381	3,582,148	152,042	-
Other local	45,104	4,536,567	1,450,212	3,137
Total revenues	792,256	9,816,209	2,866,320	3,137
Expenditures:				
Certificated salaries	267,915	2,890,535	-	-
Classified salaries	157,216	2,267,228	1,380,323	-
Employee benefits	203,855	2,843,625	650,822	-
Books and supplies	35,543	115,124	1,556,893	43,370
Contracted services and other operating expenditures	28,296	865,248	(327,222)	1,189,259
Capital outlay	-	-	-	79,422
Other outgo	29,924	336,535	161,064	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	722,749	9,318,295	3,421,880	1,312,051
Excess of revenues over (under) expenditures	69,507	497,914	(555,560)	(1,308,914)
Other Financing Sources (Uses):				
Transfers in	-	-	559,035	1,500,000
Total other financing sources (uses)	-	-	559,035	1,500,000
Net change in fund balances	69,507	497,914	3,475	191,086
Fund balance - beginning	664,347	805,928	377,344	568,933
Fund balance - ending	$ 733,854	$ 1,303,842	$ 380,819	$ 760,019

Capital Facilities Fund	Special Reserve Fund For Capital Outlay Projects	Total Nonmajor Governmental Funds
$ -	$ -	$ 3,007,331
-	-	4,435,571
1,793,072	4,872,983	12,701,075
1,793,072	4,872,983	20,143,977
-	-	3,158,450
-	-	3,804,767
-	-	3,698,302
20,576	175,369	1,946,875
2,354,935	4,649,798	8,760,314
-	613,645	693,067
-	-	527,523
-	919,183	919,183
-	949,252	949,252
2,375,511	7,307,247	24,457,733
(582,439)	(2,434,264)	(4,313,756)
-	-	2,059,035
-	-	2,059,035
(582,439)	(2,434,264)	(2,254,721)
3,864,848	15,641,319	21,922,719
$ 3,282,409	$ 13,207,055	$ 19,667,998

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

ORGANIZATION
June 30, 2019

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

BOARD OF EDUCATION

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

SUPERINTENDENT

Ben Drati

ADMINISTRATION

Melody Canady, Assistant Superintendent, Business and Fiscal Services,

Jacqueline Mora, Assistant Superintendent of Educational Services

Mark Kelly, Assistant Superintendent of Human Resources

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
For Fiscal Year Ended June 30, 2019

	Second Period Report	Revised Second Period Report	Annual Report
SCHOOL DISTRICT			
TK/K through Third			
Regular ADA	2,869.99	2,869.88	2,872.60
Extended Year Special Education	5.85	5.85	5.85
Special Education - Nonpublic Schools	2.40	2.20	2.29
Extended Year Special Education - Nonpublic Schools	0.10	0.10	0.10
Total TK/K through Third	2,878.34	2,878.03	2,880.84
Fourth through Sixth			
Regular ADA	2,319.13	2,319.95	2,316.71
Extended Year Special Education	4.14	4.14	4.14
Special Education - Nonpublic Schools	1.01	1.12	1.17
Extended Year Special Education - Nonpublic Schools	0.03	0.03	0.03
Total Fourth through Sixth	2,324.31	2,325.24	2,322.05
Seventh and Eighth			
Regular ADA	1,592.92	1,592.70	1,588.76
Extended Year Special Education	3.70	3.70	3.70
Special Education - Nonpublic Schools	3.54	3.56	3.67
Extended Year Special Education - Nonpublic Schools	0.38	0.38	0.38
Total Seventh and Eighth	1,600.54	1,600.34	1,596.51
Ninth through Twelfth			
Regular ADA	3,274.41	3,273.70	3,255.80
Extended Year Special Education	4.11	4.11	4.11
Special Education - Nonpublic Schools	9.75	9.63	9.80
Extended Year Special Education - Nonpublic Schools	1.01	1.01	1.01
Total Ninth through Twelfth	3,289.28	3,288.45	3,270.72
TOTAL SCHOOL DISTRICT	10,092.47	10,092.06	10,070.12

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

There were no audit findings which resulted in necessary revisions to attendance.

See accompanying note to supplementary information.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
For Fiscal Year Ended June 30, 2019

Grades	Ed Code 46207 Minutes Requirement	2018-19 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	43,560	180	In Compliance
Grade 1	50,400	52,885	180	In Compliance
Grade 2	50,400	52,885	180	In Compliance
Grade 3	50,400	54,740	180	In Compliance
Grade 4	54,000	55,045	180	In Compliance
Grade 5	54,000	55,045	180	In Compliance
Grade 6	54,000	55,530	180	In Compliance
Grade 7	54,000	55,530	180	In Compliance
Grade 8	54,000	55,530	180	In Compliance
Grade 9	64,800	64,892	180	In Compliance
Grade 10	64,800	64,892	180	In Compliance
Grade 11	64,800	64,892	180	In Compliance
Grade 12	64,800	64,892	180	In Compliance

Districts must maintain their instructional minutes as defined in Education Code Section 46207.

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

See accompanying note to supplementary information.

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For Fiscal Year Ended June 30, 2019

	(Budget) 2020[1]	2019	2018	2017
General Fund - Budgetary Basis				
Revenues And Other Financing Sources	$ 159,558,524	$ 160,878,644	$ 170,121,772	$ 151,639,294
Expenditures And Other Financing Uses	166,051,969	163,314,366	162,544,043	158,226,132
Net Change in Fund Balance	$ (6,493,445)	$ (2,435,722)	$ 7,577,729	$ (6,586,838)
Prior period adjustments	$ -	$ (8,861,132)	$ -	$ -
Ending Fund Balance	$ 21,008,013	$ 27,501,458	$ 38,798,312	$ 31,220,583
Available Reserves[2]	$ 5,047,523	$ 5,017,101	$ 7,464,493	$ 4,746,784
Available Reserves As A Percentage of Outgo[3]	3.04%	3.07%	4.59%	3.00%
Long-term Liabilities	$ 721,397,460	$ 750,514,361	$ 638,341,301	$ 613,829,709
Average Daily Attendance At P-2	9,783	10,092	10,303	10,476

The General Fund fund balance has decreased by $3,719,125 over the past two fiscal years. The fiscal year 2019-20 budget projects a decrease of $6,493,445. For a District this size, the State recommends available reserves of at least three percent of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficit in two of the past three fiscal years and anticipates incurring an operating deficit during the 2019-20 fiscal year. Total long-term obligations have increased by $136,684,652 over the past two fiscal years.

Average daily attendance (ADA) has decreased by 384 over the past two fiscal years. A decrease of 309 ADA is anticipated during the 2019-20 fiscal year.

[1] Budget 2020 is included for analytical purposes only and has not been subjected to audit.
[2] Available reserves consist of all unassigned fund balance within the General fund.
[3] On behalf payments of $11,826,881 have been excluded from the calculation of available reserves for the fiscal year ending June 30, 2019.

See accompanying note to supplementary information.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
Passed through California Department of Education:			
Title I, Part A			
Title I, Part A, Basic School Support	84.010	14329	$ 1,051,347
Adult Education			
Adult Education: Basic Education & ESL	84.002A	14508	38,071
Adult Education: Adult Secondary Education	84.002A	13978	7,700
Subtotal Adult Education			45,771
Title II, Part A, Teacher Quality	84.367	14341	180,292
Title III			
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	102,168
Title III, Immigrant Education Program	84.365	15146	20,422
Subtotal Title III			122,590
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	4,472
Special Education Cluster **[1]**			
IDEA Basic Local Assistance Entitlement, Part B, Private School ISPs	84.027	10115	17,735
IDEA, Part B, Sec 611, Basic Local Assistance Entitlement	84.027	13379	2,164,868
IDEA, Part B, Section 619, Preschool Grants	84.173	13430	58,889
Subtotal Special Education Cluster			2,241,492
IDEA, Part C, Early Education Programs Grant	84.181	23761	59,099
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131	84.048	14893	20,956
Total U. S. Department of Education			3,726,019
U. S. DEPARTMENT OF AGRICULTURE:			
Passed through California Department of Education:			
Child Nutrition Cluster **[1]**			
School Breakfast Program Basic	10.553	13390	4,004
School Breakfast Program Needy	10.553	13526	175,820
National School Lunch Program	10.555	13396	905,553
Child Nutrition - Commodities	10.555	13396	178,689
Subtotal Child Nutrition Cluster			1,264,066
Child and Adult Food Programs	10.558	13393	201,140
Total U. S. Department of Agriculture			1,465,206
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Passed through California Department of Health Services:			
Medicaid			
Medi-Cal Billing Option	93.778	10013	149,861
Medi-Cal Administrative Activities	93.778	10060	551,747
Subtotal Medicaid			701,608
Passed through California Department of Education:			
Head Start **[2]**	93.600	10016	1,495,701
Head Start Training and Technical Review **[2]**	93.600	10016	653
Total U. S. Department of Health & Human Services			2,197,962
Total Federal Expenditures			$ 7,389,187

[1] - Major Program
[2] - In-Kind Contribution - $564,563

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SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

RECONCILIATION OF UNAUDITED ACTUALS WITH
AUDITED FINANCIAL STATEMENTS
June 30, 2019

	General Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund
June 30, 2019, unaudited actual fund balances	$ 27,501,458	$ 733,854	$ 1,303,842	$ 380,819
June 30, 2019, audited financial statements fund balances	$ 27,501,458	$ 733,854	$ 1,303,842	$ 380,819

	Bond Interest and Redemption Fund
June 30, 2019, unaudited actual fund balances/net position	$ 45,193,024
June 30, 2019, audited financial statements fund balances/net position	$ 45,193,024

This schedule provides the information necessary to reconcile the fund balances/net position of all funds on the unaudited actual to the audited financial statements.

Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay
$ 760,019	$ 93,990,808	$ 3,282,409	$ 13,207,055
$ 760,019	$ 93,990,808	$ 3,282,409	$ 13,207,055

NOTE 1 – PURPOSE OF SCHEDULES

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

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

Schedule of Instructional Time
This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code Sections* 46200 through 46208.

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

Schedule of Expenditures of Federal Awards
The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Santa Monica-Malibu Unified School District and is presented on the modified accrual basis of accounting. The information in this schedule 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2019 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2019.

The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

	CFDA Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and, Changes in Fund Balance		$ 9,105,319
Build America Bonds	*	(1,716,132)
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		$ 7,389,187

** - CFDA Number not available or not applicable*

Reconciliation of Unaudited Actuals with Audited Financial Statements
This schedule provides information necessary to reconcile the fund balance of all funds reported on the Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

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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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the Santa Monica-Malibu Unified School District (the "District"), as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 8, 2018. Our report includes a reference to other auditors who audited the financial statements of the Santa Monica-Malibu Education Foundation, as described in our report on Santa Monica-Malibu Unified School District's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Santa Monica-Malibu Education Foundation were not audited in accordance with Government Auditing Standards and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with this entity.

Internal Control over Financial Reporting

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

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

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

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Compliance and Other Matters

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

We noted certain matters that were reported to management of Santa Monica-Malibu Unified School District in a separate letter dated December 13, 2019.

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.

Moss, Levy & Hartzheim, LLP
Culver City, CA
December 13, 2019

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INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

Report on State Compliance

We have audited the Santa Monica-Malibu Unified School District's (the "District") compliance with the types of compliance requirements described in *2018-2019 Guide for Annual Audits of California K-12 Local Educational Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel for the fiscal year ended June 30, 2019. The District's state compliance requirements are identified in the table provided.

Management's Responsibility for State Compliance

Management is responsible for compliance with the requirements of state laws and regulations as identified below.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit of the types of compliance requirements referred to below. 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 *2018-2019 Guide for Annual Audits of California K-12 Local Educational Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas 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 the state laws and regulations applicable to the following items:

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOL:	
Attendance	Yes
Teacher certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	No, see below

	Procedures Performed
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of choice	Not Applicable
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS:	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Not Applicable
Proper Expenditures of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
CHARTER SCHOOLS	
Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

We did not perform testing of independent study or continuation education because the average daily attendance claimed is below the materiality threshold required for testing. The District does not have any Charter Schools; therefore, we did not perform any procedures for Charter School Programs.

Unmodified Opinion on Compliance with State Programs

In our opinion, the District complied with the state law and regulations of the state programs referred to above in all material respects for the fiscal year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed instance of noncompliance, which is required to be reported in accordance with the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, which is described in the accompanying schedule of findings and questions costs as items 2019-001. Our opinion on state programs is not modified with respect to these matters.

District's Response to Finding

The District's response to the compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The 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.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
December 13, 2019

The term "not applicable" is used above to mean either the District did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

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INDPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the Santa Monica-Malibu Unified School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the fiscal year ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 the 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 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 compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each major federal program for the fiscal year ended June 30, 2019.

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Report on Internal Control over Compliance

Management of the 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 the 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 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.

Moss, Levy & Hartzheim, LLP
Culver City, CA
December 13, 2019

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FINDINGS AND RECOMMENDATIONS SECTION

Section I – Summary of Auditor's Results

Financial Statements

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

Federal Awards

Internal control over major programs:				
Material weaknesses identified	________	Yes	X	No
Significant deficiencies identified not considered to be material weaknesses	________	Yes	X	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)	________	Yes	X	No

Identification of major programs

CFDA Number (s)	Name of Federal Program/Cluster
10.553, 10.555	Child Nutrition Cluster
84.027, 84.173	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000			
Auditee qualified as low-risk auditee:	________	Yes	X	No

State Awards

Any audit findings disclosed that are required to be reported in accordance with Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting	X	Yes	________	No
Type of auditor's report issued on compliance for state programs:	Unmodified			

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards.* Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

Five Digit Code	AB 3627 Finding Types
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no financial statement findings in 2018-19.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs in 2018-19.

Section IV – State Award Findings and Questioned Costs

Finding 2019-001
Unduplicated local control funding formula pupil counts
40000

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

- Unduplicated count of pupils who (1) are English learners, (2) meet income or categorical eligibility requirements for free or reduced-price meals under the National School Lunch Program, or (3) are foster youth. "Unduplicated count" means that each pupil is counted only once even if the pupil meets more than one of these criteria (*EC* sections 2574(b)(2) and 42238.02(b)(1)).

- Divided by total enrollment in the LEA (*EC* sections 2574(b)(1) and 42238.02(b)(5)). All pupil count are based on Fall 1 certified enrollment reported in the CALPADS as of Census Day.

Condition:
Reviewed supporting documentation for students identified as free or reduced price meal eligibility pupil (FRPM) on the CALPADs report and noted the followings:

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

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

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

Questioned Costs:
$3,439. This amount was determined by using the California Department of Education's (CDE) audit penalty calculator.

Effect:
The District overstated 7 FRPM students.

	District's Enrollment Count	Certified Total Unduplicated Pupil Count	Unduplicated Count Adjustment Based on Eligibility for:			Adjusted Total Unduplicated Pupil Count	Adjusted District's Enrollment Count
			FRPM	EL Funding	FRPM and EL		
Santa Monica Malibu Unified School District	32,463	9,170	(7)	0	0	9,163	32,463
Total	32,463	9,170	(7)	0	0	9,163	32,463

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

View of Responsible Officials:

The District concurs with the finding.

As the finding originated with data from the Food Services point of sale system, the Director of Food Services has incorporated into his departmental process that that free and reduced eligible students will be cross-referenced and reconciled with the CalPADS system. This reconciliation will ensure that the data in the Food Services point of sale system matches what is reported in CalPADS.

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

These 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 is the Director of Food Services, Richard Marchini and the Director of Assessment, Research, & Evaluation, Sam Koshy.

Section II – Financial Statement Findings
There were no financial statement findings in the prior fiscal year.

Section III – Federal Award Findings and Questioned Costs

Finding 2018-001
The District did not have adequate internal controls to ensure compliance with time and effort requirements.
50000

CFDA Number and Title: 10.553 School Breakfast Program, 10.555 National School Lunch Program
Federal Grantor Name: U.S. Department of Agriculture
Federal Award/Contract Number: NA
Pass-through Entity Name: California Department of Education
Pass-through Award/Contract Number: 13390,13391, 13396
Compliance Requirement – Allowable Costs/Cost Principles
Questioned Cost Amount: $0

Description of the Condition
In fiscal year 2017-2018, the District spent $3,161,423 in its Child Nutrition program. Of the amount spent, Federal reimbursement was $1,052,559. Of the $3,161,423 total amount spent, $2,017,537 was used to pay salaries and benefits. We reviewed payroll transactions to determine whether the District retained adequate time and effort documentation for salaries and benefits charged to federal grants, as required by the granting agency. Depending on the number and type of activities an employee works on, documentation can be a semi-annual certification or monthly personnel activity report, such as a timesheet. Our audit found that the District did not design an effective process to monitor employees whose positions were funded with federal grant funds to ensure all required time and effort documentation were completed and retained. We consider this deficiency in internal controls to be a material weakness.

Cause of Condition
The Program Director position responsible for time and effort documents was not filled by the District until January 2018. The District cannot find the time and effort documentation to support time worked on the program.

Effect of Condition and Questioned Costs
Without proper time and effort documentation, federal grantors cannot be assured salaries and benefits charged to their programs are accurate and valid. The District's noncompliance with grant requirements can jeopardize future federal funding and may require it to return federal funds to the grantor. Our audit found that the District was unable to provide required time and effort documentation for all employees who were fully funded through this program. We verified that these employees worked entirely on the Nutrition program; therefore, we are not questioning costs.

Recommendation
We recommend the District improve its monitoring process to ensure all employees paid through federal grants submit required documentation to support time worked.

Current Status
Implemented.

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2018-002
The District did not have adequate internal controls to ensure compliance with eligibility requirements.
50000

CFDA Number and Title: 10.553 School Breakfast Program, 10.555 National School Lunch Program
Federal Grantor Name: U.S. Department of Agriculture
Federal Award/Contract Number: NA
Pass-through Entity Name: California Department of Education
Pass-through Award/Contract Number: 13390,13391, 13396
Compliance Requirement – Eligibility
Questioned Cost Amount: $0

Description of the Condition
During our test of income verification, we noted 2 out of 10 verifications were incorrectly stated after the applicant submitted income verification. Students were not reported under the correct status.

Cause of Condition
The Program Director position was not filled by the District until January 2018. The District cannot find another personnel to verify the correct status.

Effect of Condition and Questioned Costs
District's aid received from students receiving free or reduced meals may not be correct. The questioned costs are less than $10,000.

Recommendation
We recommend the District establish procedures to ensure that when a change in application status occurs, lunch code within their software is changed in conjunction with this change.

Current Status
Implemented.

Section IV – State Award Findings and Questioned Costs
There were no state award findings in the prior fiscal year.

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Governing Board
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 as of and for the fiscal year ended June 30, 2019, 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 December 13, 2019 on the government-wide financial statements of the District.

2018-2019 Observation and Recommendation

We recommend the District implement the following:

1. Evaluate projects on a comprehensive basis prior to issuing requests for proposals, qualifications, quotes, or services. The scope of work should not significantly change, otherwise a new request should be generated rather than issuing multiple change orders, which bypass the required detailed selection process.
2. All bids for future projects must be received at the District's office and not received by the consultant. Segregation of duties should be paramount.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, CA
December 13, 2019