



SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

AUDIT REPORT

JUNE 30, 2015

San Diego

Los Angeles

San Francisco
Bay Area

christy  white
A PROFESSIONAL
ACCOUNTANCY CORPORATION *associates*

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

SANTA MONICA, CALIFORNIA

JUNE 30, 2015

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

GOVERNING BOARD

Member	Office	Term Expires
Laurie Lieberman	President	December 2018
Jose Escarce	Vice President	December 2016
Craig Foster	Member	December 2018
Oscar de la Torre	Member	December 2018
Maria Leon-Vazquez	Member	December 2018
Ralph Mechur	Member	December 2016
Richard Tahvidaran-Jesswein	Member	December 2018

DISTRICT ADMINISTRATORS

Sandra Lyon
Superintendent

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

Dr. Mark Kelly
Assistant Superintendent, Human Resources

Dr. Terry Deloria
Assistant Superintendent, Educational Services

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FINANCIAL SECTION

INDEPENDENT AUDITORS' 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, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Santa Monica-Malibu Unified School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Santa Monica-Malibu Education Foundation, which represent the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Santa Monica-Malibu Education Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Christy White, CPA

Michael Ash, CPA

Heather Rubio

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Santa Monica-Malibu Unified School District, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As described in Note 1 to the financial statements, in 2015 Santa Monica-Malibu Unified School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2015 on our consideration of Santa Monica-Malibu Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Santa Monica-Malibu Unified School District's internal control over financial reporting and compliance.

Christy White Associates

San Diego, California
December 7, 2015

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

INTRODUCTION

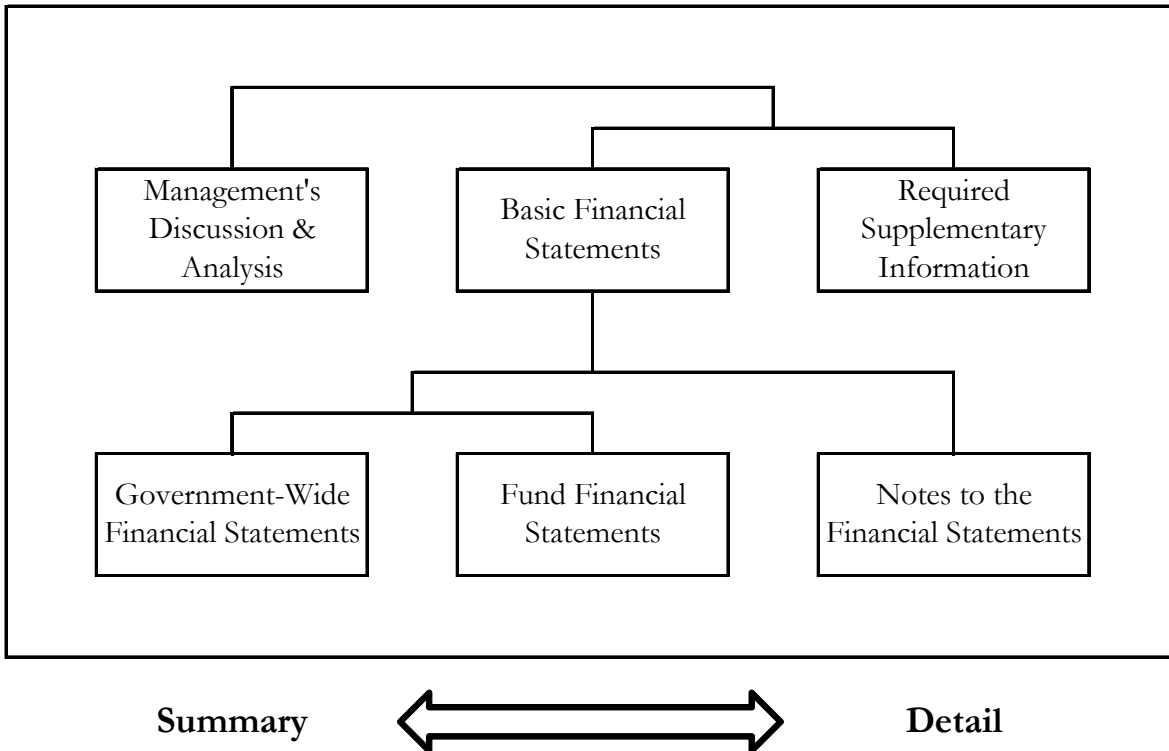
Our discussion and analysis of Santa Monica-Malibu Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2015. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- ▶ Total net position for the primary government was \$31,863,878 at June 30, 2015. This was a decrease of \$104,714,034 from the prior year's net position before restatement.
- ▶ Overall revenues were \$197,954,312 which exceeded expenses of \$183,806,528.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, *continued*
FOR THE YEAR ENDED JUNE 30, 2015**

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. LCFF funding and federal and state grants finance most of these activities.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2015**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's combined net position was \$31,863,878 at June 30, 2015, as reflected in Table A-1 below. Of this amount, \$116,509,951 was unrestricted deficit. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

In accordance with the new pronouncement, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, a restatement to net position as of June 30, 2014 to reflect a net pension liability and deferred outflow of resources related to pensions. At June 30, 2014, the net pension liability amounted to \$(126,302,657) offset by deferred outflows of resources related to pensions of \$7,440,839, which nets to a restatement of \$118,861,818. This restatement to net position account for the majority of the \$104,714,034 net change in net position reflected below.

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

	Governmental Activities		
	2015	2014	Net Change
ASSETS			
Current and other assets	\$183,283,973	\$178,449,058	\$ 4,834,915
Capital assets	361,066,538	337,853,972	23,212,566
Total Assets	544,350,511	516,303,030	28,047,481
DEFERRED OUTFLOWS OF RESOURCES	14,962,847	6,944,447	8,018,400
LIABILITIES			
Current liabilities	58,229,086	43,243,311	14,985,775
Long-term liabilities	441,429,572	343,426,254	98,003,318
Total Liabilities	499,658,658	386,669,565	112,989,093
DEFERRED INFLOWS OF RESOURCES	27,790,822	-	27,790,822
NET POSITION			
Net investment in capital assets	88,428,074	87,311,739	1,116,335
Restricted	60,174,109	57,124,481	3,049,628
Unrestricted	(116,738,305)	(7,858,308)	(108,879,997)
Total Net Position	\$ 31,863,878	\$136,577,912	\$ (104,714,034)

**Restatement to Beginning Net Position relates to both the 2015 year and the 2014 year*

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2015**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

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

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

	Governmental Activities		
	2015	2014	Net Change
REVENUES			
Program revenues			
Charges for services	\$ 6,552,073	\$ 6,802,917	\$ (250,844)
Operating grants and contributions	24,507,300	26,685,250	(2,177,950)
General revenues			
Property taxes	120,355,869	110,328,245	10,027,624
Unrestricted federal and state aid	23,058,179	9,050,356	14,007,823
Other	23,480,891	20,594,141	2,886,750
Total Revenues	197,954,312	173,460,909	24,493,403
EXPENSES			
Instruction	95,084,435	86,586,592	8,497,843
Instruction-related services	17,382,596	16,696,200	686,396
Pupil services	15,937,535	14,925,665	1,011,870
General administration	11,248,513	11,409,561	(161,048)
Plant services	23,633,417	16,649,696	6,983,721
Ancillary and community services	2,627,367	2,496,301	131,066
Debt service	17,390,759	15,582,377	1,808,382
Other Outgo	188,130	(272,560)	460,690
Other	313,776	-	313,776
Total Expenses	183,806,528	164,073,832	19,732,696
Change in net position	14,147,784	9,387,077	4,760,707
Net Position - Beginning, as Restated	17,716,094	127,190,835	(109,474,741)
Net Position - Ending	\$ 31,863,878	\$136,577,912	\$ (104,714,034)

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2015**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

The total cost of all our governmental activities this year was \$183,806,528 (refer to Table A-2). The amount that our taxpayers ultimately financed for these activities through taxes was \$120,355,869 because the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions of \$24,507,300.

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

	Net Cost of Services	
	2015	2014
Instruction	\$ 82,404,236	\$ 86,586,592
Instruction-related services	15,578,807	16,696,200
Pupil services	10,695,571	14,925,664
General administration	10,729,941	11,409,561
Plant services	16,991,459	16,649,696
Ancillary and community services	2,414,901	2,496,301
Debt service	17,390,759	15,582,377
Transfers to other agencies	(3,772,295)	(272,560)
Other	313,776	-
Total Expenses	\$ 152,747,155	\$ 164,073,831

FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$156,355,270, which is less than last year's ending fund balance of \$145,011,760. The District's General Fund had \$8,490,054 more in operating revenues than expenditures for the year ended June 30, 2015. This increase was mainly attributed to additional State funding received from local control funding formula sources. The District's Building Fund had \$34,012,662 less in operating revenues than expenditures due to a significant increase in expenditures towards facilities acquisition and maintenance during the year ended June 30, 2015. Also for the year ended June 30, 2015, the District's Bond Interest & Redemption Fund had \$11,437,659 more in operating revenues than expenditures.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2015**

CURRENT YEAR BUDGET 2014-15

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2014-15 the District had invested \$361,066,538 in capital assets, net of accumulated depreciation. Completion of certain construction projects resulted in a transfer of construction in progress of roughly \$54.4 million to capitalized assets. Additionally, other construction projects commenced or continued adding slightly over \$27.6 million to construction in progress. A total of \$9,319,213 in depreciation expense was recorded in 2014-15 and allocated by function within the government-wide statement of activities.

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

	Governmental Activities		
	2015	2014	Net Change
CAPITAL ASSETS			
Land	\$ 10,128,802	\$ 10,128,802	\$ -
Construction in progress	154,323,540	181,044,206	(26,720,666)
Land improvements	17,365,990	16,812,343	553,647
Buildings & improvements	264,057,332	210,244,214	53,813,118
Furniture & equipment	24,992,935	20,107,255	4,885,680
Accumulated depreciation	(109,802,061)	(100,482,848)	(9,319,213)
Total Capital Assets	\$361,066,538	\$337,853,972	\$ 23,212,566

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2015**

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Liabilities

At year-end, the District had \$441,429,572 in long-term liabilities, an increase of 29 percent from last year – as shown in Table A-5. A significant change occurred with the District recognizing a net pension liability of \$99.5 million as of June 30, 2015. (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		
	2015	2014	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	\$348,135,246	\$327,589,226	\$ 20,546,020
Total certificates of participation	16,189,869	16,902,731	(712,862)
Capital leases	179,021	92,802	86,219
Compensated absences	903,413	916,886	(13,473)
Net OPEB obligation	10,341,922	8,786,641	1,555,281
Net pension liability	99,549,390	-	99,549,390
Less: current portion of long-term debt	(33,869,289)	(10,862,032)	(23,007,257)
Total Long-term Liabilities	\$441,429,572	\$343,426,254	\$ 98,003,318

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

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

Factors related to LCFF that the District is monitoring includes: (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 is expected to grow at a modest rate of about 2 to 3 percent annually over the next two years with little chance of recession, according to the UCLA Anderson Economic Forecast for September 2015. The ability of the State to fund the LCFF and other programs is largely dependent on the strength of the State’s economy and remains uncertain.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2015**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (continued)

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

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, inter-district transfers in or out, economic conditions and housing values.

All of these factors were considered in preparing the District's budget for the 2015-16 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, 2015

	Primary Government	June 30, 2014
	Governmental Activities	Discretely Presented Component Unit
ASSETS		
Cash and cash equivalents	\$ 173,160,267	\$ 232,518
Investments	-	11,146,110
Accounts receivable	7,291,503	196,040
Inventory	34,735	-
Prepaid expenses	85,648	21,317
Other current assets	2,711,820	-
Capital assets, not depreciated	164,452,342	-
Capital assets, net of accumulated depreciation	196,614,196	31,767
Total Assets	544,350,511	11,627,752
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	8,383,897	-
Deferred amount on refunding	6,578,950	-
Total Deferred Outflows of Resources	14,962,847	-
LIABILITIES		
Accrued liabilities	23,271,064	3,483,733
Unearned revenue	1,088,733	-
Long-term liabilities, current portion	33,869,289	-
Long-term liabilities, non-current portion	441,429,572	-
Total Liabilities	499,658,658	3,483,733
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	27,790,822	-
Total Deferred Inflows of Resources	27,790,822	-
NET POSITION		
Net investment in capital assets	88,428,074	-
Restricted:		
Capital projects	12,840,415	-
Debt service	42,877,044	-
Educational programs	4,302,521	5,858,149
All others	154,129	-
Permanent endowment	-	770,914
Unrestricted	(116,738,305)	1,514,956
Total Net Position	\$ 31,863,878	\$ 8,144,019

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

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Function/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position	June 30, 2014 Discretely Presented Component Unit
		Charges for Services	Operating Grants and Contributions		
GOVERNMENTAL ACTIVITIES					
Instruction	\$ 95,084,435	\$ 884,119	\$ 11,796,080	\$ (82,404,236)	\$ -
Instruction-related services					
Instructional supervision and administration	5,700,365	72,036	1,002,830	(4,625,499)	-
Instructional library, media, and technology	1,353,517	668	6,522	(1,346,327)	-
School site administration	10,328,714	140,179	581,554	(9,606,981)	-
Pupil services					
Home-to-school transportation	1,993,601	13	20	(1,993,568)	-
Food services	3,352,817	1,419,707	1,641,978	(291,132)	-
All other pupil services	10,591,117	6,177	2,174,069	(8,410,871)	-
General administration					
Centralized data processing	3,593,233	-	-	(3,593,233)	-
All other general administration	7,655,280	142,310	376,262	(7,136,708)	-
Plant services	23,633,417	2,319,658	4,322,300	(16,991,459)	-
Ancillary services	832,914	12,497	20,777	(799,640)	-
Community services	1,794,453	67,299	111,893	(1,615,261)	-
Enterprise activities	313,776	-	-	(313,776)	-
Interest on long-term debt	17,390,759	-	-	(17,390,759)	-
Other Outgo	188,130	1,487,410	2,473,015	3,772,295	-
Total Governmental Activities	\$ 183,806,528	\$ 6,552,073	\$ 24,507,300	(152,747,155)	
DISCRETELY PRESENTED COMPONENT UNIT					
Santa Monica-Malibu Education Foundation	\$ 3,556,519	\$ 37,500	\$ 2,399,005		\$ (1,120,014)
Total	\$ 3,556,519	\$ 37,500	\$ 2,399,005		(1,120,014)
General revenues					
Taxes and subventions					
Property taxes, levied for general purposes					
				72,572,370	-
Property taxes, levied for debt service					
				33,828,677	-
Property taxes, levied for other specific purposes					
				13,954,822	-
Federal and state aid not restricted for specific purposes					
				23,058,179	-
Interest and investment earnings					
				247,683	1,061,875
Miscellaneous					
				23,233,208	-
Subtotal, General Revenue					
				166,894,939	1,061,875
CHANGE IN NET POSITION					
				14,147,784	(58,139)
Net Position - Beginning, as Restated					
				17,716,094	8,202,158
Net Position - Ending					
				\$ 31,863,878	\$ 8,144,019

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

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015**

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 42,619,286	\$ 66,986,143	\$ 45,210,774	\$ 13,449,543	\$ 168,265,746
Accounts receivable	5,274,987	248,787	-	1,759,614	7,283,388
Stores inventory	12,662	-	-	22,073	34,735
Prepaid expenditures	85,648	-	-	-	85,648
Other current assets	2,711,820	-	-	-	2,711,820
Total Assets	\$ 50,704,403	\$ 67,234,930	\$ 45,210,774	\$ 15,231,230	\$ 178,381,337
LIABILITIES					
Accrued liabilities	\$ 14,319,463	\$ 5,356,100	\$ -	\$ 1,261,771	\$ 20,937,334
Unearned revenue	910,471	-	-	178,262	1,088,733
Total Liabilities	15,229,934	5,356,100	-	1,440,033	22,026,067
FUND BALANCES					
Nonspendable	118,310	-	-	22,073	140,383
Restricted	3,939,550	61,878,830	45,210,774	13,357,516	124,386,670
Committed	-	-	-	411,608	411,608
Assigned	9,923,977	-	-	-	9,923,977
Unassigned	21,492,632	-	-	-	21,492,632
Total Fund Balances	35,474,469	61,878,830	45,210,774	13,791,197	156,355,270
Total Liabilities and Fund Balances	\$ 50,704,403	\$ 67,234,930	\$ 45,210,774	\$ 15,231,230	\$ 178,381,337

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

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT
OF NET POSITION
JUNE 30, 2015**

Total Fund Balance - Governmental Funds \$ 156,355,270

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

Capital assets:

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

Capital assets	\$ 470,868,599	
Accumulated depreciation	<u>(109,802,061)</u>	361,066,538

Deferred amount on refunding:

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

6,578,950

Unmatured interest on long-term debt:

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

(2,333,730)

Long-term liabilities:

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

Total general obligation bonds	\$ 348,135,246	
Total certificates of participation	16,189,869	
Capital leases	179,021	
Compensated absences	903,413	
Net pension liability	<u>99,549,390</u>	(464,956,939)

Deferred outflows and inflows of resources relating to pensions:

In governmental funds, deferred outflows and inflows of resources relating to pensions 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 are reported.

Deferred outflows of resources related to pensions	\$ 8,383,897	
Deferred inflows of resources related to pensions	<u>(27,790,822)</u>	(19,406,925)

Internal service funds:

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

(5,439,286)

Total Net Position - Governmental Activities \$ 31,863,878

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

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
LCFF sources	\$ 89,411,347	\$ -	\$ -	\$ 437,628	\$ 89,848,975
Federal sources	4,100,724	-	2,844,480	3,450,881	10,396,085
Other state sources	6,348,209	-	71,199	3,100,732	9,520,140
Other local sources	43,942,246	557,222	34,123,505	8,725,483	87,348,456
Total Revenues	143,802,526	557,222	37,039,184	15,714,724	197,113,656
EXPENDITURES					
Current					
Instruction	83,308,865	-	-	5,813,589	89,122,454
Instruction-related services					
Instructional supervision and administration	4,979,233	-	-	492,876	5,472,109
Instructional library, media, and technology	1,304,840	-	-	-	1,304,840
School site administration	9,053,242	-	-	912,530	9,965,772
Pupil services					
Home-to-school transportation	2,099,154	-	-	-	2,099,154
Food services	27,254	-	-	3,193,592	3,220,846
All other pupil services	9,990,840	-	-	121,584	10,112,424
General administration					
Centralized data processing	950,568	-	-	-	950,568
All other general administration	7,153,746	-	-	477,087	7,630,833
Plant services	13,827,776	8,701,644	-	5,951,966	28,481,386
Facilities acquisition and maintenance	-	25,407,550	-	2,241,969	27,649,519
Ancillary services	793,885	-	-	-	793,885
Community services	1,769,681	-	-	-	1,769,681
Debt service					
Principal	50,900	-	10,244,593	1,120,000	11,415,493
Interest and other	2,488	460,690	15,356,932	341,881	16,161,991
Total Expenditures	135,312,472	34,569,884	25,601,525	20,667,074	216,150,955
Excess (Deficiency) of Revenues					
Over Expenditures	8,490,054	(34,012,662)	11,437,659	(4,952,350)	(19,037,299)
Other Financing Sources (Uses)					
Transfers in	-	-	-	430,119	430,119
Other sources	137,119	30,243,690	-	-	30,380,809
Transfers out	(430,119)	-	-	-	(430,119)
Net Financing Sources (Uses)	(293,000)	30,243,690	-	430,119	30,380,809
NET CHANGE IN FUND BALANCE	8,197,054	(3,768,972)	11,437,659	(4,522,231)	11,343,510
Fund Balance - Beginning	27,277,415	65,647,802	33,773,115	18,313,428	145,011,760
Fund Balance - Ending	\$ 35,474,469	\$ 61,878,830	\$ 45,210,774	\$ 13,791,197	\$ 156,355,270

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

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Net Change in Fund Balances - Governmental Funds \$ 11,343,510

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

Capital outlay:

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

Expenditures for capital outlay:	\$ 32,592,745	
Depreciation expense:	<u>(9,319,213)</u>	23,273,532

Debt service:

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

11,415,493

Debt proceeds:

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 or discount, were:

Proceeds from general obligations bond issuance	\$ 30,000,000	
Premium on general obligation bonded debt issuance	243,690	
Proceeds from capital lease issuance	<u>137,119</u>	(30,380,809)

Deferred amounts on refunding:

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

(365,497)

Unmatured interest on long-term debt:

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

(97,340)

Accreted interest on long-term debt:

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

(1,592,118)

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

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF
ACTIVITIES, continued
FOR THE YEAR ENDED JUNE 30, 2015**

Compensated absences:

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was: 13,473

Pensions:

In governmental funds, pension costs are recognized when employer contributions are made, in the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was: (94,497)

Cost write-off for canceled capital projects:

If a planned capital project is canceled and will not be completed, costs previously capitalized as Work-in-progress must be written off to expense. Costs written off for canceled projects were: (60,966)

Amortization of debt issuance premium or discount:

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

Internal Service Funds:

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was: 54,946

Change in Net Position of Governmental Activities \$ 14,147,784

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2015

	<u>Governmental Activities Self-Insurance</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 4,894,521
Accounts receivable	8,115
Total Assets	<u>4,902,636</u>
LIABILITIES	
Non-current liabilities	10,341,922
Total Liabilities	<u>10,341,922</u>
NET POSITION	
Unrestricted	(5,439,286)
Total Net Position	<u>\$ (5,439,286)</u>

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

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2015**

	Governmental Activities
	Self-Insurance
OPERATING REVENUE	
Charges to other funds	\$ 2,588,768
Other local revenues	35,314
Total operating revenues	<u>2,624,082</u>
OPERATING EXPENSE	
Professional services	<u>2,587,991</u>
Total operating expenses	<u>2,587,991</u>
Operating income/(loss)	<u>36,091</u>
NON-OPERATING REVENUES/(EXPENSES)	
Interest income	<u>18,855</u>
Total non-operating revenues/(expenses)	<u>18,855</u>
CHANGE IN NET POSITION	54,946
Net Position - Beginning	<u>(5,494,232)</u>
Net Position - Ending	<u>\$ (5,439,286)</u>

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

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Governmental Activities Self-Insurance</u>
Cash flows from operating activities	
Cash received from user charges	\$ 2,624,082
Cash payments for payroll, insurance, and operating costs	(1,032,711)
Net cash provided by (used for) operating activities	<u>1,591,371</u>
Cash flows from investing activities	
Interest received	17,003
Net cash provided by (used for) investing activities	<u>17,003</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>1,608,374</u>
 CASH AND CASH EQUIVALENTS	
Beginning of year	3,286,146
End of year	<u>\$ 4,894,520</u>
 Reconciliation of operating income (loss) to cash provided by (used for) operating activities	
Operating income (loss)	\$ 36,091
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Changes in assets and liabilities:	
Increase (decrease) in non-current liabilities	1,555,280
Net cash provided by (used for) operating activities	<u>\$ 1,591,371</u>

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

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
 FIDUCIARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2015

	<u>Agency Funds</u>	
	<u>Warrant/Pass- through Fund</u>	<u>Student Body Fund</u>
ASSETS		
Cash and cash equivalents	\$ 29,981	\$ 251,378
Investments	-	44,118
Stores inventory	-	6,435
Prepaid expenses	-	304
Other assets	-	2,077
Total Assets	\$ 29,981	\$ 304,312
LIABILITIES		
Accrued liabilities	\$ 29,981	\$ 12,293
Due to student groups	-	292,019
Total Liabilities	\$ 29,981	\$ 304,312

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

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

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

B. Component Units

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

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

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2015

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

C. Basis of Presentation

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

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

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

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

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

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

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2015

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

C. Basis of Presentation (*continued*)

Major Governmental Funds

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

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

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

Non-Major Governmental Funds

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

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

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

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Special Revenue Funds (continued)

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

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

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

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

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

Proprietary Funds

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

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

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

C. Basis of Presentation (*continued*)

Fiduciary Funds

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

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

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

D. Basis of Accounting – Measurement Focus

Government-Wide, Proprietary, and Fiduciary Financial Statements

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

Governmental Funds

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

Revenues – Exchange and Non-Exchange Transactions

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

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

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

Unearned Revenue

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

Expenses/Expenditures

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

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

Cash and Cash Equivalents

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

Investments

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

Inventories

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

Capital Assets

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

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

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Capital Assets, continued

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

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

Interfund Balances

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

Premiums and Discounts

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

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deferred Outflows/Deferred Inflows of Resources

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

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

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.

Fund Balance

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

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

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

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

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2015

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

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

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

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

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

F. Interfund Activity

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

G. Estimates

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

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2015

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

H. Budgetary Data

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

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For purposes of the budget, on-behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

I. Property Tax

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

J. New Accounting Pronouncements

GASB Statement No. 68 – In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Statement is effective for periods beginning after June 15, 2014. . The District has implemented GASB Statement No. 68 for the year ended June 30, 2015.

GASB Statement No. 71 – In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This standard seeks to clarify certain implementation issues related to amounts that are deferred and amortized at the time GASB 68 is first adopted. It applies to situations in which the measurement date of an actuarial valuation differs from the government's fiscal year. The Statement is effective for periods beginning after June 15, 2014. The District has implemented GASB Statement No. 71 for the year ended June 30, 2015.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Pronouncements (continued)

GASB Statement No. 72 – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This standard addresses accounting and financial reporting issues related to fair value measurements. The Statement is effective for periods beginning after June 15, 2015. The District has not yet determined the impact on the financial statements.

GASB Statement No. 73 – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This standard establishes requirements for defined benefit pensions that are not within the scope of GASB Statement 68 and amends certain provisions of GASB Statements 67 and 68. The Statement is effective for periods beginning after June 15, 2016. The District has not yet determined the impact on the financial statements.

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard’s primary objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The Statement is effective for periods beginning after June 15, 2017. The District has not yet determined the impact on the financial statements.

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Funds	Internal Service Fund	Total Governmental Activities	Fiduciary Funds
Cash in county	\$ 167,234,181	\$ 4,894,521	\$ 172,128,702	\$ 29,981
Cash on hand and in banks	1,011,565	-	1,011,565	251,378
Cash in revolving fund	20,000	-	20,000	-
Total cash and cash equivalents	\$ 168,265,746	\$ 4,894,521	\$ 173,160,267	\$ 281,359
Investments	-	-	-	\$ 44,118

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.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2015

NOTE 2 – CASH AND INVESTMENTS (continued)

B. Policies and Practices (continued)

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.

C. General Authorizations

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

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

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2015

NOTE 2 – CASH AND INVESTMENTS (continued)

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 \$171,949,211 and an amortized book value of \$172,128,702 for all governmental funds. The average weighted maturity for this pool is 595 days.

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, 2015, the pooled investments in the County Treasury were not rated.

F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2015, the District's bank balance was not exposed to custodial credit risk.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2015 consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities	Total Fiduciary
Federal Government						
Categorical aid	\$ 472,641	\$ -	\$ 717,015	\$ -	\$ 1,189,656	\$ -
State Government						
Categorical aid	792,371	-	49,533	-	841,904	-
Lottery	975,076	-	-	-	975,076	-
Local Government						
Other local sources	3,034,899	248,787	993,066	8,115	4,284,867	44,118
Total	\$ 5,274,987	\$ 248,787	\$ 1,759,614	\$ 8,115	\$ 7,291,503	\$ 44,118

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance July 01, 2014	Additions	Deletions	Balance June 30, 2015
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 10,128,802	\$ -	\$ -	\$ 10,128,802
Construction in progress	181,044,206	27,649,519	54,370,185	154,323,540
Total Capital Assets not Being Depreciated	191,173,008	27,649,519	54,370,185	164,452,342
Capital assets being depreciated				
Land improvements	16,812,343	553,647	-	17,365,990
Buildings & improvements	210,244,214	53,813,118	-	264,057,332
Furniture & equipment	20,107,255	4,885,680	-	24,992,935
Total Capital Assets Being Depreciated	247,163,812	59,252,445	-	306,416,257
Less Accumulated Depreciation				
Land improvements	11,342,461	423,628	-	11,766,089
Buildings & improvements	77,349,605	7,537,010	-	84,886,615
Furniture & equipment	11,790,782	1,358,575	-	13,149,357
Total Accumulated Depreciation	100,482,848	9,319,213	-	109,802,061
Governmental Activities				
Capital Assets, net	\$ 337,853,972	\$ 77,582,751	\$ 54,370,185	\$ 361,066,538

Total depreciation expense of \$9,319,213 is allocated by function as follows:

Instruction	\$ 4,790,004
Instruction-related services	
Instructional supervision and administration	258,864
Instructional library, media, and technology	55,999
School site administration	463,409
Pupil services	
Home-to-school transportation	85,336
Food services	164,544
All other pupil services	408,225
General administration	
Centralized data processing	2,652,396
All other general administration	32,699
Plant services	
Ancillary services	36,981
Community services	56,980
Enterprise activities	313,776
Total depreciation expense	\$ 9,319,213

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2015

NOTE 5 – INTERFUND TRANSACTIONS

Operating Transfers

Interfund transfers for the year ended June 30, 2015 consisted of \$170,119 transferred from the General Fund to the Child Development Fund to cover deficit spending and \$260,000 transferred from the General Fund to the Cafeteria Fund for operational costs.

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2015 consisted of the following:

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	District-Wide	Total Governmental Activities	Total Fiduciary
Payroll	\$ 12,185,623	\$ 51,848	\$ -	\$ 578,246	\$ -	\$ 12,815,717	\$ -
Construction	-	5,304,252	-	420,816	-	5,725,068	-
Vendors payable	2,133,840	-	-	262,709	-	2,396,549	42,274
Unmatured interest	-	-	-	-	2,333,730	2,333,730	-
Total	\$ 14,319,463	\$ 5,356,100	\$ -	\$ 1,261,771	\$ 2,333,730	\$ 23,271,064	\$ 42,274

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2015, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
State categorical sources	\$ 48,990	\$ -	\$ 48,990
Local sources	861,481	178,262	1,039,743
Total	\$ 910,471	\$ 178,262	\$ 1,088,733

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

NOTE 8 – LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2015 consisted of the following:

	Restated Balance			Balance June 30, 2015	Balance Due In One Year
	July 01, 2014	Additions	Deductions		
Governmental Activities					
General obligation bonds	\$ 291,068,787	\$ 30,000,000	\$ 10,244,593	\$ 310,824,194	\$ 31,601,050
Unamortized premium	12,207,468	243,690	592,849	11,858,309	603,925
Accreted interest	24,312,971	3,020,179	1,880,407	25,452,743	-
Total general obligation bonds	327,589,226	33,263,869	12,717,849	348,135,246	32,204,975
Certificates of participation	12,391,502	-	1,120,000	11,271,502	1,570,000
Unamortized premium	429,476	-	45,208	384,268	45,208
Accreted interest	4,081,753	452,346	-	4,534,099	-
Total certificates of participation	16,902,731	452,346	1,165,208	16,189,869	1,615,208
Capital leases	92,802	137,119	50,900	179,021	49,106
Compensated absences	916,886	-	13,473	903,413	-
Net OPEB obligation	8,786,641	2,587,991	1,032,710	10,341,922	-
Net pension liability	126,302,657	-	26,753,267	99,549,390	-
Total	\$ 480,590,943	\$ 36,441,325	\$ 41,733,407	\$ 475,298,861	\$ 33,869,289

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			Bonds
					Outstanding July 01, 2014	Additions	Deductions	Outstanding June 30, 2015
1998 Refunding Bonds	6/18/1998	8/1/2028	3.75% - 5.25%	\$ 68,145,000	\$ 22,550,000	\$ -	\$ 4,330,000	\$ 18,220,000
Election 1998, Series 1999	5/26/1999	8/1/2023	3.20% - 5.38%	38,000,034	42,782,063	2,194,163	3,440,000	41,536,226
2006 Refunding Bonds	2/23/2006	8/1/2025	3.50% - 4.15%	3,285,000	2,730,000	-	195,000	2,535,000
Election 2006, Series A	10/2/2007	8/1/2032	4.00% - 5.50%	60,000,000	2,890,000	-	555,000	2,335,000
Election 2006, Series B	7/23/2009	8/1/2019	1.50% - 5.00%	11,875,000	7,065,000	-	770,000	6,295,000
Election 2006, Series B-1	7/23/2009	8/1/2034	5.65% - 7.56%	48,125,000	48,125,000	-	-	48,125,000
Election 2006, Series C	7/14/2010	7/1/2023	3.00% - 5.00%	10,690,000	9,675,000	-	365,000	9,310,000
Election 2006, Series C-1	7/14/2010	7/1/2035	5.80% - 6.63%	54,310,000	54,310,000	-	-	54,310,000
2013 Refunding Bonds	1/8/2013	8/1/2032	2.00% - 5.00%	45,425,000	45,215,000	-	225,000	44,990,000
Election 2006, Series D	3/19/2013	7/1/2037	0.17% - 5.00%	82,995,327	80,039,695	826,016	2,245,000	78,620,711
Election 2012, Series A	7/29/2014	7/1/2037	1.00% - 3.70%	30,000,000	-	30,000,000	-	30,000,000
General obligation bonds*					315,381,758	33,020,179	12,125,000	336,276,937
Unamortized premium					12,207,468	243,690	592,849	11,858,309
Total general obligation bonds					\$ 327,589,226	\$ 33,263,869	\$ 12,717,849	\$ 348,135,246

*Includes accreted interest from capital appreciation bonds of \$25,452,743.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2015

NOTE 8 – LONG-TERM DEBT (*continued*)

A. **Bonded Debt** (*continued*)

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, 2015 amounted to \$18,220,000.

Election 1998

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

Series 1999, which was issued on May 26, 1999 for \$38,000,034 with interest rates ranging from 3.20% to 4.50%. The original issuance consisted of \$15,825,000 in current interest serial bonds and \$22,175,034 in capital appreciation serial bonds. Interest on the current interest bonds accrues from its dated date and is payable semi-annually each February 1 and August 1, commencing February 1, 2000, principal on the bonds is payable annually each August 1, commencing August 1, 2000 through the final maturity date of August 1, 2011. The capital appreciation bonds accrue interest from its dated date, compounded semi-annually on February 1 and August 1 of each year, principal on the bonds is payable annually each August 1, commencing August 1, 2012 through the final maturity date of August 1, 2023. The principal balance outstanding on June 30, 2015 amounted to \$41,536,226.

2006 General Obligation Refunding Bonds

On February 23, 2006, the District issued \$3,285,000 of 2006 General Obligation Refunding Bonds, with interest rates ranging from 3.50% to 4.00%. The bonds were issued to refund all or a portion of the District's outstanding General Obligation Bonds, Election of 1998, Series 2001 and pay costs of issuance of the bonds. The original issuance consisted of \$605,000 in current interest serial bonds and \$2,680,000 in current interest term bonds. Interest on the bonds is payable semi-annually each February 1 and August 1, commencing August 1, 2006, principal on the bonds is payable annually each August 1, commencing August 1, 2006 through the final maturity date of August 1, 2025. The principal balance outstanding on June 30, 2015 amounted to \$2,535,000.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

NOTE 8 – LONG-TERM DEBT (continued)

A. Bonded Debt (continued)

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, 2015 amounted to \$2,335,000.

Series B, which was issued on July 23, 2009 for \$11,875,000 with interest rates ranging from 1.50% to 5.00%. The original issuance consisted entirely of current interest serial bonds. Interest on the bonds is payable semi-annually each February 1 and August 1, commencing February 1, 2010, principal on the bonds is payable annually each August 1, commencing August 1, 2010 through the final maturity date of August 1, 2019. The principal balance outstanding on June 30, 2015 amounted to \$6,295,000.

Series B-1 (Build America Bonds – Direct Payment to District – Federally Taxable), which was issued on July 23, 2009 for \$48,125,000 with interest rates ranging from 5.645% to 7.556%. The bonds are designated “Build America Bonds” for purposes of the American Recovery and Reinvestment Act of 2009. Pursuant to the Recovery Act, the District expects to receive a cash subsidy payment from the United States Treasury equal to 35% of the interest payable on the bonds on or about each interest payment date. The original issuance consisted of \$6,140,000 in current interest serial bonds and \$41,985,000 in current interest term bonds. Interest on the bonds is payable semi-annually each February 1 and August 1, commencing February 1, 2010, principal on the bonds is payable annually each August 1, commencing August 1, 2020 through the final maturity date of August 1, 2034. As of June 30, 2015, the full principal balance of \$48,125,000 remained outstanding.

Series C, which was issued on July 14, 2010 for \$10,690,000 with interest rates ranging from 3.00% to 5.00%. The original issuance consisted entirely of current interest serial bonds. Interest on the bonds is payable semi-annually each January 1 and July 1, commencing January 1, 2011, principal on the bonds is payable annually each July 1, commencing July 1, 2011 through the final maturity date of July 1, 2023. The principal balance outstanding on June 30, 2015 amounted to \$9,310,000.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2015

NOTE 8 – LONG-TERM DEBT (*continued*)

A. **Bonded Debt** (*continued*)

Election 2006, continued

Series C-1 (Build America Bonds – Direct Payment to District – Federally Taxable), which was issued on July 14, 2010 for \$54,310,000 with interest rates ranging from 5.796% to 6.634%. The bonds are designated “Build America Bonds” for purposes of the American Recovery and Reinvestment Act of 2009. Pursuant to the Recovery Act, the District expects to receive a cash subsidy payment from the United States Treasury equal to 35% of the interest payable on the bonds on or about each interest payment date. The original issuance consisted entirely of current interest term bonds. Interest on the bonds is payable semi-annually each January 1 and July 1, commencing January 1, 2011, principal on the bonds is payable annually each July 1, commencing July 1, 2025 through the final maturity date of July 1, 2035. As of June 30, 2015, the full principal balance of \$54,310,000 remained outstanding.

Series D, which was issued on March 19, 2013 for \$82,995,327 with interest rates ranging from 0.17% to 5.00%. The original issuance consisted of \$42,780,000 in current interest serial bonds, \$24,200,000 in current interest term bonds and \$16,015,327 in capital appreciation serial bonds. Interest on the current interest bonds is payable semi-annually each January 1 and July 1, commencing July 1, 2013, principal on the bonds is payable annually each July 1, commencing July 1, 2013 through the final maturity date of July 1, 2037. The principal balance outstanding on June 30, 2015 amounted to \$78,620,711.

2013 General Obligation Refunding Bonds

On January 8, 2013, the District issued \$45,425,000 of 2013 General Obligation Refunding Bonds, with interest rates ranging from 2.00% to 5.00%. The bonds were issued to refund all or a portion of the District’s outstanding General Obligation Bonds, Election of 2006, Series A and pay costs of issuance of the bonds. The original issuance consisted entirely of current interest serial bonds. Interest on the bonds is payable semi-annually each February 1 and August 1, commencing August 1, 2013, principal on the bonds is payable annually each August 1, commencing August 1, 2013 through the final maturity date of August 1, 2013. The principal balance outstanding on June 30, 2015 amounted to \$44,990,000.

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

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

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2015

NOTE 8 – LONG-TERM DEBT (continued)

A. **Bonded Debt (continued)**

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. In August 2014, the District issued \$30,000,000 of Election 2012, Series A General Obligation Bonds, with interest rates ranging from 2.00% to 5.00%. The original issuance consisted entirely of current interest serial bonds. Interest on the bonds is payable semi-annually each January 1 and July 1, commencing January 1, 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, 2015, the full principal balance of \$30,000,000 remained outstanding.

Debt Service Requirements to Maturity – Bonds

The bonds mature through 2039 as follows:

Year Ended June 30,	Principal	Interest	Total
2016	\$ 31,601,050	\$ 14,903,312	\$ 46,504,362
2017	9,127,106	14,588,928	23,716,034
2018	9,465,096	14,819,136	24,284,232
2019	10,321,117	14,556,430	24,877,547
2020	7,084,265	15,384,865	22,469,130
2021 - 2025	43,935,232	66,131,362	110,066,594
2026 - 2030	61,250,000	30,832,834	92,082,834
2031 - 2035	83,818,956	22,453,866	106,272,822
2036 - 2039	54,221,371	25,515,728	79,737,099
Accretion	25,452,743	(25,452,743)	-
Total	\$ 336,276,936	\$ 193,733,718	\$ 530,010,654

B. **Certificates of Participation (COPs)**

Payments on certificates of participation are made in the Capital Outlay Projects. A summary of the District’s certificate of participation are as follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Certificates Outstanding			Certificates Outstanding June 30, 2015
					July 01, 2014	Additions	Deductions	
2001 Series C	11/15/2001	5/1/2025	3.5 - 5.4%	\$ 15,206,501	\$ 8,548,255	\$ 452,346	\$ -	\$ 9,000,601
2010 Series B	12/1/2010	2/1/2024	2.0 - 5.0%	8,015,000	7,925,000	-	1,120,000	6,805,000
			Certificates of participation		16,473,255	452,346	1,120,000	15,805,601
			Unamortized premium		429,476	-	45,208	384,268
			Total certificates of participation		\$ 16,902,731	\$ 452,346	\$ 1,165,208	\$ 16,189,869

*Includes accreted interest from capital appreciation certificates of \$4,534,099.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

NOTE 8 – LONG-TERM DEBT (continued)

B. Certificates of Participation (COPs) (continued)

2001 Series C

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

The certificates have interest rates ranging from 3.50% to 5.40%. Interest on the current interest certificates is payable semi-annually each May 1 and November 1, commencing May 1, 2002, principal on the certificates is payable annually each May 1, commencing May 1, 2002 through the final maturity date of May 1, 2018. Interest on the capital appreciation certificates accretes from the dated date, compounded semi-annually on each May 1 and November 1, commencing May 1, 2002, principal and interest payments are payable semi-annually each May 1 and November 1, commencing November 1, 2018 through the final maturity date of May 1, 2025. A portion of the outstanding certificates were refunded with proceeds from the 2010 Refunding Certificates. The outstanding principal balance at June 30, 2015 amounted to \$9,000,601.

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, 2015 amounted to \$6,805,000.

Debt Service Requirements to Maturity – COPs

The certificates mature through 2025 as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,570,000	\$ 297,081	\$ 1,867,081
2017	1,635,000	234,281	1,869,281
2018	1,695,000	168,881	1,863,881
2019	919,183	949,948	1,869,131
2020	892,929	974,802	1,867,731
2021 - 2025	4,559,390	6,638,135	11,197,525
Accretion	4,534,099	(4,534,099)	-
Total	\$ 15,805,601	\$ 4,729,029	\$ 20,534,630

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, *continued*
 JUNE 30, 2015

NOTE 8 – LONG-TERM DEBT (*continued*)

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. Future minimum lease payments are as follows:

<u>Year Ended June 30,</u>	<u>Lease Payment</u>
2016	\$ 53,388
2017	53,388
2018	53,388
2019	28,798
Total minimum lease payments	<u>188,962</u>
Less amount representing interest	<u>(9,941)</u>
Present value of minimum lease payments	<u>\$ 179,021</u>

D. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2015 amounted to \$903,413. This amount is included as part of long-term liabilities in the government-wide financial statements. Payments for compensated absences are typically liquidated in the General Fund and the Non-Major Governmental Funds.

E. Other Postemployment Benefits (OPEB)

The District follows GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. The District records the liability within the Self-Insurance Fund. The ending OPEB balance at June 30, 2015 was \$10,341,922. See Note 10 for additional information regarding the net OPEB Obligation and the postemployment benefit plan.

F. Net Pension Liability

The District follows GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The District’s restated beginning net pension liability was \$126,302,657, and was decreased by \$26,753,267. The ending net pension liability at June 30, 2015 was \$99,549,390. See Note 11 for additional information regarding the net pension liability.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

NOTE 9 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2015:

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable					
Revolving cash	\$ 20,000	\$ -	\$ -	\$ -	\$ 20,000
Stores inventory	12,662	-	-	22,073	34,735
Prepaid expenditures	85,648	-	-	-	85,648
Total non-spendable	118,310	-	-	22,073	140,383
Restricted					
Educational programs	3,939,550	-	-	362,971	4,302,521
Capital projects	-	61,878,830	-	12,840,416	74,719,246
Debt service	-	-	45,210,774	-	45,210,774
Food service programs	-	-	-	154,129	154,129
Total restricted	3,939,550	61,878,830	45,210,774	13,357,516	124,386,670
Committed					
Adult education	-	-	-	270,762	270,762
Deferred maintenance	-	-	-	140,846	140,846
Total committed	-	-	-	411,608	411,608
Assigned					
OPEB liability	1,000,000	-	-	-	1,000,000
VSS and LCAP carryover	635,852	-	-	-	635,852
Rollover positions to 2015-16	229,347	-	-	-	229,347
One-time funding	6,420,240	-	-	-	6,420,240
Deficit spending in 2016-17	1,184,343	-	-	-	1,184,343
Deficit spending in 2017-18	454,195	-	-	-	454,195
Total assigned	9,923,977	-	-	-	9,923,977
Unassigned					
Reserve for economic uncertainties	3,971,305	-	-	-	3,971,305
Remaining unassigned	17,521,327	-	-	-	17,521,327
Total unassigned	21,492,632	-	-	-	21,492,632
Total	\$ 35,474,469	\$ 61,878,830	\$ 45,210,774	\$ 13,791,197	\$ 156,355,270

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

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2015

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description and Contribution Information

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

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

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

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

B. Funding Policy

The contribution requirements of Plan members and the District are established and may be amended by the District and District’s bargaining units. The required contribution is based on projected pay-as-you-go financing requirements. For the fiscal year 2015, the District contributed \$1,032,710 to the Plan, all of which was used for current premiums.

As of June 30, 2015, the District has not established a plan or equivalent that contains an irrevocable transfer of assets dedicated to providing benefits to retirees in accordance with the terms of the plan and that are legally protected from creditors.

C. Annual OPEB Cost and Net OPEB Obligation

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

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2015

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

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

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

Annual required contribution	\$ 2,744,658
Interest on net OPEB obligation	351,465
Adjustment to annual required contribution	(508,132)
Annual OPEB cost (expense)	<u>2,587,991</u>
Contributions made	(1,032,710)
Increase (decrease) in net OPEB obligation	<u>1,555,281</u>
Net OPEB obligation, beginning of the year	8,786,641
Net OPEB obligation, end of the year	<u>\$ 10,341,922</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended June 30, 2015 and the preceding two years were as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2015	\$ 2,587,991	40%	\$ 10,341,922
2014	\$ 2,616,392	43%	\$ 8,786,641
2013	\$ 2,469,937	43%	\$ 7,193,811

D. Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2013	\$ -	\$ 25,587,443	\$ 25,587,443	0%	\$ 91,118,069	28%

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, *continued*
 JUNE 30, 2015

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

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

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

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

E. Actuarial Methods and Assumptions

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

Valuation Date	July 1, 2013
Actuarial Cost Method	Projected Unit Credit
Amortization Method	30-year level-dollar, open
Remaining Amortization Period	28
Asset Valuation	\$ -
Actuarial Assumptions:	
Investment rate of return	4.0%
Health care trend rate	
Medical	8.0%
Dental	4.0%
Inflation rate	4.0%

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

NOTE 11 – PENSION PLANS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS). The District recognized \$8,478,393 for their proportionate share of pension expense for the year ended June 30, 2015.

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

Benefits provided

The CalSTRS defined benefit plan has two benefit formulas:

- 1. CalSTRS 2% at 60:** Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.
- 2. CalSTRS 2% at 62:** Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2015

NOTE 11 – PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

Contributions

Active plan members are required to contribute 8.15% of their salary for fiscal year 2015 and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2015 was 8.88% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$5,351,837 for the year ended June 30, 2015.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$3,094,138 to CalSTRS (5.679% of 2012-13 creditable compensation subject to CalSTRS). Of this amount, \$2,935,640 is attributed to the General Fund and \$158,498 to non-major funds.

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

At June 30, 2015, 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	\$ 73,375,330
States's proportionate share of the net pension liability associated with the District	44,307,192
Total	<u>\$ 117,682,522</u>

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2014, the District’s proportion was 0.126 percent, which did not change from its proportion measured as of June 30, 2013.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2015

NOTE 11 – PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

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

For the year ended June 30, 2015, the District recognized pension expense of \$6,334,201. In addition, the District recognized pension expense and revenue of \$3,824,903 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 18,068,535
District contributions subsequent to the measurement date	5,351,837	-
	<u>\$ 5,351,837</u>	<u>\$ 18,068,535</u>

\$5,351,837 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Inflows of Resources</u>
2016	\$ 4,517,134
2017	4,517,134
2018	4,517,134
2019	4,517,133
	<u>\$ 18,068,535</u>

Actuarial assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	3.00%
Investment Yield (Net of Expenses)	7.50%
Wage Inflation	3.75%
Interest on Member Accounts	4.50%

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2015

NOTE 11 – PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

Actuarial assumptions (continued)

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2006–June 30, 2010.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. Based on the model from CalSTRS consulting actuary’s (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term* Expected Real Rate of Return
Global Equity	47%	4.50%
Private Equity	12%	6.20%
Real Estate	15%	4.35%
Inflation Sensitive	5%	3.20%
Fixed Income	20%	0.20%
Cash/Liquidity	1%	0.00%
	100%	

Discount rate

The discount rate used to measure the total pension liability was 7.60 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 (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the Plan’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.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2015

NOTE 11 – PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

Sensitivity of the District’s 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 of 7.60 percent, 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 (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
District's proportionate share of the net pension liability	\$ 114,372,949	\$ 73,375,330	\$ 39,190,766

Pension plan fiduciary net position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalSTRS financial report.

California Public Employees’ Retirement System (CalPERS)

Plan Description

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

Benefits provided

The benefits for the defined benefit plan are based on members’ years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

Contributions

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

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2015

NOTE 11 – PENSION PLANS (continued)

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

Contributions (continued)

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2015 was 11.771% of annual payroll. Contributions to the plan from the District were \$3,032,060 for the year ended June 30, 2015.

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

At June 30, 2015, the District reported a liability of \$26,174,060 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2014, the District’s proportion was 0.231 percent, which decreased by .006 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$2,144,192. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 8,993,700
Changes in proportion and differences between District contributions and proportionate share of contributions	-	728,587
District contributions subsequent to the measurement date	3,032,060	-
	<u>\$ 3,032,060</u>	<u>\$ 9,722,287</u>

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2015

NOTE 11 – PENSION PLANS (continued)

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

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

\$3,032,060 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Inflows of Resources</u>
2016	\$ 2,430,572
2017	2,430,572
2018	2,430,572
2019	2,430,571
	<u>\$ 9,722,287</u>

Actuarial assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Yield (Net of Expenses)	7.50%
Wage Inflation	Varies by Entry Age and Service

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS’ membership data for all funds. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2015

NOTE 11 – PENSION PLANS (continued)

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

Actuarial assumptions

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. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 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 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 equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	Assumed Asset Allocation	Real Return Years 1-10*	Real Return Years 11+**
Global Equity	47%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	12%	6.83%	6.95%
Real Estate	11%	4.50%	5.13%
Infrastructure and Forestland	3%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
	100%		

* An expected inflation of 2.5% used for this period

** An expected inflation of 3.0% used for this period

Discount rate

The discount rate used to measure the total pension liability was 7.50 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS’ website.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2015

NOTE 11 – PENSION PLANS (continued)

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

Discount rate (continued)

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability.

Sensitivity of the District’s 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 of 7.50 percent, 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 45,915,275	\$ 26,174,060	\$ 9,678,284

Pension plan fiduciary net position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2015.

B. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2015.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, *continued*
 JUNE 30, 2015

NOTE 12 – COMMITMENTS AND CONTINGENCIES (*continued*)

C. Construction Commitments

As of June 30, 2015, the District had commitments with respect to unfinished capital projects as follows:

	<u>Remaining Construction Commitment</u>
Capital Projects	
Measure BB	\$ 8,813,004
Measure ES	3,002,594
Total	<u>\$ 11,815,598</u>

NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES

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

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

NOTE 14 – DEFERRED OUTFLOWS/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, 2015, the deferred amount on refunding was \$6,578,980.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2015

NOTE 14 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (continued)

Pension Plans

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.*, the District recognized deferred outflows and inflows of resources related to pensions in the District-wide financial statements. The District’s deferred outflows and inflows of resources related to pensions were as follows at June 30, 2015:

	<u>Deferred outflows related to pensions</u>	<u>Deferred inflows related to pensions</u>
STRS Pension	\$ 5,351,837	\$ 18,068,535
PERS Pension	3,032,060	9,722,287
Total	<u>\$ 8,383,897</u>	<u>\$ 27,790,822</u>

NOTE 15 – RESTATEMENT OF NET POSITION

The beginning net position of Governmental Activities has been restated in order to record the District’s proportionate share of net pension liability and deferred outflows of resources related to pensions in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.* The effect on beginning net position is presented as follows:

	<u>Governmental Activities</u>
Net Position - Beginning, as Previously Reported	\$ 136,577,912
Restatement	(118,861,818)
Net Position - Beginning, as Restated	<u>\$ 17,716,094</u>

NOTE 16 – SUBSEQUENT EVENT

In July 2015, \$60 million in general obligation bonds under the Election 2012, Series B was issued to the District as part of Measure ES.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
LCFF sources	\$ 75,907,984	\$ 82,976,868	\$ 89,411,347	\$ 6,434,479
Federal sources	4,037,468	4,978,416	4,100,724	(877,692)
Other state sources	2,806,595	3,270,624	3,412,569	141,945
Other local sources	41,674,789	44,419,922	43,942,246	(477,676)
Total Revenues	124,426,836	135,645,830	140,866,886	5,221,056
EXPENDITURES				
Certificated salaries	58,824,690	59,499,262	58,952,359	546,903
Classified salaries	24,776,182	25,618,369	25,308,268	310,101
Employee benefits	28,674,526	29,345,763	28,898,422	447,341
Books and supplies	5,116,551	7,146,529	5,249,140	1,897,389
Services and other operating expenditures	13,849,708	15,800,032	13,929,702	1,870,330
Capital outlay	208,500	569,284	462,640	106,644
Other outgo				
Excluding transfers of indirect costs	62,000	53,400	53,388	12
Transfers of indirect costs	(501,758)	(526,505)	(477,087)	(49,418)
Total Expenditures	131,010,399	137,506,134	132,376,832	5,129,302
Excess (Deficiency) of Revenues				
Over Expenditures	(6,583,563)	(1,860,304)	8,490,054	10,350,358
Other Financing Sources (Uses)				
Other sources	-	137,119	137,119	-
Transfers out	(185,494)	(430,119)	(430,119)	-
Net Financing Sources (Uses)	(185,494)	(293,000)	(293,000)	-
NET CHANGE IN FUND BALANCE				
Fund Balance - Beginning	27,277,415	27,277,415	27,277,415	-
Fund Balance - Ending	\$ 20,508,358	\$ 25,124,111	\$ 35,474,469	\$ 10,350,358

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

- STRS on behalf payments of \$2,935,640, as discussed in the Notes to the Financial Statements No. 11, are not included in the actual revenues and expenditures reported in this schedule.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2015**

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2013	\$ -	\$ 25,587,443	\$ 25,587,443	0%	\$ 91,118,069	28%
July 1, 2011	\$ -	\$ 22,091,051	\$ 22,091,051	0%	\$ 71,650,000	31%
July 1, 2009	\$ -	\$ 19,679,640	\$ 19,679,640	0%	\$ 32,275,084	61%

See accompanying note to required supplementary information.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
CALSTRS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.126%
District's proportionate share of the net pension liability	\$ 73,375,330
States's proportionate share of the net pension liability associated with the District	<u>44,307,192</u>
Total	<u>\$ 117,682,522</u>
District's covered-employee payroll	\$ 60,268,419
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	121.7%
Plan fiduciary net position as a percentage of the total pension liability.	76.5%

See accompanying note to required supplementary information.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
 CALPERS
 FOR THE YEAR ENDED JUNE 30, 2015**

	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.231%
District's proportionate share of the net pension liability	\$ 26,174,060
District's covered-employee payroll	\$ 25,758,704
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	101.6%
Plan fiduciary net position as a percentage of the total pension liability.	83.4%

See accompanying note to required supplementary information.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>June 30, 2015</u>
Contractually required contribution	\$ 5,351,837
Contributions in relation to the contractually required contribution*	(5,351,837)
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$ 60,268,419
Contributions as a percentage of covered-employee payroll	8.88%

*Amounts do not include on behalf contributions

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>June 30, 2015</u>
Contractually required contribution	\$ 3,032,060
Contributions in relation to the contractually required contribution	(3,032,060)
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$ 25,758,704
Contributions as a percentage of covered-employee payroll	11.77%

See accompanying note to required supplementary information.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

Schedule of Funding Progress

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

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

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. 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.

Schedule of District Contributions

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. 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.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2015, the District did not incur an excess of expenditures over appropriations of in the General Fund as presented in the Budgetary Comparison Schedule by major object code.

**SUPPLEMENTARY
INFORMATION**

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A Cluster			
Title I, Part A, Basic School Support	84.010	14416	\$ 834,118
Title I, Part A, Program Improvement LEA Corrective Action Resources	84.010	14957	173,584
Subtotal Title I, Part A Cluster			<u>1,007,702</u>
Title I, Part G, Advanced Placement Test Fee Reimbursement Program	84.330	14831	13,690
Adult Education Cluster			
Adult Education: Basic Education & ESL	84.002A	14508	21,487
Adult Education: Adult Secondary Education	84.002A	13978	9,310
Adult Education: English Literacy and Civics Education	84.002A	14109	18,637
Subtotal Adult Education Cluster			<u>49,434</u>
Title II, Part A, Teacher Quality	84.367	14341	215,775
Title III Cluster			
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	36,164
Title III, Immigrant Education Program	84.365	15146	12,732
Subtotal Title III Cluster			<u>48,896</u>
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	2,091,416
Part B, Preschool Grants	84.173	13430	59,258
IDEA Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	108,505
Preschool Staff Development	84.173A	13431	1,565
Subtotal Special Education Cluster			<u>2,260,744</u>
Total U. S. Department of Education			<u>3,596,241</u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster [1]			
School Breakfast Program Basic	10.553	13390	1,217
School Breakfast Program Needy	10.553	13526	192,023
National School Lunch Program	10.555	13391	1,017,617
Subtotal Child Nutrition Cluster			<u>1,210,857</u>
Child and Adult Food Programs	10.558	13393	241,619
Total U. S. Department of Agriculture			<u>1,452,476</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<i>Passed through California Department of Health Services:</i>			
Medi-Cal Billing Option	93.778	10013	653,990
<i>Passed through Los Angeles County Office of Education:</i>			
Head Start [1 & 2]	93.600	10016	1,947,963
Total U. S. Department of Health & Human Services			<u>2,601,953</u>
Total Federal Expenditures			<u>\$ 7,650,670</u>

[1] - Major Program

[2] - In-Kind Contribution - \$564,317

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2015**

	Second Period Report	Annual Report
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	3,181.38	3,186.48
Extended Year Special Education	5.25	5.25
Special Education - Nonpublic Schools	-	0.18
Total TK/K through Third	3,186.63	3,191.91
Fourth through Sixth		
Regular ADA	2,452.67	2,455.21
Extended Year Special Education	5.31	5.31
Special Education - Nonpublic Schools	2.92	3.27
Extended Year Special Education - Nonpublic Schools	0.21	0.21
Total Fourth through Sixth	2,461.11	2,464.00
Seventh through Eighth		
Regular ADA	1,622.11	1,619.49
Extended Year Special Education	2.01	2.01
Special Education - Nonpublic Schools	5.67	5.98
Extended Year Special Education - Nonpublic Schools	0.50	0.50
Total Seventh through Eighth	1,630.29	1,627.98
Ninth through Twelfth		
Regular ADA	3,481.39	3,440.16
Extended Year Special Education	3.64	3.61
Special Education - Nonpublic Schools	19.41	20.08
Extended Year Special Education - Nonpublic Schools	2.35	2.35
Total Ninth through Twelfth	3,506.79	3,466.20
TOTAL SCHOOL DISTRICT	10,784.82	10,750.09

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2015**

Grade Level	Minutes Requirement	Minutes Requirement Reduced	2014-15 Actual Minutes	Number of Days	Status
Kindergarten	36,000	35,000	41,655	180	Complied
Grade 1	50,400	49,000	53,230	180	Complied
Grade 2	50,400	49,000	53,230	180	Complied
Grade 3	50,400	49,000	53,575	180	Complied
Grade 4	54,000	52,500	54,675	180	Complied
Grade 5	54,000	52,500	54,675	180	Complied
Grade 6	54,000	52,500	55,170	180	Complied
Grade 7	54,000	52,500	55,170	180	Complied
Grade 8	54,000	52,500	55,170	180	Complied
Grade 9	64,800	63,000	64,835	180	Complied
Grade 10	64,800	63,000	64,835	180	Complied
Grade 11	64,800	63,000	64,835	180	Complied
Grade 12	64,800	63,000	64,835	180	Complied

See accompanying note to supplementary information.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

	2016 (Budget)	2015	2014	2013
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 138,057,596	\$ 141,004,005	\$ 122,314,401	\$ 125,554,653
Expenditures And Other Financing Uses	136,761,063	132,806,951	123,419,530	117,714,819
Net change in Fund Balance	\$ 1,296,533	\$ 8,197,054	\$ (1,105,129)	\$ 7,839,834
Ending Fund Balance	\$ 26,420,644	\$ 35,474,469	\$ 27,277,415	\$ 28,382,544
Available Reserves*	\$ 7,724,035	\$ 21,492,632	\$ 15,485,865	\$ 13,898,617
Available Reserves As A Percentage Of Outgo	5.65%	16.18%	12.55%	11.81%
Long-term Debt	\$ 441,429,572	\$ 475,298,861	\$ 354,288,286	\$ 356,546,328
Average Daily Attendance At P-2	10,678	10,785	10,846	10,878

The General Fund balance has increased by \$7,091,925 over the past two years. The fiscal year 2015-16 budget projects an increase of \$1,296,533. 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 surpluses in two of the past three years and anticipates incurring an operating surplus during the 2015-16 fiscal year. Total long term obligations have increased by \$118,752,533 over the past two years.

Average daily attendance has decreased by 93 ADA over the past two years. A decrease of 107 ADA is anticipated during the 2015-16 fiscal year.

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

**The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include on behalf payments of \$2,935,640.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2015.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 JUNE 30, 2015**

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 374,840	\$ 560,719	\$ 76,135	\$ 149,448	\$ 2,900,762	\$ 9,387,639	\$ 13,449,543
Accounts receivable	32,729	565,007	188,759	288	947,913	24,918	1,759,614
Stores inventory	-	-	22,073	-	-	-	22,073
Total Assets	\$ 407,569	\$ 1,125,726	\$ 286,967	\$ 149,736	\$ 3,848,675	\$ 9,412,557	\$ 15,231,230
LIABILITIES							
Accrued liabilities	\$ 38,003	\$ 683,297	\$ 110,765	\$ 8,890	\$ 414,314	\$ 6,502	\$ 1,261,771
Unearned revenue	-	178,262	-	-	-	-	178,262
Total Liabilities	38,003	861,559	110,765	8,890	414,314	6,502	1,440,033
FUND BALANCES							
Non-spendable	-	-	22,073	-	-	-	22,073
Restricted	98,804	264,167	154,129	-	3,434,361	9,406,055	13,357,516
Committed	270,762	-	-	140,846	-	-	411,608
Total Fund Balances	369,566	264,167	176,202	140,846	3,434,361	9,406,055	13,791,197
Total Liabilities and Fund Balance	\$ 407,569	\$ 1,125,726	\$ 286,967	\$ 149,736	\$ 3,848,675	\$ 9,412,557	\$ 15,231,230

See accompanying note to supplementary information.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2015**

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds
REVENUES							
LCFF sources	\$ 262,628	\$ -	\$ -	\$ 175,000	\$ -	\$ -	\$ 437,628
Federal sources	49,434	2,190,590	1,210,857	-	-	-	3,450,881
Other state sources	172,436	2,832,316	95,980	-	-	-	3,100,732
Other local sources	36,151	3,206,333	1,513,422	677	1,419,011	2,549,889	8,725,483
Total Revenues	520,649	8,229,239	2,820,259	175,677	1,419,011	2,549,889	15,714,724
EXPENDITURES							
Current							
Instruction	127,757	5,685,832	-	-	-	-	5,813,589
Instruction-related services							
Instructional supervision and administration	66,258	426,618	-	-	-	-	492,876
School site administration	199,745	712,785	-	-	-	-	912,530
Pupil services							
Food services	-	396,790	2,796,802	-	-	-	3,193,592
All other pupil services	20,447	101,137	-	-	-	-	121,584
General administration							
All other general administration	4,237	313,712	159,138	-	-	-	477,087
Plant services	51,543	526,561	-	166,772	4,604,602	602,488	5,951,966
Facilities acquisition and maintenance	-	-	-	-	2,241,969	-	2,241,969
Debt service							
Principal	-	-	-	-	-	1,120,000	1,120,000
Interest and other	-	-	-	-	-	341,881	341,881
Total Expenditures	469,987	8,163,435	2,955,940	166,772	6,846,571	2,064,369	20,667,074
Excess (Deficiency) of Revenues Over Expenditures	50,662	65,804	(135,681)	8,905	(5,427,560)	485,520	(4,952,350)
Other Financing Sources (Uses)							
Transfers in	-	170,119	260,000	-	-	-	430,119
Net Financing Sources (Uses)	-	170,119	260,000	-	-	-	430,119
NET CHANGE IN FUND BALANCE	50,662	235,923	124,319	8,905	(5,427,560)	485,520	(4,522,231)
Fund Balance - Beginning	318,904	28,244	51,883	131,941	8,861,921	8,920,535	18,313,428
Fund Balance - Ending	\$ 369,566	\$ 264,167	\$ 176,202	\$ 140,846	\$ 3,434,361	\$ 9,406,055	\$ 13,791,197

See accompanying note to supplementary information.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2015

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2015 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2015.

	CFDA	
	Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 10,396,085
Child and Adult Food Programs	10.558	(931)
Medi-Cal Billing Option	93.778	100,072
Head Start	93.600	(76)
Build America Bonds	*	<u>(2,844,480)</u>
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$ 7,650,670</u>

* - CFDA Number not available or not applicable

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code Sections 46200 through 46208*. During the year ended June 30, 2015, the District participated in the Longer Day incentive funding program. As of June 30, 2015, the District had not yet met its target funding. Through 2014-15, the instructional day and minute requirements have been reduced pursuant to *Education Code Section 46201.2*.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION, continued
JUNE 30, 2015

NOTE 1 – PURPOSE OF SCHEDULES (continued)

Schedule of Financial Trends and Analysis

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Combining Statements – Non-Major Funds

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

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration. (Located in the front of the audit report)

**OTHER INDEPENDENT
AUDITORS' REPORTS**

**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**

Independent Auditors' Report

Christy White, CPA

Michael Ash, CPA

Heather Rubio

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of Santa Monica-Malibu Unified School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Santa Monica-Malibu Unified School District's basic financial statements, and have issued our report thereon dated December 7, 2015. Our report includes a reference to other auditors who audited the financial statements of the Santa Monica-Malibu Education Foundation, as described in our report on Santa Monica-Malibu Unified School District's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are report on separately by those auditors. The financial statements of the Santa Monica-Malibu Education Foundation were not audited in accordance with Government Auditing Standards and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with this entity.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Christy White Associates

San Diego, California
December 7, 2015

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

Independent Auditors' Report

Christy White, CPA

Michael Ash, CPA

Heather Rubio

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

Report on Compliance for Each Major Federal Program

We have audited Santa Monica-Malibu Unified School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Santa Monica-Malibu Unified School District's major federal programs for the year ended June 30, 2015. Santa Monica-Malibu Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Santa Monica-Malibu Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Santa Monica-Malibu Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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Opinion on Each Major Federal Program

In our opinion, Santa Monica-Malibu Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Santa Monica-Malibu Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Santa Monica-Malibu Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Santa Monica-Malibu Unified School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Christy White Associates

San Diego, California
December 7, 2015

REPORT ON STATE COMPLIANCE

Independent Auditors' Report

Christy White, CPA

Michael Ash, CPA

Heather Rubio

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

Report on State Compliance

We have audited Santa Monica-Malibu Unified School District's compliance with the types of compliance requirements described in the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel that could have a direct and material effect on each of Santa Monica-Malibu Unified School District's state programs for the fiscal year ended June 30, 2015, as identified below.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Santa Monica-Malibu Unified School District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about Santa Monica-Malibu Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of Santa Monica-Malibu Unified School District's compliance with those requirements.

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Opinion on State Compliance

In our opinion, Santa Monica-Malibu Unified School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as finding 2015-1. Our opinion on state compliance is not modified with respect to these matters.

Santa Monica-Malibu Unified School District’s response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. Santa Monica-Malibu Unified School District’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Procedures Performed

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

<u>PROGRAM NAME</u>	<u>PROCEDURES PERFORMED</u>
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No
Continuation Education	No
Instructional Time for school districts	Yes
Instructional Materials, general requirements	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
Regional Occupation Centers or Programs Maintenance of Effort	Not Applicable
Adult Education Maintenance of Effort	Yes
California Clean Energy Jobs Act	No
After School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes

Procedures Performed (continued)

PROGRAM NAME	PROCEDURES PERFORMED
Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	Not Applicable
Charter School Facility Grant Program	Not Applicable

We did not perform testing for Independent Study or Continuation Education because total ADA claimed is below the materiality threshold required for testing. We did not perform testing over California Clean Energy Act as there were no funds expended in 2014-15.

Christy White Associates

San Diego, California
December 7, 2015

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2015**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

<u>CFDA Number(s)</u>	<u>Name of Federal Program of Cluster</u>
<u>10.553, 10.555</u>	<u>Child Nutrition Cluster</u>
<u>93.600</u>	<u>Headstart</u>

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

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

FIVE DIGIT CODE

20000

30000

AB 3627 FINDING TYPE

Inventory of Equipment

Internal Control

There were no financial statement findings for the fiscal year 2014-15.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

FIVE DIGIT CODE

50000

AB 3627 FINDING TYPE

Federal Compliance

There were no federal award findings and questioned costs for the fiscal year 2014-15.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
 STATE AWARD FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2015**

FIVE DIGIT CODE

10000
 40000
 42000
 60000
 62000
 70000
 71000
 72000

AB 3627 FINDING TYPE

Attendance
 State Compliance
 Charter School Facilities Programs
 Miscellaneous
 Local Control Accountability Plans
 Instructional Materials
 Teacher Misassignments
 School Accountability Report Card

FINDING 2015-1: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA (LCFF) PUPIL COUNT (40000)

Criteria: Students classified as Free or Reduced Priced Meal (FRPM) eligible and who are not directly certified on the CALPADS 1.18 *FRPM/English Learner/Foster Youth – Student List* report must have supporting documentation that indicates the student was eligible for this designation. Based on guidance from the California Department of Education (CDE), “although students may be considered eligible for FRPM programs in the first 30 days of a school year based on the prior year’s eligibility, students may not be coded as FRPM-eligible (for CALPADS) based on this 30-day eligibility window.” The unduplicated local control funding formula pupil count affects the percentage used as data in calculating Local Control Funding Formula (LCFF) apportionment.

Condition: One (1) of twenty-one (21) students from Santa Monica High School tested from the CALPADS 1.18 *FRPM/English Learner/Foster Youth – Student List* report was classified as FRPM yet documentation provided did not support this designation. Upon extrapolation of this error to entire the FRPM eligible population at Santa Monica High School, an additional 30 students were calculated as potentially being subject to the same error for a total of 31 likely ineligible students.

Effect: The District is not in compliance with State requirements. 31 of 6,714 (3,357 for 2014-15 and 3,357 for 2013-14) students reported in the District’s Unduplicated Pupil Count calculating as being ineligible for their FRPM designation.

Cause: The District transferred data directly from the food service system to the student information system to rely upon for CALPADS reporting purposes and did not consider the differences caused by the 30-day window of eligibility that applies to food services yet is not considered for eligibility for CALPADS reporting of FRPM designations; therefore the student status was not updated within the student information system after receiving a current NSLP application.

Questioned Cost: \$7,194 as calculated on the following page.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2015**

FINDING 2015-1: UNDUPLICATED LCFF PUPIL COUNT (40000) (continued)

Questioned Cost (continued):

LCFF Target Base Grant Amount and Pupil Counts		
1) Total Base Grant Amount	\$	85,186,679
	Section 1: UPP	Section 2: UPP
2) Total Enrollment Count from Unduplicated Pupil Percentage Exhibit	22,598	22,649
3) Unduplicated Pupil Count from Unduplicated Pupil Percentage Exhibit	6,714	6,579

Unduplicated Pupil Percentage Adjustment		
4) Unduplicated Pupil Count	6,714	6,579
5) Number of Unduplicated Pupil Count Adjustment (plus or minus)	(31)	(31)
6) Adjusted Unduplicated Pupil Count	6,683	6,548
7) Unduplicated Pupil Percentage calculated at P-2	29.71%	29.05%
8) Adjusted Unduplicated Pupil Percentage	29.57%	28.91%
9) Funded UPP (Greater of Section 1 or 2)	29.57%	

Target Supplemental Audit Adjustment		
10) Target supplemental grant funding calculated at P-2	5,061,792	-
11) Adjusted target supplemental grant funding	5,037,940	-
12) Target supplemental audit adjustment	23,852	-

Target Concentration Audit Adjustment		
13) Target Concentration grant funding calculated at P-2	-	-
14) Adjusted target concentration grant funding	-	-
15) Target concentration audit adjustment	-	-

Value of Adjustment in Current Year		
16) Total target supplemental and concentration audit adjustment	23,852	-
17) Statewide gap funding rate	30.16%	30.16%
18) Estimated value of unduplicated pupil count audit adjustment for 2014-15	\$ 7,194	\$ -

Recommendation: We recommend that the student information system and food service system be reconciled and compared to current year documentation to support FRPM designations. Further, we recommend that the District refer to CDE guidance on reporting for students whom are designated FRPM based on the 30-day eligibility window.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2015**

FINDING 2015-1: UNDUPLICATED LCFF PUPIL COUNT (40000) (continued)

District Response: The District has reviewed its data collection and input procedures and has determined that there was a problem rolling information from one year to the next. This IT issue has been resolved. Dr. Terry Deloria, Assistant Superintendent Education Services, has scheduled a mandatory meeting on December 15, 2015 for the Director of Information Services, the Database Administrator, the Director of Food Services and the Education Data Specialist. They will first review the CDE guidance document related to this finding. Then they will develop a plan and publish a procedure for reconciling the student information system (currently Illuminate) with the food service system that houses and tracks Free and Reduced Meal eligibility with a focus on resolving issues arising during/following the 30-day eligibility window. Finally, they will train staff as appropriate.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

There were no financial statement findings for the year ended June 30, 2014.