Financial Statements
June 30, 2023

# Santa Monica-Malibu Unified School District

# Santa Monica-Malibu Unified School District

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# Independent Auditor's Report

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

## Report on the Audit of the Financial Statements

### *Opinions*

We have audited the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Santa Monica-Malibu Unified School District (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Santa Monica-Malibu Unified School District, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinions*

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

### Correction of Error

As discussed in Note 17 to the financial statements, certain errors resulting in an overstatement of amounts previously reported for receivables as of June 30, 2022, were discovered during the current year. Accordingly, a restatement has been made to the General Fund balance and governmental activities net position as of July 1, 2022, to correct the error. Our opinions are not modified with respect to this matter.

***Adoption of New Accounting Standard***

As discussed in Notes 1 and 18 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2022, to restate beginning net position. Our opinions are not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***

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

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

***Required Supplementary Information***

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

***Supplementary Information***

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
December 12, 2023

This section of Santa Monica-Malibu Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2023, with comparative information for the year ended June 30, 2022. Please read it in conjunction with the District's financial statements, which immediately follow this section.

## OVERVIEW OF THE FINANCIAL STATEMENTS

### The Financial Statements

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

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

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

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

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

## REPORTING THE DISTRICT AS A WHOLE

### Government-Wide Financial Statements

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

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

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

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

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

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

**REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS**

**Fund Financial Statements**

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

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

**FINANCIAL HIGHLIGHTS**

- Total net position for the primary government was $125,783,332 at June 30, 2023. This was an increase of $25,930,136 compared to the prior fiscal year's net position.

- Overall revenues for the primary government were $304,424,921 which created a surplus over expenses of $25,930,136.

**THE DISTRICT AS A WHOLE**

**Net Position**

The District's net position was $125,783,332 for the fiscal year ended June 30, 2023. Of this amount, $(167,580,960) was unrestricted deficit. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

**Table 1**

| | Governmental Activities | |
|---|---|---|
| | 2023 | 2022 as restated |
| Assets | | |
| Current and other assets | $ 344,856,604 | $ 452,109,769 |
| Capital assets, right-to-use leased assets, and right-to-use subscription IT assets | 992,151,267 | 930,058,140 |
| Total assets | 1,337,007,871 | 1,382,167,909 |
| Deferred outflows of resources | 76,432,226 | 66,453,941 |
| Liabilities | | |
| Current liabilities | 62,655,851 | 49,053,556 |
| Long-term liabilities | 1,179,116,070 | 1,169,232,378 |
| Total liabilities | 1,241,771,921 | 1,218,285,934 |
| Deferred inflows of resources | 75,714,333 | 130,482,720 |
| Net Position | | |
| Net investment in capital assets | 209,180,502 | 193,007,639 |
| Restricted | 84,183,790 | 57,612,831 |
| Unrestricted (deficit) | (167,580,960) | (150,767,274) |
| Total net position | $ 125,783,332 | $ 99,853,196 |

The $(167,580,960) in unrestricted net position (deficit) of governmental activities represents the accumulated results of all past years' operations and is inclusive of the net pension and OPEB liabilities, and related deferred inflows and outflows of resources. The cumulative effect as a result of GASB 68 and 75 is a reduction to the District's Net Position of $187,031,730. Unrestricted net position (deficit) – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased by 11.2% ($167,580,960) compared to $(150,767,274)).

**Changes in Net Position**

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

**Table 2**

| | Governmental Activities | |
|---|---|---|
| | 2023 | 2022 * |
| Revenues | | |
| Program revenues | | |
| Charges for services and sales | $ 5,046,444 | $ 4,998,882 |
| Operating grants and contributions | 56,804,663 | 76,212,045 |
| Capital grants and contributions | 2,482,737 | - |
| General revenues | | |
| Federal and State aid not restricted | 12,831,813 | 12,684,429 |
| Property taxes | 195,014,835 | 179,677,239 |
| Other general revenues | 32,244,429 | (9,284,355) |
| Total revenues | 304,424,921 | 264,288,240 |
| Expenses | | |
| Instruction-related | 145,716,172 | 119,252,723 |
| Pupil services | 22,845,350 | 18,959,295 |
| Administration | 16,134,593 | 12,585,176 |
| Plant services | 25,916,805 | (7,184,328) |
| Interest on long-term liabilities | 25,187,803 | 28,562,268 |
| Depreciation | 35,199,174 | 20,071,196 |
| All other services | 7,494,888 | 4,736,116 |
| Total expenses | 278,494,785 | 196,982,446 |
| Change in net position | $ 25,930,136 | $ 67,305,794 |

* The revenues and expenses for fiscal year 2022 were not restated to show the effects of GASB Statement No. 96 for comparative purposes.

**Governmental Activities**

As reported in the *Statement of Activities* on page 16, the cost of all of our governmental activities this year was $278,494,785. The amount that our taxpayers ultimately financed for these activities through local taxes was $195,014,835. Some of our costs were paid by those who benefited from the programs ($5,046,444) or by other governments and organizations who subsidized certain programs with grants and contributions ($59,287,400). We paid for the remaining "public benefit" portion of our governmental activities with $48,409,007 in Federal and State funds, and with other revenues, like interest and other local revenues.

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

**Table 3**

| | Total Cost of Services | | Net Cost of Services | |
|---|---|---|---|---|
| | 2023 | 2022 * | 2023 | 2022 * |
| Instruction-related | $ 145,716,172 | $ 119,252,723 | $ (102,284,618) | $ (70,724,753) |
| Pupil services | 22,845,350 | 18,959,295 | (14,340,929) | (11,142,050) |
| Administration | 16,134,593 | 12,585,176 | (15,247,068) | (11,763,923) |
| Plant services | 25,916,805 | (7,184,328) | (23,755,304) | 8,594,395 |
| Interest on long-term liabilities | 25,187,803 | 28,562,268 | (25,187,803) | (28,562,268) |
| Depreciation | 35,199,174 | 20,071,196 | (35,199,174) | (20,071,196) |
| All other services | 7,494,888 | 4,736,116 | 1,853,955 | 17,898,276 |
| Total | $ 278,494,785 | $ 196,982,446 | $ (214,160,941) | $ (115,771,519) |

* The total and net cost of services for fiscal year 2022 were not restated to show the effects of GASB Statement No. 96 for comparative purposes.

**THE DISTRICT'S FUNDS**

As the District completed this year, our governmental funds reported a combined fund balance of $293,620,132, which is a decrease of $87,812,977, or 23.0% from last year (Table 4).

**Table 4**

| | Balances and Activity | | | |
|---|---|---|---|---|
| Governmental Funds | July 1, 2022 as restated | Revenues and Other Financing Sources | Expenditures and Other Financing Uses | June 30, 2023 |
| General Fund | $ 54,242,169 | $ 216,891,916 | $ 219,201,305 | $ 51,932,780 |
| Building Fund | 242,524,288 | 8,272,824 | 85,322,383 | 165,474,729 |
| Bond Interest and Redemption Fund | 52,655,606 | 65,157,022 | 66,172,791 | 51,639,837 |
| Student Activity Fund | 439,140 | 1,607,107 | 1,757,960 | 288,287 |
| Adult Education Fund | 1,055,534 | 881,613 | 822,196 | 1,114,951 |
| Child Development Fund | 2,236,722 | 8,386,120 | 6,880,432 | 3,742,410 |
| Cafeteria Fund | 1,107,267 | 4,923,191 | 5,017,890 | 1,012,568 |
| Deferred Maintenance Fund | 1,096,192 | 1,028,851 | 1,234,213 | 890,830 |
| Capital Facilities Fund | 5,391,131 | 1,448,920 | 1,072,604 | 5,767,447 |
| County School Facilities Fund | 11,342 | 2,492,734 | 2,482,737 | 21,339 |
| Special Reserve Fund for Capital Outlay Projects | 20,673,718 | 3,006,109 | 11,944,873 | 11,734,954 |
| Total | $ 381,433,109 | $ 314,096,407 | $ 401,909,384 | $ 293,620,132 |

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed this fiscal year, its governmental funds reported a combined fund balance of $293,620,132, which is significantly less than last fiscal year's restated ending fund balance of $382,664,555. This change is largely due to the scheduled spend down of the State and Federal revenues issued for learning recovering from the global COVID-19 pandemic across all major funds including General Fund, Child Development, and the Cafeteria Fund. Additionally, the Building Fund did not have a bond issuance as compared to the ending fund balance in the prior year. Because several of the new revenue sources were allocated to the District with multi-year expenditure deadlines in the future, the District had larger expenses with less revenues which contributed to smaller combined ending fund balances, respectively as compared to the prior year.

The District's General Fund had $2,309,389 less in operating revenues than expenditures for the fiscal year ended June 30, 2023. This deficit was attributed to the $10% salary schedule increase that was negotiated and implemented and paid in 2022-23 that was retroactive to July of 2021. However, there were significant savings from unspent funds and additional revenue comparing the June Estimated Actuals to September Actuals. There were more revenues due to the following: a decrease of $655,688 of the Local General Fund Contribution to Special Education which is an increase in revenue; an increase of $156,245 of the Local General Fund Contribution to Routine Restricted Maintenance Account (RRMA) which is a decrease in revenue; increased Unrestricted Lottery Funds of $231,730; increased Measure R Funds of $434,981; increased Secured & Unsecured Property Tax as well as increased RDA (Community Redevelopment Funds) property tax of $1,231,374 from the Local Control Funding Formula (LCFF); increased Measure GSH & Y revenue in the amount of $356,185; increased Home To School Transportation Reimbursement Grant of $353,913.

Additionally, there were less expenditures due to the following: Unspent Site Stretch Grant of $14,699; Unspent Supplies & Textbooks of $1,010,313; Unspent Certificated Salaries & Benefits as a result of Restricted General Fund COVID-19 Funds used in the amount of $3,156,084; Unspent Other Operating Costs (legal, travel, consultants, utilities, repairs) of $3,112,945; and Unspent Capital Outlay for Busses and Trucks due to supply chain issues of $688,820. Lastly, it is important to note that the District spent all required Local Control Accountability Plan (LCAP) Supplemental Grant funds per the LCFF calculation in the amount of $4,289,080 on the District's targeted populations. The amount actually spent was in excess of the required amount by $45,719 for a total expenditure of $4,334,799.

**General Fund Budgetary Highlights**

Over the course of the year, the District revises its budget in order to reflect and accurately project changes in revenues and expenditures. The final amendment and Fourth Budget Revision was adopted by the Board of Education on June 9, 2023 for the 2022-2023 Budget. This final budget adjustment mainly perfects the projection of the LCFF Revenue, Local Revenue, and any change in the Local General Fund Contribution to Special Education. These projections are based on a combination of receipts and scheduled apportionments. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 70).

**CAPITAL ASSETS, RIGHT-TO-USE LEASED ASSETS, RIGHT-TO-USE SUBSCRIPTION IT ASSETS, AND LONG-TERM LIABILITIES**

**Capital Assets, Right-to-Use Leased Assets, and Right-to-Use Subscription IT Assets**

At June 30, 2023, the District had $992,151,267 in a broad range of capital assets, right-to-use leased assets, and right-to-use subscription IT assets (net of depreciation and amortization), including land and construction in progress, land improvements, buildings and improvements, furniture and equipment, right-to-use leased assets, and right-to-use subscription IT assets. This amount represents a net increase (including additions, deductions, depreciation and amortization) of $62,093,127, or 6.7%, from last year (Table 5).

**Table 5**

| | Governmental Activities | |
|---|---|---|
| | 2023 | 2022 as restated |
| Land and construction in progress | $ 353,077,857 | $ 337,573,123 |
| Land improvements | 94,502,291 | 98,535,754 |
| Buildings and improvements | 519,669,650 | 478,782,397 |
| Furniture and equipment | 22,887,172 | 14,980,881 |
| Right-to-use leased assets | 474,923 | - |
| Right-to-use subscription IT assets | 1,539,374 | 185,985 |
| Total | $ 992,151,267 | $ 930,058,140 |

We present more detailed information about our capital assets, right-to-use leased assets, and right-to-use subscription IT assets in Note 5 to the financial statements.

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

At the end of this year, the District had $975,047,380 in long-term liabilities other than pension and OPEB outstanding versus $1,020,852,123 last year, a decrease of $45,804,743, or 4.5%. The decrease is largely attributed to not issuing additional general obligation bonds as compared to prior year. See Note 10 for additional information. Long-term liabilities consisted of:

**Table 6**

| | Governmental Activities | |
|---|---|---|
| | 2023 | 2022 |
| Long-Term Liabilities | | |
| General obligation bonds | $ 883,535,103 | $ 922,138,830 |
| Certificates of participation | 28,069,031 | 30,441,623 |
| Unamortized premiums/(discounts) | 60,748,784 | 64,663,160 |
| Leases | 483,092 | - |
| Best system upgrade - financing arrangement | 287,432 | - |
| Supplemental early retirement | 1,002,395 | 2,004,790 |
| Compensated absences | 921,543 | 1,603,720 |
| Total | $ 975,047,380 | $ 1,020,852,123 |

The District's credit rating remains the same as previously report in the April 21, 2021 assessment. Moody's Investors Service rates the District's general obligation bonds at *Aa1* and the certificates of participation at *Aa3*.

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

At year-end, the District has net other post-employment benefit (OPEB) liabilities of $52,466,875, versus $50,492,144 last year, and increase of $1,974,731 or 3.9%. See Note 11 for additional information about net other post-employment benefits.

In addition, at year-end, the District has an aggregate net pension liability of $151,601,815, versus $97,888,111 last year, an increase of $53,713,704, or 54.9%. See Note 14 for additional information about pension liabilities.

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

In considering the District Budget for the 2023-2024 year, the governing board and management used the following key assumption criteria:

### Revenues

The District continues to be a Basic Aid District, also known as a Community Funded District, in fiscal year 2023-2024 for the seventh consecutive year. This occurred as Property Tax revenue exceeded that of the LCFF Entitlement from the State. The District benefits as a Basic Aid District when funded above its computed revenue (LCFF Entitlement) which is triggered by fast growing Property Taxes yielding an annual year-over-year revenue increase. However, it is difficult to project Property Tax growth making long-term forecasts unreliable. The District does not receive additional funding when enrollment increases (or is higher than estimated). Like many Basic Aid Districts, the District should consider reviewing its "Inter-district Transfer Policy" in addition to adopting a Reserve Board Policy in order to keep higher reserves.

The District anticipates and has received additional State and Federal funding to support instruction and operations during the recovery from the global COVID-19 pandemic. Significant State revenue enhancements include the revised allocations to the Learning Recovery Emergency Block Grant as well as the Arts, Music, and Instructional Materials Discretionary Block Grant totaling approximately $9.8 million from the original allocation of $10.8 million.

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

### Expenditures

The District continues to address its deficit spending for the combined General Fund and has submitted a Fiscal Stabilization Plan to its oversight agency, the Los Angeles County Office of Education (LACOE). In 2022-23, the District has concluded its Fiscal Stabilization Plan as approved by LACOE and is no longer guided by Board Resolution #19-13 that the Governing Board of Education adopted on December 12, 2019 which committed the District to implementing necessary budget reductions and/or revenue enhancements for the 2020-2021 year through the 2022-2023 year in order to address the structural deficit spending.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the District's Business Office at (310) 450-8338 or by mail at 1717 4th Street, Santa Monica, California 90401.

| | Primary Government | Component Unit |
|---|---|---|
| | Governmental Activities | Santa Monica Education Foundation |
| Assets | | |
| Deposits and investments | $ 323,010,271 | $ 12,263,195 |
| Receivables | 21,610,447 | 89,500 |
| Stores inventories | 153,429 | - |
| Other current assets | 82,457 | - |
| Lease receivables | 33,162,254 | - |
| Capital assets not depreciated | 353,077,857 | - |
| Capital assets, net of accumulated depreciation | 637,059,113 | 517 |
| Right-to-use leased assets, net of accumulated amortization | 474,923 | - |
| Right-to-use subscription IT assets, net of accumulated amortization | 1,539,374 | - |
| Total assets | 1,370,170,125 | 12,353,212 |
| Deferred Outflows of Resources | | |
| Deferred charge on refunding | 20,303,047 | - |
| Deferred outflows of resources related to OPEB | 11,850,701 | - |
| Deferred outflows of resources related to pensions | 44,278,478 | - |
| Total deferred outflows of resources | 76,432,226 | - |
| Liabilities | | |
| Accounts payable | 48,979,432 | 1,866 |
| Accrued interest payable | 11,419,379 | - |
| Unearned revenue | 2,257,040 | - |
| Long-term liabilities | | |
| Long-term liabilities other than OPEB and pensions due within one year | 41,513,511 | - |
| Long-term liabilities other than OPEB and pensions due in more than one year | 933,533,869 | - |
| Net other postemployment benefits (OPEB) liability | 52,466,875 | - |
| Aggregate net pension liability | 151,601,815 | - |
| Total liabilities | 1,241,771,921 | 1,866 |

| | Primary Government | Component Unit |
|---|---|---|
| | Governmental Activities | Santa Monica Education Foundation |
| Deferred Inflows of Resources | | |
| Deferred charge on refunding | $ 3,459,860 | $ - |
| Deferred inflows of resources related to OPEB | 14,920,075 | - |
| Deferred inflows of resources related to pensions | 24,172,144 | - |
| Deferred inflows of resources related to leases | 33,162,254 | |
| Total deferred inflows of resources | 75,714,333 | - |
| Net Position | | |
| Net investment in capital assets | 209,180,502 | - |
| Restricted for | | |
| Debt service | 39,625,905 | - |
| Capital projects | 17,523,740 | - |
| Educational programs | 24,355,307 | - |
| Restricted for endowments and other activities | 2,678,838 | 438,755 |
| Unrestricted (deficit) | (167,580,960) | 11,912,591 |
| Total net position | $ 125,783,332 | $ 12,351,346 |

# Santa Monica-Malibu Unified School District
## Statement of Activities
## Year Ended June 30, 2023

| Functions/Programs | Expenses | Program Revenues: Charges for Services and Sales | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Changes in Net Position: Primary Government Governmental Activities | Changes in Net Position: Component Unit Santa Monica Education Foundation |
|---|---|---|---|---|---|---|
| Governmental Activities | | | | | | |
| Instruction | $ 122,660,894 | $ 2,880,301 | $ 35,018,643 | $ 2,482,737 | $ (82,279,213) | $ - |
| Instruction-related activities | | | | | | |
| Supervision of instruction | 8,410,808 | 152,164 | 1,429,786 | - | (6,828,858) | - |
| Instructional library, media, and technology | 1,690,894 | 373 | 87,747 | - | (1,602,774) | - |
| School site administration | 12,953,576 | 197,959 | 1,181,844 | - | (11,573,773) | - |
| Pupil services | | | | | | |
| Home-to-school transportation | 1,983,449 | - | 122,495 | - | (1,860,954) | - |
| Food services | 4,929,799 | 152,956 | 5,237,377 | - | 460,534 | - |
| All other pupil services | 15,932,102 | 4,843 | 2,986,750 | - | (12,940,509) | - |
| Administration | | | | | | |
| Data processing | 1,759,096 | - | - | - | (1,759,096) | - |
| All other administration | 14,375,497 | 105,909 | 781,616 | - | (13,487,972) | - |
| Plant services | 25,916,805 | 79,657 | 2,081,844 | - | (23,755,304) | - |
| Ancillary services | 3,313,526 | 3,299 | 1,649,606 | - | (1,660,621) | - |
| Community services | 3,067,125 | 44,021 | 2,126,669 | - | (896,435) | - |
| Enterprise services | 997,201 | - | - | - | (997,201) | - |
| Interest on long-term liabilities | 25,187,803 | - | - | - | (25,187,803) | - |
| Other outgo | 117,036 | 1,424,962 | 4,100,286 | - | 5,408,212 | - |
| Depreciation and amortization (unallocated) | 35,199,174 | - | - | - | (35,199,174) | - |
| Total governmental activities | $ 278,494,785 | $ 5,046,444 | $ 56,804,663 | $ 2,482,737 | (214,160,941) | - |
| Component Unit | | | | | | |
| Program services | $ 1,920,202 | $ - | $ - | $ 3,332,765 | - | 1,412,563 |
| Management and general | 1,973,446 | - | - | - | - | (1,973,446) |
| Fundraising | 49,742 | - | - | - | - | (49,742) |
| Total component unit | $ 3,943,390 | $ - | $ - | $ 3,332,765 | - | (610,625) |
| General Revenues and Subventions | | | | | | |
| Property taxes, levied for general purposes | | | | | 110,205,775 | |
| Property taxes, levied for debt service | | | | | 64,780,239 | |
| Taxes levied for other specific purposes | | | | | 20,028,821 | |
| Federal and State aid not restricted to specific purposes | | | | | 12,831,813 | |
| Interest,investment earnings, and change in fair market valuations | | | | | 4,552,060 | 928,374 |
| Miscellaneous | | | | | 27,692,369 | - |
| Subtotal, general revenues and subventions | | | | | 240,091,077 | 928,374 |
| Change in Net Position | | | | | 25,930,136 | 317,749 |
| Net Position - Beginning, as restated | | | | | 99,853,196 | 12,033,597 |
| Net Position - Ending | | | | | $ 125,783,332 | $ 12,351,346 |

| | General Fund | Building Fund | Bond Interest and Redemption Fund | Non-Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| Assets | | | | | |
| Deposits and investments | $ 64,449,869 | $ 178,498,660 | $ 51,639,837 | $ 28,421,905 | $ 323,010,271 |
| Receivables | 17,807,880 | 1,976,329 | - | 1,826,238 | 21,610,447 |
| Stores inventories | - | - | - | 153,429 | 153,429 |
| Other current assets | 82,457 | - | - | - | 82,457 |
| Lease receivables | 33,162,254 | - | - | - | 33,162,254 |
| Total assets | $ 115,502,460 | $ 180,474,989 | $ 51,639,837 | $ 30,401,572 | $ 378,018,858 |
| Liabilities, Deferred Inflows of Resources, and Fund Balances | | | | | |
| Liabilities | | | | | |
| Accounts payable | $ 28,336,217 | $ 15,000,260 | $ - | $ 5,642,955 | $ 48,979,432 |
| Unearned revenue | 2,071,209 | - | - | 185,831 | 2,257,040 |
| Total liabilities | 30,407,426 | 15,000,260 | - | 5,828,786 | 51,236,472 |
| Deferred Inflows of Resources | | | | | |
| Deferred inflows of resources related to leases | 33,162,254 | - | - | - | 33,162,254 |
| Fund Balances | | | | | |
| Nonspendable | 20,016 | - | - | 153,429 | 173,445 |
| Restricted | 24,355,307 | 165,474,729 | 51,639,837 | 20,202,578 | 261,672,451 |
| Committed | - | - | - | 1,120,092 | 1,120,092 |
| Assigned | 488,419 | - | - | 3,096,687 | 3,585,106 |
| Unassigned | 27,069,038 | - | - | - | 27,069,038 |
| Total fund balances | 51,932,780 | 165,474,729 | 51,639,837 | 24,572,786 | 293,620,132 |
| Total liabilities, deferred inflows of resources, and fund balances | $ 115,502,460 | $ 180,474,989 | $ 51,639,837 | $ 30,401,572 | $ 378,018,858 |

| | | |
|---|---|---|
| Total Fund Balance - Governmental Funds | | $ 293,620,132 |
| Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. | | |
| The cost of capital assets is | $ 1,242,246,157 | |
| Accumulated depreciation is | (252,109,187) | |
| Net capital assets | | 990,136,970 |
| Right-to-use leased assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. | | |
| The cost of right-to-use leased assets is | 949,847 | |
| Accumulated amortization is | (474,924) | |
| Net right-to-use leased assets | | 474,923 |
| Right-to-use subscription IT assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. | | |
| The cost of right-to-use subscription IT assets is | 1,877,098 | |
| Accumulated amortization is | (337,724) | |
| Net right-to-use subscription IT assets | | 1,539,374 |
| In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred. | | (11,419,379) |
| Deferred outflows of resources represent a consumption of net position in a future period and are not reported in the governmental funds. Deferred outflows of resources amounted to and related to | | |
| Deferred charge on refunding | 20,303,047 | |
| Net other postemployment benefits (OPEB) liability | 11,850,701 | |
| Aggregate net pension liability | 44,278,478 | |
| Total deferred outflows of resources | | 76,432,226 |
| Deferred inflows of resources represent an acquisition of net position that applies to a future period and are not reported in the governmental funds. Deferred inflows of resources amount to and related to | | |
| Deferred charge on refunding | (3,459,860) | |
| Net other postemployment benefits (OPEB) liability | (14,920,075) | |
| Aggregate net pension liability | (24,172,144) | |
| Total deferred inflows of resources | | (42,552,079) |
| Aggregate net pension liability is not due and payable in the current period, and is not reported as a liability in the funds. | | (151,601,815) |

| | | |
|---|---|---|
| The District's net OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds. | | $ (52,466,875) |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of | | |
| General obligation bonds | $ (879,077,689) | |
| Unamortized premium on issuance | (57,272,305) | |
| Unamortized discount on issuance | 16,232 | |
| Certificates of participation | (25,573,669) | |
| Unamortized premium on issuance | (3,492,711) | |
| Leases | (483,092) | |
| BEST system upgrade - Financing arrangement | (287,432) | |
| Supplemental early retirement program | (1,002,395) | |
| Compensated absences | (921,543) | |
| In addition, capital appreciation general obligation bonds and certificates of participation were issued. The accretion of interest to date is | (6,952,776) | |
| Total long-term liabilities | | (975,047,380) |
| Total net position - governmental activities | | $ 129,116,097 |

# Santa Monica-Malibu Unified School District

## Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Year Ended June 30, 2023

| | General Fund | Building Fund | Bond Interest and Redemption Fund | Non-Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| Revenues | | | | | |
| Local Control Funding Formula | | | | | |
| LCFF apportionment | $ 8,586,351 | $ - | $ - | $ - | $ 8,586,351 |
| Education protection account | 1,891,744 | - | - | - | 1,891,744 |
| Local sources | 110,061,488 | - | - | - | 110,061,488 |
| Federal sources | 7,882,432 | - | - | 2,506,820 | 10,389,252 |
| Other State sources | 24,361,603 | - | 71,780 | 9,352,446 | 33,785,829 |
| Other local sources | 63,158,451 | 8,272,824 | 65,085,242 | 9,715,379 | 146,231,896 |
| Total revenues | 215,942,069 | 8,272,824 | 65,157,022 | 21,574,645 | 310,946,560 |
| Expenditures | | | | | |
| Current | | | | | |
| Instruction | 126,948,411 | - | - | 4,915,885 | 131,864,296 |
| Instruction-related activities | | | | | |
| Supervision of instruction | 8,446,769 | - | - | 624,784 | 9,071,553 |
| Instructional library, media, and technology | 1,793,819 | - | - | - | 1,793,819 |
| School site administration | 12,757,900 | - | - | 1,196,361 | 13,954,261 |
| Pupil services | | | | | |
| Home-to-school transportation | 2,139,304 | - | - | - | 2,139,304 |
| Food services | 96,416 | - | - | 5,006,951 | 5,103,367 |
| All other pupil services | 16,896,600 | - | - | 61,130 | 16,957,730 |
| Administration | | | | | |
| Data processing | 1,781,242 | - | - | - | 1,781,242 |
| All other administration | 15,614,057 | - | - | 629,335 | 16,243,392 |
| Plant services | 23,934,792 | 450,605 | - | 2,721,624 | 27,107,021 |
| Ancillary services | 1,590,928 | - | - | 1,757,960 | 3,348,888 |
| Community services | 3,311,643 | - | - | - | 3,311,643 |
| Other outgo | 117,036 | - | - | - | 117,036 |
| Enterprise services | 997,201 | - | - | - | 997,201 |
| Facility acquisition and construction | 13,675 | 84,871,778 | - | 10,676,928 | 95,562,381 |
| Debt service | | | | | |
| Principal | 520,080 | - | 39,125,000 | 2,620,000 | 42,265,080 |
| Interest and other | 41,432 | - | 27,047,791 | 1,001,947 | 28,091,170 |
| Total expenditures | 217,001,305 | 85,322,383 | 66,172,791 | 31,212,905 | 399,709,384 |
| Excess (Deficiency) of Revenues Over Expenditures | (1,059,236) | (77,049,559) | (1,015,769) | (9,638,260) | (88,762,824) |
| Other Financing Sources (Uses) | | | | | |
| Transfers in | - | - | - | 2,200,000 | 2,200,000 |
| Other sources - lease | 949,847 | - | - | - | 949,847 |
| Transfers out | (2,200,000) | - | - | - | (2,200,000) |
| Net Financing Sources (Uses) | (1,250,153) | - | - | 2,200,000 | 949,847 |
| Net Change in Fund Balances | (2,309,389) | (77,049,559) | (1,015,769) | (7,438,260) | (87,812,977) |
| Fund Balance - Beginning, as restated | 54,242,169 | 242,524,288 | 52,655,606 | 32,011,046 | 381,433,109 |
| Fund Balance - Ending | $ 51,932,780 | $ 165,474,729 | $ 51,639,837 | $ 24,572,786 | $ 293,620,132 |

| | | |
|---|---|---|
| Total Net Change in Fund Balances - Governmental Funds | | $ (87,812,977) |
| Amounts Reported for Governmental Activities in the Statement of Activities are Different Because | | |
| Capital outlay to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expense in the Statement of Activities. This is the amount by which capital outlay exceeds depreciation and amortization expense in the Statement of Activities | | |
| Capital outlay | $ 98,073,952 | |
| Depreciation | (35,980,825) | |
| Net expense adjustment | | 62,093,127 |
| The District issued capital appreciation general obligations bonds. The accretion of interest on the general obligation bonds during the current fiscal year was | | (521,273) |
| The District issued capital appreciation certificates of participation. The accretion of interest on the certificates of participation during the current fiscal year was | | (247,408) |
| Right-to-use leased assets acquired this year were financed with leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the leases are not revenues in the Statement of Activities, but rather constitute long-term liabilities in the Statement of Net Position. | | (949,847) |
| In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) and early retirement incentives, are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between vacation and early retirement incentives earned and used. | | 1,684,572 |
| In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year. | | 12,699,604 |

| | |
|---|---|
| In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and aggregate net OPEB liability during the year. | $ (3,279,268) |
| The District entered into a three-year agreement to finance upgrades to the BEST financial system. | (340,757) |
| Governmental funds report the effect of premiums, discounts, and the deferred charge on refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities. | |
| Premium amortization | 3,916,131 |
| Discount amortization | (1,755) |
| Deferred charge on refunding amortization | (923,650) |
| Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. | |
| General obligation bonds | 39,125,000 |
| Certificates of participation | 2,620,000 |
| Leases | 466,755 |
| BEST system upgrade - financing arrangement | 53,325 |
| Interest on long-term liabilities is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. | 681,322 |
| Change in net position of governmental activities | $ 29,262,901 |

## Note 1 - Summary of Significant Accounting Policies

### Financial Reporting Entity

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

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

### Component Units

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

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

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

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

**Basis of Presentation - Fund Accounting**

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

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

**Major Governmental Funds**

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

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

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

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

**Non-Major Governmental Funds**

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

- **Student Activity Fund** The Student Activity Fund is used to account separately for the operating activities of the associated student body accounts that are not fiduciary in nature, including student clubs, general operations, athletics, and other student body activities.

- **Adult Education Fund** The Adult Education Fund is used to account separately for Federal, State, and local revenues that are restricted or committed for adult education programs and is to be expended for adult education purposes only.

- **Child Development Fund** The Child Development Fund is used to account separately for Federal, State, and **local** revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

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

- **Deferred Maintenance Fund** The Deferred Maintenance Fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (*Education Code* Section 17582).

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

- **Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and Government Code Section 65995 et seq.). Expenditures are restricted to the purposes specified in Government Code Sections 65970-65981 or to the items specified in agreements with the developer (Government Code Section 66006).

- **County School Facilities Fund** The County School Facilities Fund is established pursuant to *Education Code Section* 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State Schools Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

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

**Basis of Accounting - Measurement Focus**

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

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

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

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

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

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

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

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

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

**Investments**

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

**Stores Inventories**

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

**Capital Assets, Depreciation, and Amortization**

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

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

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

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2023.

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

The District records the value of right-to-use subscription IT assets based on the underlying subscription asset in accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The right-to-use subscription IT asset is amortized each year for the term of the contract or useful life of the underlying asset.

**Compensated Absences**

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

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in

the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

**Accrued Liabilities and Long-Term Liabilities**

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

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

**Debt Issuance Costs, Premiums, and Discounts**

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

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

**Deferred Outflows/Inflows of Resources**

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

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

**Pensions**

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

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

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

**Leases**

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

**Subscriptions**

The District recognizes an intangible right-to-use subscription IT asset (subscription IT asset) in the government-wide financial statements. The subscription IT asset is initially measured as the initial amount of the subscription liability, plus certain initial direct costs. Subsequently, the subscription IT asset is amortized on a straight-line basis over shorter of the subscription term or useful life of the underlying asset. The amortization period varies from two to eight years.

**Fund Balances - Governmental Funds**

As of June 30, 2023, fund balances of the governmental funds are classified as follows:

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

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

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

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

**Unassigned** - all other spendable amounts.

**Spending Order Policy**

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

**Minimum Fund Balance Policy**

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

**Net Position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings and related deferred outflows and inflows of resources that are attributable to the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the

enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $84,183,790 of net position restricted by enabling legislation.

**Interfund Activity**

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

**Estimates**

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

**Property Tax**

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

**Change in Accounting Principles**

**Implementation of GASB Statement No. 96**

As of July 1, 2022, the District adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. The implementation of this standard establishes that a SBITA results in a right-to-use subscription IT asset - an intangible asset - and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. The effect of the implementation of this standard on beginning net position is disclosed in Note 18 and the additional disclosures required by this standard are included in Notes 5 and 10.

## Note 2 - Deposits and Investments

### Summary of Deposits and Investments

Deposits and investments as of June 30, 2023, are classified in the accompanying financial statements as follows:

| | |
|---|---|
| Governmental activities | $ 323,010,271 |
| Component unit - Santa Monica Education Foundation* | 12,263,195 |
| Total deposits and investments | $ 335,273,466 |

Deposits and investments as of June 30, 2023, consist of the following:

| | |
|---|---|
| Cash on hand and in banks | $ 1,257,750 |
| Cash in revolving | 20,016 |
| Investments | 333,995,700 |
| Total deposits and investments | $ 335,273,466 |

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

| | |
|---|---|
| Cash and cash equivalents | $ 906,523 |
| Investments | |
| Bond funds | 5,114,080 |
| Mutual funds | 735,665 |
| Foreign stock funds | 946,901 |
| Other domestic stock funds | 4,560,026 |
| Total deposits and investments | $ 12,263,195 |

### Policies and Practices

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

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

**General Authorizations**

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

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

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Pool. The District maintains an investment of $322,044,475 (cost basis of $338,394,465 less fair market value loss adjustment of $16,349,990) with the Los Angeles County Treasury Investment Pool that has an average weighted maturity of 753 days. In addition, the District's investments of $1,434 in First American Government Obligations Money Market Funds and $593,119 in Allspring Money Market Fund have average weighted maturities of 20 days and 38 days, respectively.

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the Los Angeles County Treasury Investment Pool is not required to be rated, nor has it been rated as of June 30, 2023. The District's investment in First American Government Obligations Money Market Funds and Allspring Money Market Funds have been rated Aaa-mf by Moody's Investor Services.

**Custodial Credit Risk - Deposits**

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2023, the District's bank balance of $578,980, that was exposed to custodial credit risk because it was uninsured and uncollateralized.

## Note 3 - Fair Value Measurements

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

- Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

- Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

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

The District's fair value measurements are as follows at June 30, 2023:

| Investment Type | Reported Amount | Fair Value Measurements Using Level 1 Inputs | Uncategorized |
|---|---|---|---|
| Santa Monica-Malibu Unified School District | | | |
| Los Angeles County Treasury Investment Pool | $ 322,044,475 | $ - | $ 322,044,475 |
| First American Government Obligations Money Market Funds | 1,434 | 1,434 | - |
| Allsppring Money Market Fund | 593,119 | 593,119 | - |
| | 322,639,028 | 594,553 | 322,044,475 |
| Santa Monica Education Foundation | | | |
| Bond funds | 5,114,080 | 5,114,080 | - |
| Mutual funds | 735,665 | 735,665 | - |
| Foreign stock funds | 946,901 | 946,901 | - |
| Other domestic stock funds | 4,560,026 | 4,560,026 | - |
| | 11,356,672 | 11,356,672 | - |
| Total | $ 333,995,700 | $ 11,951,225 | $ 322,044,475 |

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

## Note 4 - Receivables

Receivables at June 30, 2023, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

| | General Fund | Building Fund | Non-Major Governmental Funds | Total Governmental Activities |
|---|---|---|---|---|
| Federal Government | | | | |
| Categorical aid | $ 5,958,133 | $ - | $ 896,616 | $ 6,854,749 |
| State Government | | | | |
| EPA | 476,618 | - | - | 476,618 |
| Categorical aid | 6,184,167 | - | 535,124 | 6,719,291 |
| Lottery | 555,858 | - | - | 555,858 |
| Local Government | | | | |
| Interest | 424,610 | 1,976,329 | 299,226 | 2,700,165 |
| Other LEAs | - | - | 91,272 | 91,272 |
| Other local sources | 4,208,494 | - | 4,000 | 4,212,494 |
| Total | $ 17,807,880 | $ 1,976,329 | $ 1,826,238 | $ 21,610,447 |

## Note 5 - Capital Assets, Right-to-Use Leased Assets, and Right-to-Use Subscription IT Assets

Capital assets, right-to-use leased assets, and right-to-use subscription IT assets activity for the fiscal year ended June 30, 2023, was as follows:

| | Balance July 1, 2022 Restated | Additions | Deductions | Balance June 30, 2023 |
|---|---|---|---|---|
| Governmental Activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | $ 15,122,223 | $ - | $ - | $ 15,122,223 |
| Construction in progress | 322,450,900 | 95,048,890 | (79,544,156) | 337,955,634 |
| Total capital assets not being depreciated | 337,573,123 | 95,048,890 | (79,544,156) | 353,077,857 |
| Capital assets being depreciated | | | | |
| Land improvements | 121,354,013 | 731,584 | - | 122,085,597 |
| Buildings and improvements | 651,340,040 | 68,264,201 | - | 719,604,241 |
| Furniture and equipment | 36,514,992 | 10,963,470 | - | 47,478,462 |
| Total capital assets being depreciated | 809,209,045 | 79,959,255 | - | 889,168,300 |
| Total capital assets | 1,146,782,168 | 175,008,145 | (79,544,156) | 1,242,246,157 |
| Accumulated depreciation | | | | |
| Land improvements | (22,818,259) | (4,765,047) | - | (27,583,306) |
| Buildings and improvements | (172,557,643) | (27,376,948) | - | (199,934,591) |
| Furniture and equipment | (21,534,111) | (3,057,179) | - | (24,591,290) |
| Total accumulated depreciation | (216,910,013) | (35,199,174) | - | (252,109,187) |
| Net depreciable capital assets | 592,299,032 | 44,760,081 | - | 637,059,113 |
| | | | | - |
| Right-to-use leased assets being amortized | | | | - |
| Buildings and improvements | - | 949,847 | - | 949,847 |
| Accumulated amortization | | | | |
| Buildings and improvements | - | (474,924) | - | (474,924) |
| Net right-to-use leased assets | - | 474,923 | - | 474,923 |
| Right-to-use subscription IT assets being amortized | | | | |
| Right-to-use subscription IT assets | 216,982 | 1,660,116 | - | 1,877,098 |
| Accumulated amortization | (30,997) | (306,727) | - | (337,724) |
| Net right-to-use subscription IT assets | 185,985 | 1,353,389 | - | 1,539,374 |
| Governmental activities capital assets, right-to-use leased assets, and right-to-use subscription IT assets, net | $ 930,058,140 | $ 141,637,283 | $ (79,544,156) | $ 992,151,267 |

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

## Note 6 - Lease Receivables

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

| Lease Receivables | July 1, 2022 | Addition | Deletion | June 30, 2023 |
|---|---|---|---|---|
| Santa Monica College | $ 20,370,296 | $ - | $ (290,973) | $ 20,079,323 |
| Santa Monica Hotel Group | 13,353,509 | - | (270,578) | 13,082,931 |
| Total | $ 33,723,805 | $ - | $ (561,551) | $ 33,162,254 |

**Santa Monica College**

The District leases a former school site in the City of Santa Monica to the Santa Monica City College. The current lease is in place until the year 2056. The agreement allows for adjustments to the lease payments every five years, with increases based on the cost-of-living adjustment for community colleges, as approved by the State Legislature. During the fiscal year, the District recognized $290,973 in lease revenue and $712,960 in interest revenue related to this agreement. At June 30, 2023, the District recorded $20,079,323 in lease receivables and deferred inflows of resources for these arrangements. The District used an interest rate of 3.5%, based on the rates available to finance real estate over the same time period.

**Santa Monica Hotel Group**

The District leases land in the City of Santa Monica to a hotel operating group. The current lease is in place until the year 2051. The agreement allows for adjustments to the lease payments every five years, with increases based on the consumer price index. During the fiscal year, the District recognized $270,578 in lease revenue and $463,060 in interest revenue related to this agreement. At June 30, 2023, the District recorded $13,082,931 in lease receivables and deferred inflows of resources for these arrangements. The District used an interest rate of 3.5%, based on the rates available to finance real estate over the same time period.

## Note 7 - Interfund Transactions

**Operating Transfers**

Interfund transfers for the year ended June 30, 2023, consisted of the following:

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

## Note 8 - Accounts Payable

Accounts payable at June 30, 2023, consisted of the following:

| | General Fund | Building Fund | Non-Major Governmental Funds | Total Governmental Activities |
|---|---|---|---|---|
| Salaries and benefits | $ 24,737,821 | $ 16,435 | $ 3,610,861 | $ 28,365,117 |
| Construction | - | 4,727,401 | 894,821 | 5,622,222 |
| Special education contracts | 582,332 | - | - | 582,332 |
| Other vendor payables | 2,118,085 | 10,256,424 | 406,553 | 12,781,062 |
| Due to other governments | 897,979 | - | 730,720 | 1,628,699 |
| Total | $ 28,336,217 | $ 15,000,260 | $ 5,642,955 | $ 48,979,432 |

## Note 9 - Unearned Revenue

Unearned revenue at June 30, 2023, consisted of the following:

| | General Fund | Non-Major Governmental Funds | Total Governmental Activities |
|---|---|---|---|
| Federal financial assistance | $ 432,491 | $ - | $ 432,491 |
| State categorical aid | 1,638,718 | 51,986 | 1,690,704 |
| Other local | - | 133,845 | 133,845 |
| Total | $ 2,071,209 | $ 185,831 | $ 2,257,040 |

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

### Summary

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

| | Balance July 1, 2022 | Additions | Deductions | Balance June 30, 2023 | Due in One Year |
|---|---|---|---|---|---|
| Long-Term Liabilities | | | | | |
| General obligation bonds | $ 922,138,830 | $ 521,273 | $ (39,125,000) | $ 883,535,103 | $ 37,140,000 |
| Certificates of participation | 30,441,623 | 247,408 | (2,620,000) | 28,069,031 | 2,765,000 |
| Unamortized debt premiums | 64,681,147 | - | (3,916,131) | 60,765,016 | - |
| Unamortized debt discounts | (17,987) | - | 1,755 | (16,232) | - |
| Leases | - | 949,847 | (466,755) | 483,092 | 483,092 |
| BEST system upgrade - Financing Arrangement | - | 340,757 | (53,325) | 287,432 | 123,024 |
| Supplemental early retirement liability | 2,004,790 | - | (1,002,395) | 1,002,395 | 1,002,395 |
| Compensated absences | 1,603,720 | - | (682,177) | 921,543 | - |
| Total | $ 1,020,852,123 | $ 2,059,285 | $ (47,864,028) | $ 975,047,380 | $ 41,513,511 |

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

### General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

| Issuance Date | Final Maturity Date | Interest Rate | Original Issue | Bonds Outstanding July 1, 2022 | Issued | Interest Accreted | Redeemed | Bonds Outstanding June 30, 2023 |
|---|---|---|---|---|---|---|---|---|
| 6/17/1999 | 8/1/2023 | 3.20-5.50% | $ 38,000,034 | $ 12,948,830 | $ - | $ 521,273 | $ (7,300,000) | $ 6,170,103 |
| 2/7/2013 | 8/1/2032 | 2.00-5.00% | 45,425,000 | 4,300,000 | - | - | (2,035,000) | 2,265,000 |
| 4/3/2013 | 7/1/2037 | 0.17-5.00% | 82,995,327 | 2,020,000 | - | - | (905,000) | 1,115,000 |
| 12/10/2015 | 8/1/2034 | 3.25-5.00% | 47,915,000 | 10,350,000 | - | - | (2,270,000) | 8,080,000 |
| 10/11/2016 | 7/1/2035 | 1.00-4.00% | 28,190,000 | 25,305,000 | - | - | (1,790,000) | 23,515,000 |
| 10/11/2016 | 7/1/2032 | 3.00% | 660,000 | 660,000 | - | - | - | 660,000 |
| 10/11/2016 | 7/1/2035 | 2.00-4.00% | 52,140,000 | 52,025,000 | - | - | (120,000) | 51,905,000 |
| 6/21/2017 | 7/1/2042 | 3.125-5.00% | 60,000,000 | 34,050,000 | - | - | - | 34,050,000 |
| 9/6/2018 | 8/1/2043 | 3.00-5.00% | 120,000,000 | 11,070,000 | - | - | (2,420,000) | 8,650,000 |
| 10/2/2019 | 8/1/2049 | 2.00-4.00% | 110,000,000 | 80,080,000 | - | - | (920,000) | 79,160,000 |
| 10/2/2019 | 8/1/2049 | 2.00-4.00% | 35,000,000 | 24,135,000 | - | - | (295,000) | 23,840,000 |
| 11/6/2019 | 8/1/2036 | 3.00-4.00% | 115,000,000 | 115,000,000 | - | - | (6,900,000) | 108,100,000 |
| 11/6/2019 | 8/1/2043 | 1.59-3.114% | 105,915,000 | 102,900,000 | - | - | (965,000) | 101,935,000 |
| 7/14/2020 | 7/1/2040 | 0.301-2.314% | 74,720,000 | 73,755,000 | - | - | (1,145,000) | 72,610,000 |
| 7/1/2021 | 8/1/2050 | 0.012-4.00% | 200,000,000 | 179,550,000 | - | - | (7,010,000) | 172,540,000 |
| 7/1/2021 | 8/1/2050 | 0.012-4.00% | 80,000,000 | 71,820,000 | - | - | (2,560,000) | 69,260,000 |
| 9/1/2021 | 8/1/2038 | 0.0142-2.424& | 122,170,000 | 122,170,000 | - | - | (2,490,000) | 119,680,000 |
| | | | | $ 922,138,830 | $ - | $ 521,273 | $ (39,125,000) | $ 883,535,103 |

**Election of 1998, Series 1999**

On June 17, 1999, the District issued the Election of 1998 General Obligation Bonds in the amount of $38,000,034. The General Obligation 1998 Bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting by $40,379,966, and an aggregate principal debt service balance of $78,380,000. The bonds have a final maturity on August 1, 2023, with interest rates ranging from 3.20% to 5.50%. Proceeds from the sale of the bonds were used for construction and renovation of school facilities and to pay the costs of issuance of the Bonds. At June 30, 2023, the principal balance outstanding was $6,170,103.

**2013 General Obligation Refunding Bonds**

On February 7, 2013, the District issued the 2013 General Obligation Refunding Bonds in the amount of $45,425,000. The 2013 General Obligation Refunding Bonds were issued as current interest bonds and have a final maturity on August 1, 2032, with interest rates ranging from 2.00% to 5.00%. Proceeds from the sale of the bonds were used to advance refund the 2006, Series A, General Obligation Bonds and to pay the costs of issuance of the Bonds. In 2021, $9,715,000 of the 2013 General Obligation Refunding Bonds were refunded. At June 30, 2023, the principal balance outstanding was $2,265,000.

**Election of 2006, Series D**

On April 3, 2013, the District issued the Election of 2006, Series D, General Obligation Bonds in the amount of $82,995,327. The Election of 2006, Series D, Bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting by $29,174,672, and an aggregate principal debt service balance of $112,170,000. The bonds have a final maturity to occur on July 1, 2037, with interest rates ranging from 0.17% to 5.00%. Proceeds from the sale of the bonds were used to finance the repair, upgrading, acquisition, construction, and equipping of District sites and facilities, and to pay the costs of issuance of the Bonds. In 2019, $52,805,000 of the Election of 2006, Series D, current interest bonds were refunded. In 2021 $3,030,000 of the Election of 2006, Series D, current interest bonds were refunded. At June 30, 2023, the principal balance outstanding was $1,115,000.

**2015 General Obligation Refunding Bonds (Crossover Refunding)**

On December 10, 2015, the District issued the 2015 General Obligation Refunding Bonds in the amount of $47,915,000. The 2015 General Obligation Refunding Bonds were issued as current interest bonds and have a final maturity on August 1, 2034, with interest rates ranging from 3.25% to 5.00%. Proceeds from the sale of the bonds were used to advance refund, on a crossover basis (crossover date of August 1, 2019), the District's Election of 2006 General Obligation Bonds, Series B-1, and to pay the costs of issuance of the Bonds. In 2021, $33,610,000 of the 2015 General Obligation Refunding Bonds (Crossover Refunding) were refunded. At June 30, 2023, the principal balance outstanding was $8,080,000.

**2016 General Obligation Refunding Bonds, Series A and Series B**

On October 11, 2016, the District issued the 2016 General Obligation Refunding Bonds, Series A and Series B (the Series A and Series B Bonds), in the amounts of $28,190,000, and $660,000. The Series A and Series B Bonds were issued as current interest bonds and have final maturities of July 1, 2035, and July 1, 2032, respectively, with interest rates ranging from 1.00% to 4.00%. Proceeds from the sale of the bonds were used to currently refund a portion of the 2006 General Obligation Refunding Bonds; advance refund portions of the District's Election of 2006 General Obligation Bonds, Series C, and Election of 2006 General Obligation Bonds, Series D; pay capitalized interest on the Series A and Series B Bonds; and pay the costs of issuing the Series A Bonds and Series B Bonds. At June 30, 2023, the principal balance outstanding on the Series A Bonds was $23,515,000, and $660,000 was outstanding on the Series B Bonds.

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

On October 11, 2016, the District issued the 2016 General Obligation Refunding Bonds, Series C, in the amount of $52,140,000. The 2016 General Obligation Refunding Bonds, Series C, were issued as current interest bonds and have a final maturity on July 1, 2035, with interest rates ranging from 2.00% to 4.00%. Proceeds from the sale of the bonds were used to advance refund, on a crossover basis (crossover date of July 1, 2020), the District's Election of 2006 General Obligation Bonds, Series C-1, and pay the costs of issuance of the Bonds. At June 30, 2023, the principal balance outstanding was $51,905,000.

**Election of 2012, Series C**

On June 21, 2017, the District issued the Election of 2012, Series C, General Obligation Bonds in the amount of $60,000,000. The Election of 2012, Series C, Bonds were issued as current interest bonds and have a final maturity on July 1, 2042, with interest rates ranging from 3.125% to 5.00%. The net proceeds from the sale of the bonds were used to finance school facilities of the District. At June 30, 2023, the principal balance outstanding was $34,050,000.

**Election of 2012, Series D**

On September 6, 2018, the District issued the Election of 2012, Series D, General Obligation Bonds in the amount of $120,000,000. The Election of 2012, Series D, Bonds were issued as current interest bonds and have a final maturity on August 1, 2043, with interest rates ranging from 3.00% to 5.00%. The net proceeds from the sale of the bonds were used to finance school facilities of the District. In 2019, $40,650,000 of the Election of 2012, Series D, current interest bonds were refunded, and in 2021, an additional $57,670,000 were refunded. At June 30, 2023, the principal balance outstanding was $8,650,000.

**Election of 2018, Series A, School Facilities Improvement District (SFID) No. 1**

On October 2, 2019, the District issued the Election of 2018, Series A, SFID No. 1 General Obligation Bonds in the amount of $110,000,000. The Election of 2018, Series A, Bonds, SFID No. 1 were issued as current interest bonds and have a final maturity on August 1, 2049, with interest rates ranging from 2.00% to 4.00%. Proceeds from the sale of the bonds were used to improve, repair, and modernize school facilities in the District School Facilities Improvement District No. 1 (Santa Monica schools) and to pay issuance costs of the bonds. At June 30, 2023, the principal balance outstanding was $79,160,000.

**Election of 2018, Series A, School Facilities Improvement District (SFID) No. 2**

On October 2, 2019, the District issued the Election of 2018, Series A, SFID No. 2 General Obligation Bonds in the amount of $35,000,000. The Election of 2018, Series A, Bonds SFID No. 2 were issued as current interest bonds and have a final maturity on August 1, 2049, with interest rates ranging from 2.00% to 4.00%. Proceeds from the sale of the bonds were used to will be used to improve, repair, and modernize school facilities in the District School Facilities Improvement District No. 2 (Malibu schools) and to pay issuance costs of the bonds. At June 30, 2023, the principal balance outstanding was $23,840,000.

**Election of 2012, Series E**

On November 6, 2019, the District issued the Election of 2012, Series E, General Obligation Bonds in the amount of $115,000,000. The Election of 2012, Series E, Bonds were issued as current interest bonds and have a final maturity on August 1, 2036, with interest rates ranging from 3.00% to 4.00%. Proceeds from the sale of the bonds will be used to improve, repair, and modernize school facilities in the District and to pay issuance costs of the bonds. At June 30, 2023, the principal balance outstanding was $108,100,000.

**2019 Refunding General Obligation Bonds**

On November 6, 2019, the District issued the 2019 Refunding General Obligation Bonds in the amount of $105,915,000. The 2019 Refunding Bonds were issued as current interest bonds and have a final maturity on August 1, 2043, with interest rates ranging from 1.59% to 3.114%. Net proceeds from the sale of the bonds were used to refinance on an advance basis certain maturities of the District's outstanding Election of 2006, Series D, General Obligation Bonds, and the Election of 2012, Series D, General Obligation Bonds, and to pay related costs of issuance. At June 30, 2023, the principal balance outstanding was $101,935,000.

**2020 Refunding General Obligation Bonds**

On July 14, 2020, the District issued the 2020 Refunding General Obligation Bonds in the amount of $74,720,000. The 2020 Refunding Bonds were issued as current interest bonds and have a final maturity on July 1, 2040, with interest rates ranging from 0.301% to 2.314%. Net proceeds from the sale of the bonds were used to refinance on an advance basis certain maturities of the District's outstanding Election of 2006, Series D, General Obligation Bonds, the Election of 2012, Series A and B, General Obligation Bonds and the 2013 Refunding Bonds, and to pay related costs of issuance. At June 30, 2023, the principal balance outstanding was $72,610,000.

**Election of 2018, Series B, School Facilities Improvement District (SFID) No. 1**

On July 1, 2021, the District issued the Election of 2018, Series B, General Obligation Bonds in the amount of $200,000,000. The Election of 2018, Series B, Bonds, SFID No. 1 were issued as current interest bonds and have a final maturity on August 1, 2050, with interest rates ranging from 0.012% to 4.00%. Proceeds from the sale of the bonds will be used to improve, repair, and modernize school facilities in the District School Facilities Improvement District No. 1 (Santa Monica schools) and to pay issuance costs of the bonds. At June 30, 2023, the principal balance outstanding was $172,540,000.

**Election of 2018, Series B, School Facilities Improvement District (SFID) No. 2**

On July 1, 2021, the District issued the Election of 2018, Series B, General Obligation Bonds in the amount of $80,000,000. The Election of 2018, Series B, Bonds SFID No. 2 were issued as current interest bonds and have a final maturity on August 1, 2050, with interest rates ranging from 0.012% to 4.00%. Proceeds from the sale of the bonds were used to will be used to improve, repair, and modernize school facilities in the District School Facilities Improvement District No. 2 (Malibu schools) and to pay issuance costs of the bonds. At June 30, 2023, the principal balance outstanding was $69,260,000.

**2021 Refunding General Obligation Bonds**

On September 1, 2021, the District issued the 2021 Refunding General Obligation Bonds in the amount of $122,170,000. The 2021 Refunding Bonds were issued as current interest bonds and have a final maturity on August 1, 2038, with interest rates ranging from 0.0142% to 2.42%. Net proceeds from the sale of the bonds were used to refinance on an advance basis certain maturities of the District's outstanding Election of 2006, Series D, General Obligation Bonds; the Election of 2012, Series B and D, General Obligation Bonds; and the 2013 and 2015 Refunding Bonds; and to pay related costs of issuance. At June 30, 2023, the principal balance outstanding was $119,680,000.

**Debt Service Requirements to Maturity**

The bonds mature through 2051 as follows:

| Fiscal Year | Principal Including Accreted Interest to Date | Unaccreted Interest | Current Interest to Maturity | Total |
|---|---|---|---|---|
| 2024 | $ 36,970,103 | $ 169,897 | $ 25,936,875 | $ 63,076,875 |
| 2025 | 23,215,000 | - | 25,052,139 | 48,267,139 |
| 2026 | 21,710,000 | - | 24,357,912 | 46,067,912 |
| 2027 | 26,330,000 | - | 23,702,175 | 50,032,175 |
| 2028 | 32,030,000 | - | 23,030,315 | 55,060,315 |
| 2029-2033 | 180,635,000 | - | 101,771,974 | 282,406,974 |
| 2034-2038 | 233,360,000 | - | 69,963,082 | 303,323,082 |
| 2039-2043 | 137,840,000 | - | 41,029,839 | 178,869,839 |
| 2044-2048 | 114,245,000 | - | 20,291,597 | 134,536,597 |
| 2049-2051 | 77,200,000 | - | 3,797,565 | 80,997,565 |
| Total | $ 883,535,103 | $ 169,897 | $ 358,933,473 | $ 1,242,638,473 |

**Certificates of Participation**

| Issuance Date | Final Maturity Date | Interest Rate | Original Issue | Certificates Outstanding July 1, 2022 | Issued | Interest Accreted | Redeemed | Certificates Outstanding June 30, 2023 |
|---|---|---|---|---|---|---|---|---|
| 11/15/2001 | 5/1/2025 | 3.50-5.20% | $ 15,206,501 | $ 5,366,623 | $ - | $ 247,408 | $ (1,945,000) | $ 3,669,031 |
| 12/3/2020 | 5/1/2042 | 4.00% | 25,720,000 | 25,075,000 | - | - | (675,000) | 24,400,000 |
| | | | | $ 30,441,623 | $ - | $ 247,408 | $ (2,620,000) | $ 28,069,031 |

**Certificates of Participation, 2001 Series C**

In November 2001, the Los Angeles County Schools Regionalized Business Services Corporation entered into a sublease in which the Corporation leased to the District certain real property and buildings and improvements thereon. The Corporation issued the Certificates of Participation, 2001 Series C, consisting of $10,740,000 current interest certificates and $4,466,501 capital appreciation certificates, with the value of the capital appreciation certificates accreting by $8,248,499, and an aggregate principal debt service balance of $23,455,000. The proceeds of the issue were used to purchase real property in the District. The certificates have a final maturity to occur on May 1, 2025, with interest rates ranging from 3.50 to 5.20%. As of June 30, 2023, the principal balance outstanding was $3,669,031 .

**2020 Certificates of Participation**

In December 2020, the Public Property Financing Corporation entered into a sublease in which the Corporation leased to the District certain real property and buildings and improvements thereon. The Corporation issued the 2020 Certificates of Participation, consisting of $25,720,000 current interest certificates with a premium on issue of $4,357,589. The proceeds of the issue were used to purchase real property in the District and to pay off the 2010 Refunding Certificates of Participation, Series B. The certificates have a final maturity to occur on May 1, 2042, with an interest rate of 4.00%. As of June 30, 2023, the principal balance outstanding was $24,400,000.

**Debt Service Requirements to Maturity**

The certificates mature through 2042 as follows:

| Fiscal Year | Principal Including Accreted Interest to Date | Unaccreted Interest | Current Interest to Maturity | Total |
|---|---|---|---|---|
| 2024 | $ 2,705,830 | $ 59,170 | $ 976,000 | $ 3,741,000 |
| 2025 | 2,323,201 | 156,799 | 943,000 | 3,423,000 |
| 2026 | 600,000 | - | 921,600 | 1,521,600 |
| 2027 | 670,000 | - | 897,600 | 1,567,600 |
| 2028 | 745,000 | - | 870,800 | 1,615,800 |
| 2029-2033 | 4,980,000 | - | 3,842,600 | 8,822,600 |
| 2034-2038 | 7,580,000 | - | 2,650,000 | 10,230,000 |
| 2039-2042 | 8,465,000 | - | 876,600 | 9,341,600 |
| Total | $ 28,069,031 | $ 215,969 | $ 11,978,200 | $ 40,263,200 |

**Leases**

The District has entered into agreements to lease real property. The District's liability on lease agreements is summarized below:

| Lease | Leases Outstanding July 1, 2022 | Addition | Payments | Leases Outstanding June 30, 2023 |
|---|---|---|---|---|
| Pico Classroom Complex | $ - | $ 949,847 | $ (466,755) | $ 483,092 |

The District has leased a portion of the Pico Classroom Complex from Santa Monica City College for two years, beginning August 18, 2022. Under the terms of the lease, the District pays $500,000 annually, which amounted to total principal and interest of $1,000,000. The annual interest applied to the lease is 3.5%. At June 30, 2023, the District has recognized a right-to-use asset of $474,923, net of accumulated amortization, and a lease liability of $483,092, related to this agreement. During the fiscal year, the District recorded $33,245 in interest expense and $474,924 in amortization expense for the right to use the copiers.

The remaining principal and interest payment requirements for the lease obligation debt as of June 30, 2023, are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ 483,092 | $ 16,908 | $ 500,000 |

**Best System Upgrade – Financing Arrangement**

The Los Angeles County Office of Education offered financing for the cost of required software upgrades to the Best System. The District chose to make twelve quarterly payments of $15,031. As of June 30, 2023, the remaining balance was $287,432.

**Supplemental Early Retirement Plan**

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

At June 30, 2023, future minimum payments on supplemental early retirement incentives were as follows:

| Year Ending June 30, | Supplemental Early Retirement |
|---|---|
| 2024 | $ 1,002,395 |

**Compensated Absences**

Compensated absences (unpaid employee vacation) for the District at June 30, 2023, amounted to $921,543.

## Note 11 - Net Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2023, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the District Plan:

| OPEB Plan | Net OPEB Liability | Deferred Outflows of Resources | Deferred Inflows of Resources | OPEB Expense |
|---|---|---|---|---|
| District Plan | $ 51,898,949 | $ 11,850,701 | $ 14,920,075 | $ 4,617,309 |
| Medicare Premium Payment (MPP) Program | 567,926 | - | - | (134,593) |
| Total | $ 52,466,875 | $ 11,850,701 | $ 14,920,075 | $ 4,482,716 |

The details of the plan are as follows:

**District Plan**

**Plan Administration**

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

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

**Plan Membership**

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

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefits payments | 438 |
| Active employees | 1,426 |
| Total | 1,864 |

**Benefits Provided**

The District offers Self-Insured Schools of California health benefits plans to its retirees. Certificated and management employees with at least ten years of full-time equivalent service and age 55 or over may retire with District-paid medical and dental benefits. Although the classified employee agreement does not specify minimum age and service requirements for retirement, the valuation presented here assumes that classified staff will be subject to the same provisions as the other groups. Retiree benefits are capped at the monthly premium of the least expensive health maintenance organization offered for the retiree only to age 65.

**Contributions**

The contribution requirements of the Plan members and the District are established and may be amended by the District, the Santa Monica-Malibu Classroom Teachers Association (SMMCTA), the Service Employees International Union Local 99 (SEIU), and unrepresented groups. The District contributions are based on pay-as-you-go financing requirements, which include the statutory minimum required monthly premium, plus an administrative fee, on behalf of each retiree. In addition, the District makes supplemental contributions towards eligible retirees' premiums until age 65 according to the provisions of the District's agreement with its various employee groups. Any additional contributions are based on availability of funds. For the measurement period of June 30, 2023, the District contributed $1,203,448 (includes $206,556 of implicit rate subsidy), to the Plan, all of which was used for current premiums.

**Net OPEB Liability of the District**

The District's net OPEB liability of $51,898,949, was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2021. The components of the net OPEB liability of the District at June 30, 2023, were as follows:

| | |
|---|---|
| Total OPEB liability | $ 59,026,630 |
| Plan fiduciary net position | (7,127,681) |
| Net OPEB liability | $ 51,898,949 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 12.08% |

**Actuarial Assumptions**

The total OPEB liability in the July 1, 2021 actuarial valuation was determined by applying updated procedures to the financial reporting actuarial valuation as of the July 1, 2021 and rolling forward the total liability to June 30, 2023. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

| | |
|---|---|
| Inflation | 3.00% |
| Salary increases | 3.00%, average, including inflation |
| Investment rate of return | 5.00%, net of OPEB plan investment expense, including inflation |
| Discount rate | 3.94% |
| Healthcare cost trend rates | 5.25% |

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

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

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

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

**Changes in the Net OPEB Liability**

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a) - (b) |
| Balance, June 30, 2022 | $ 56,490,262 | $ 6,700,637 | $ 49,789,625 |
| Service cost | 2,624,929 | - | 2,624,929 |
| Interest | 2,223,725 | - | 2,223,725 |
| Employer contributions | - | 1,203,448 | (1,203,448) |
| Net investment income | - | 432,837 | (432,837) |
| Changes of assumptions | (1,108,838) | - | (1,108,838) |
| Benefit payments | (1,203,448) | (1,203,448) | - |
| Administrative expense | - | (5,793) | 5,793 |
| Net change in total OPEB liability | 2,536,368 | 427,044 | 2,109,324 |
| Balance, June 30, 2023 | $ 59,026,630 | $ 7,127,681 | $ 51,898,949 |

Changes of assumptions reflect a change in the discount rate from 3.80% in 2022 to 3.94% in 2023 and a change in healthcare cost trends rate from 5.50% in 2022 to 5.25% in 2023.

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

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

| Discount Rate | Net OPEB Liability |
|---|---|
| 1% decrease (2.94%) | $ 60,580,090 |
| Current discount rate (3.94%) | 51,898,949 |
| 1% increase (4.94%) | 44,828,420 |

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

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

| Healthcare Cost Trend Rate | Net OPEB Liability |
|---|---|
| 1% decrease (4.25%) | $ 42,888,430 |
| Current healthcare cost trend rate (5.25%) | 51,898,949 |
| 1% increase (6.25%) | 63,368,597 |

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

For the year ended June 30,2023, the District recognized OPEB expense of $4,617,309. At June 30,2023, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ - | $ 8,485,388 |
| Changes of assumptions | 10,977,185 | 5,813,426 |
| Net difference between projected and actual earnings on OPEB plan investments | 873,516 | 621,261 |
| Total | $ 11,850,701 | $ 14,920,075 |

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

| Year Ended June 30, | Deferred Outflows/(Inflows) of Resources |
|---|---|
| 2024 | $ 112,769 |
| 2025 | 95,020 |
| 2026 | 367,473 |
| 2027 | (244,940) |
| 2028 | (905,065) |
| Thereafter | (2,494,631) |
| Total | $ (3,069,374) |

**Medicare Premium Payment (MPP) Program**

**Plan Description**

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2021, annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

**Benefits Provided**

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

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

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

**Net OPEB Liability and OPEB Expense**

At June 30, 2023, the District reported a liability of $567,926 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2022 and June 30, 2021, respectively, was 0.1724%, and 0.1761%, resulting in a net decrease in the proportionate share of 0.0037%.

For the year ended June 30, 2023, the District recognized OPEB expense of $(134,593).

**Actuarial Methods and Assumptions**

The June 30, 2022 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2021, and rolling forward the total OPEB liability to June 30, 2022, using the assumptions listed in the following table:

| | | |
|---|---|---|
| Measurement Date | June 30, 2022 | June 30, 2021 |
| Valuation Date | June 30, 2021 | June 30, 2020 |
| Experience Study | July 1, 2015 through June 30, 2018 | July 1, 2015 through June 30, 2018 |
| Actuarial Cost Method | Entry age normal | Entry age normal |
| Investment Rate of Return | 3.54% | 2.16% |
| Medicare Part A Premium Cost Trend Rate | 4.50% | 4.50% |
| Medicare Part B Premium Cost Trend Rate | 5.40% | 5.40% |

For the valuation as of June 30, 2021, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 209 or an average of 0.14% of the potentially eligible population (145,282).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2022, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

**Discount Rate**

The discount rate used to measure the total OPEB liability as of June 30, 2022, is 3.54%. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.54%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2022, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 1.38% from 2.16% as of June 30, 2021.

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

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

| Discount Rate | Net OPEB Liability |
|---|---|
| 1% decrease (2.54%) | $ 619,148 |
| Current discount rate (3.54%) | 567,926 |
| 1% increase (4.54%) | 523,574 |

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

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

| Medicare Costs Trend Rates | Net OPEB Liability |
|---|---|
| 1% decrease (3.50% Part A and 4.40% Part B) | $ 521,093 |
| Current Medicare costs trend rates (4.50% Part A and 5.40% Part B) | 567,926 |
| 1% increase (5.50% Part A and 6.40% Part B) | 621,013 |

## Note 12 - Fund Balances

Fund balances are composed of the following elements:

| | General Fund | Building Fund | Bond Interest and Redemption Fund | Non-Major Governmental Funds | Total |
|---|---|---|---|---|---|
| Nonspendable | | | | | |
| Revolving cash | $ 20,016 | $ - | $ - | $ - | $ 20,016 |
| Stores inventories | - | - | - | 153,429 | 153,429 |
| Total nonspendable | 20,016 | - | - | 153,429 | 173,445 |
| Restricted | | | | | |
| Legally restricted programs | 24,355,307 | - | - | 1,531,412 | 25,886,719 |
| Food service | - | - | - | 859,139 | 859,139 |
| Capital projects | - | 165,474,729 | - | 17,523,740 | 182,998,469 |
| Debt service | - | - | 51,639,837 | - | 51,639,837 |
| Student activities | - | - | - | 288,287 | 288,287 |
| Total restricted | 24,355,307 | 165,474,729 | 51,639,837 | 20,202,578 | 261,672,451 |
| Committed | | | | | |
| Adult education program | - | - | - | 229,262 | 229,262 |
| Deferred maintenance program | - | - | - | 890,830 | 890,830 |
| Total committed | - | - | - | 1,120,092 | 1,120,092 |
| Assigned | | | | | |
| Child development | - | - | - | 3,096,687 | 3,096,687 |
| Retiree benefits | 488,419 | - | - | - | 488,419 |
| Total assigned | 488,419 | - | - | 3,096,687 | 3,585,106 |
| Unassigned | | | | | |
| Unassigned | 27,069,038 | - | - | - | 27,069,038 |
| Total | $ 51,932,780 | $ 165,474,729 | $ 51,639,837 | $ 24,572,786 | $ 293,620,132 |

## Note 13 - Risk Management

### Property and Liability

The District is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2023, the District contracted the Alliance of Schools for Cooperative Insurance Programs (ASCIP) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

**Workers' Compensation**

For fiscal year 2023, the District participated in Schools Linked for Insurance Management (SLIM), an insurance purchasing pool. The intent of SLIM is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in SLIM. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts.

**Employee Medical Benefits**

The District sponsors healthcare coverage through Self-Insured Schools of California III (SISC III). SISC III provides health insurance through several health maintenance organization (HMO) and preferred provider organization options. Participation in SISC III is financed in part by the District and through contributions by employees.

## Note 14 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2023, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

| Pension Plan | Net Pension Liability | Deferred Outflows of Resources | Deferred Inflows of Resources | Pension Expense |
|---|---|---|---|---|
| CalSTRS | $ 79,823,158 | $ 19,135,915 | $ 19,040,986 | $ 4,293,958 |
| CalPERS | 71,778,657 | 25,142,563 | 5,131,158 | 7,433,574 |
| Total | $ 151,601,815 | $ 44,278,478 | $ 24,172,144 | $ 11,727,532 |

The details of each plan are as follows:

**California State Teachers' Retirement System (CalSTRS)**

**Plan Description**

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2021, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

**Benefits Provided**

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

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

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

The STRP provisions and benefits in effect at June 30, 2023, are summarized as follows:

| | STRP Defined Benefit Program | |
|---|---|---|
| Hire date | On or before December 31, 2012 | On or after January 1, 2013 |
| Benefit formula | 2% at 60 | 2% at 62 |
| Benefit vesting schedule | 5 years of service | 5 years of service |
| Benefit payments | Monthly for life | Monthly for life |
| Retirement age | 60 | 62 |
| Monthly benefits as a percentage of eligible compensation | 2.0% - 2.4% | 2.0% - 2.4% |
| Required employee contribution rate | 10.25% | 10.205% |
| Required employer contribution rate | 19.10% | 19.10% |
| Required state contribution rate | 10.828% | 10.828% |

**Contributions**

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2023, are presented above and the District's total contributions were $14,719,270.

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

At June 30, 2023, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

| Total net pension liability, including State share | |
|---|---|
| Proportionate share of net pension liability | $ 79,823,158 |
| State's proportionate share of the net pension liability | 39,975,125 |
| Total | $ 119,798,283 |

The net pension liability was measured as of June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2022 and June 30, 2021, respectively was 0.1149% and 0.1172%, resulting in a net decrease in the proportionate share of 0.0023%.

For the year ended June 30, 2023, the District recognized pension expense of $4,293,958. In addition, the District recognized pension expense and revenue of $3,188,874 for support provided by the State. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Pension contributions subsequent to measurement date | $ 14,719,270 | $ - |
| Change in proportion and differences between contributions made and District's proportionate share of contributions | 392,518 | 9,152,407 |
| Differences between projected and actual earnings on pension plan investments | - | 3,903,507 |
| Differences between expected and actual experience in the measurement of the total pension liability | 65,480 | 5,985,072 |
| Changes of assumptions | 3,958,647 | - |
| Total | $ 19,135,915 | $ 19,040,986 |

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

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

| Year Ended June 30, | Deferred Outflows/(Inflows) of Resources |
|---|---|
| 2024 | $ (2,867,416) |
| 2025 | (3,106,360) |
| 2026 | (4,666,383) |
| 2027 | 6,736,652 |
| Total | $ (3,903,507) |

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

| Year Ended June 30, | Deferred Outflows/(Inflows) of Resources |
|---|---|
| 2024 | $ 551,021 |
| 2025 | (3,190,149) |
| 2026 | (2,778,730) |
| 2027 | (2,364,575) |
| 2028 | (2,187,191) |
| Thereafter | (751,210) |
| Total | $ (10,720,834) |

**Actuarial Methods and Assumptions**

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2021 and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021, used the following methods and assumptions, applied to all prior periods included in the measurement:

| | |
|---|---|
| Valuation date | June 30, 2021 |
| Measurement date | June 30, 2022 |
| Experience study | July 1, 2015 through June 30, 2018 |
| Actuarial cost method | Entry age normal |
| Discount rate | 7.10% |
| Investment rate of return | 7.10% |
| Consumer price inflation | 2.75% |
| Wage growth | 3.50% |

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2022, are summarized in the following table:

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

**Discount Rate**

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

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

| Discount Rate | Net Pension Liability |
|---|---|
| 1% decrease (6.10%) | $ 135,569,328 |
| Current discount rate (7.10%) | 79,823,158 |
| 1% increase (8.10%) | 33,537,076 |

**California Public Employees Retirement System (CalPERS)**

**Plan Description**

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2021 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

**Benefits Provided**

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced

benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2023, are summarized as follows:

| | School Employer Pool (CalPERS) | |
|---|---|---|
| Hire date | On or before December 31, 2012 | On or after January 1, 2013 |
| Benefit formula | 2% at 55 | 2% at 62 |
| Benefit vesting schedule | 5 years of service | 5 years of service |
| Benefit payments | Monthly for life | Monthly for life |
| Retirement age | 55 | 62 |
| Monthly benefits as a percentage of eligible compensation | 1.1% - 2.5% | 1.0% - 2.5% |
| Required employee contribution rate | 7.00% | 8.00% |
| Required employer contribution rate | 25.370% | 25.370% |

**Contributions**

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2023, are presented above and the total District contributions were $9,707,866.

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

As of June 30, 2023, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $71,778,657. The net pension liability was measured as of June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2022 and June 30, 2021, respectively was 0.2086% and 0.2192%, resulting in a net decrease in the proportionate share of 0.0106%.

For the year ended June 30, 2023, the District recognized pension expense of $7,433,574. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Pension contributions subsequent to measurement date | $ 9,707,866 | $ - |
| Change in proportion and differences between contributions made and District's proportionate share of contributions | 1,325,416 | 3,345,213 |
| Differences between projected and actual earnings on pension plan investments | 8,475,107 | - |
| Differences between expected and actual experience in the measurement of the total pension liability | 324,397 | 1,785,945 |
| Changes of assumptions | 5,309,777 | - |
| Total | $ 25,142,563 | $ 5,131,158 |

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

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

| Year Ended June 30, | Deferred Outflows/(Inflows) of Resources |
|---|---|
| 2024 | $ 1,413,379 |
| 2025 | 1,253,570 |
| 2026 | 640,338 |
| 2027 | 5,167,820 |
| Total | $ 8,475,107 |

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

| Year Ended June 30, | Deferred Outflows/(Inflows) of Resources |
|---|---|
| 2024 | $ 417,276 |
| 2025 | 1,088,576 |
| 2026 | 448,509 |
| 2027 | (125,929) |
| Total | $ 1,828,432 |

**Actuarial Methods and Assumptions**

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2021 and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021, used the following methods and assumptions, applied to all prior periods included in the measurement:

| | |
|---|---|
| Valuation date | June 30, 2021 |
| Measurement date | June 30, 2022 |
| Experience study | July 1, 1997 through June 30, 2015 |
| Actuarial cost method | Entry age normal |
| Discount rate | 6.90% |
| Investment rate of return | 6.90% |
| Consumer price inflation | 2.30% |
| Wage growth | Varies by entry age and service |

The mortality table used was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Assumed Asset Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Global Equity - cap-weighted | 30% | 4.45% |
| Global Equity non-cap-weighted | 12% | 3.84% |
| Private Equity | 13% | 7.28% |
| Treasury | 5% | 0.27% |
| Mortgage-backed Securities | 5% | 0.50% |
| Investment Grade Corporates | 10% | 1.56% |
| High Yield | 5% | 2.27% |
| Emerging Market Debt | 5% | 2.48% |
| Private Debt | 5% | 3.57% |
| Real Assets | 15% | 3.21% |
| Leverage | (5%) | (0.59%) |

**Discount Rate**

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on the School Employer Pool investments was applied to all periods of projected benefit payments to determine total pension liability.

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

| Discount Rate | Net Pension Liability |
|---|---|
| 1% decrease (5.90%) | $ 103,687,904 |
| Current discount rate (6.90%) | 71,778,657 |
| 1% increase (7.90%) | 45,406,836 |

**Social Security**

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

**On Behalf Payments**

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $6,412,841 (10.828% of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures.

## Note 15 - Commitments and Contingencies

**Grants**

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2023.

**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, 2023.

**Construction Commitments**

As of June 30, 2023, the District had the following commitments with respect to the unfinished capital projects:

| Capital Project | Remaining Construction Commitment | Expected Date of Completion |
|---|---|---|
| Measure ES Projects | | |
| SAMOHI - Discovery Building | $ 187,707 | December 2023 |
| McKinley - Window, Floor, Paint & Door Project & HVAC Project | 19,835 | December 2023 |
| Olympic - Window, Floor, Paint & Door Project & HVAC Project | 7,818 | December 2023 |
| JAMS Auditorium | 95,317 | December 2023 |
| Franklin - Roof Replacement | 523,296 | March 2024 |
| Roosevelt - Roof Replacement | 531,730 | March 2024 |
| JAMS - Roof Replacement | 37,675 | March 2024 |
| Lincoln - Roof Replacement | 430,759 | March 2024 |
| 21st Century | 617,598 | June 2024 |
| Leadership & Capacity - Building | 96,522 | June 2024 |
| Santa Monica Others - Centralized Cost | 237,593 | June 2024 |
| Centralized Cost - Santa Monica Others (Distributed end of Fiscal Year) | 86,835 | June 2024 |
| Measure SMS Projects | | |
| Lincoln Bldg G & K Modernization | 87,238 | December 2023 |
| Lincoln HVAC & Electrical Project | 33,218 | December 2023 |
| Olympic - Window, Floor, Paint & Door Project & HVAC Project | 12,109 | December 2023 |
| Edison - Window, Floor, Paint & Door Project & HVAC Project | 112,298 | December 2023 |
| Grant - HVAC & Electrical Project | 65,464 | December 2023 |
| Will Rogers - HVAC & Electrical Project | 39,396 | December 2023 |
| Roosevelt - HVAC & Electrical Project | 43,810 | December 2023 |
| Franklin ES - Safety & Security Project | 6,000 | December 2023 |
| Grant ES - Safety & Security Project | 6,300 | December 2023 |
| McKinley ES - Safety & Security Project | 5,700 | December 2023 |
| Roosevelt ES - Safety & Security Project | 5,400 | December 2023 |
| JAMS - MS Safety & Security Project | 6,265 | December 2023 |
| Lincoln MS - Safety & Security Project | 2,400 | December 2023 |
| Obama Center - Safety & Security Project | 7,560 | December 2023 |
| SAMOHI - Safety & Security Project | 3,656 | December 2023 |
| JAMS Marquee | 9,065 | December 2023 |
| John Muir/SMASH - Window, Floor, Paint & Door & HVAC Project | 56,855 | December 2023 |
| JAMS Linear Courtyard Project | 7,300 | December 2023 |
| Franklin ES - FF&E Project | 59,612 | June 2024 |
| Grant ES - FF&E Project | 7,117 | June 2024 |
| McKinley ES - FF&E Project | 38,385 | June 2024 |
| Will Rogers ES - FF&E Project | 52,319 | June 2024 |
| Roosevelt ES - FF&E Project | 25,278 | June 2024 |
| JAMS MS - FF&E Project | 86,827 | June 2024 |
| Lincoln MS - FF&E Project | 37,715 | June 2024 |
| SAMOHI - FF&E Project | 17,817 | June 2024 |
| Washington West - FF&E Project | 13,798 | June 2024 |
| Edison ES - Safety & Security Project | 20,160 | June 2024 |
| Will Rogers ES - Safety & Security Project | 536,570 | June 2024 |

| Capital Project | Remaining Construction Commitment | Expected Date of Completion |
|---|---|---|
| Measure SMS Projects, continued | | |
| SAMOHI - Interim Repairs/Upgrades Project | $ 13,579 | June 2024 |
| JAMS Middle Schools (MS) Master Planning Assessment | 56,757 | December 2024 |
| JAMS Library | 1,245,781 | December 2024 |
| SMASH/Muir ES - FF&E Project | 51,112 | December 2024 |
| Smash/Muir ES - Safety & Security Project | 114,322 | December 2024 |
| SAMOHI - Phase 3 | 73,977,564 | June 2025 |
| John Muir/SMASH - Water Intrusion | 2,954,050 | June 2025 |
| Franklin ES Master Planning Assessment | 87,822 | June 2025 |
| Roosevelt ES Master Planning Assessment | 338,145 | June 2025 |
| McKinley ES Master Planning Assessment | 462,233 | June 2025 |
| Grant ES Master Planning Assessment | 271,777 | June 2025 |
| Will Rogers ES Master Planning Assessment | 209,964 | June 2025 |
| Santa Monica Others - FF&E Project | 37,364 | June 2025 |
| Lincoln Middle Schools (MS) Master Planning Assessment | 32,926 | June 2026 |
| Rogers Early Elementary Buidling | 6,395,008 | June 2026 |
| McKinley Admin and Early Elementary Building | 5,354,913 | June 2026 |
| Grant Library Renovation | 172,868 | December 2026 |
| McKinley Library Renovation | 772 | December 2026 |
| Roosevelt Elementary and Library Building | 4,784,472 | December 2026 |
| Franklin Maker Space and Field | 573,748 | June 2027 |
| Grant Early Elementary Building | 2,146,958 | June 2027 |
| JAMS Library Renovation | 1,245,781 | June 2027 |
| JAMS STEM Building | 2,568,872 | June 2027 |
| Lincoln 500s Building Modenization | 1,271,039 | June 2027 |
| Safety & Security Projects | 50,417 | Ongoing |
| Measure SMS - SMO Centralized Cost | 844,245 | Ongoing |
| Measure M Projects | | |
| Malibu- Window, Floor Paint, Door & HVAC Project | 15,301 | December 2023 |
| Webster - Window, Floor Paint & Door Project | 13,304 | December 2023 |
| Malibu Elementary Schools Alignment & Playground Project | 270,154 | December 2023 |
| Webster ES Safety & Security Project | 39,462 | December 2023 |
| Malibu & Cabrillo HVAC & Electrical | 56,694 | December 2023 |
| Malibu Elementary FF&E Project | 5,191 | December 2023 |
| Malibu High FF&E Project | 20,121 | December 2023 |
| Webster ES FF&E Project | 6,149 | December 2023 |
| Malibu Campus Plan Interim Measures | 86,900 | December 2023 |
| Malibu Elementary Safety & Security Project | 4,500 | June 2024 |
| Malibu - new high school | 678,044 | December 2024 |
| Malibu Campus Plan - Phase I | 103,086,116 | June 2025 |
| Malibu - Window, Floor Paint, Door, & HVAC Project | 793,077 | June 2025 |
| Measure M - Centralized Expenses | 779,094 | Ongoing |
| Total | $ 215,394,913 | |

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

The District is a member of the Alliance of Schools for Cooperative Insurance Programs (ASCIP), Schools Linked for Insurance Management (SLIM), and Self-Insured Schools of California (SISC III) joint powers authorities (JPAs). The District pays an annual premium to the applicable entity for its property and liability, workers' compensation coverage, and employee medical benefits coverage, respectively. The relationships between the District and the JPAs are such that they are not component units of the District for financial reporting purposes.

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

During the year ended June 30, 2023, the District made payments of $2,521,992, $4,213,943, and $8,799,340, to ASCIP, SLIM, SISC III and respectively for property and liability, workers' compensation, and employee medical benefits coverage, respectively.

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

A prior-period adjustment was made as a result of an overstatement of receivables in the June 30, 2022, audited financial statements. The impacts on the beginning net position in the government-wide financial statements and on the beginning fund balance in the General Fund are as follows:

| | |
|---|---|
| Governmental Activities | |
| Beginning Net Position previously reported at June 30, 2022 | $ 100,898,657 |
| Overstatement of receivables related to state categorical revenue | (1,231,446) |
| Net Position - Beginning, as restated July 1, 2022 (before GASB 96 implementation) | $ 99,667,211 |
| General Fund | |
| Beginning Fund Balance previously reported at June 30, 2022 | $ 55,473,615 |
| Overstatement of receivables related to state categorical revenue | (1,231,446) |
| Fund Balance - Beginning, as restated July 1, 2022 | $ 54,242,169 |

## Note 18 - Adoption of New Accounting Standard

As of July 1, 2022, the District adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. The implementation of this standard establishes that a SBITA results in a right-to-use subscription IT asset – an intangible asset – and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. Beginning net position was restated to retroactively adopt the provisions of GASB Statement No. 96 as follows:

| | |
|---|---|
| Governmental Activities | |
| Net Position - Beginning, as previously reported on June 30, 2022 | $ 99,667,211 |
| Right-to-use subscription IT assets, net of amortization | 185,985 |
| Net Position - Beginning, as restated on July 1, 2022 | $ 99,853,196 |

## Note 19 - Subsequent Event

On October 26, 2023, the District issued the Election of 2018, Series C, SFID No. 1 General Obligation Bonds in the amount of $175,000,000. The Election of 2018, Series C, Bonds SFID No. 1 were issued as current interest bonds and have a final maturity to occur on August 1, 2042, with interest rates ranging from 5.00% to 5.56%. Proceeds from the sale of the bonds will be used to finance the renovation, construction, and improvement of school facilities in the District's School Facilities Improvement District No. 1 (Santa Monica Schools), and to pay issuance costs of the bonds.

Required Supplementary Information
June 30, 2023

# Santa Monica-Malibu Unified School District

| | Budgeted Amounts | | | Variances - Positive (Negative) |
|---|---|---|---|---|
| | Original | Final | Actual | Final to Actual |
| Revenues | | | | |
| Local Control Funding Formula | | | | |
| LCFF apportionment | $ 8,585,843 | $ 8,585,843 | $ 8,586,351 | $ 508 |
| Education protection account state aid | 2,000,000 | 2,000,000 | 1,891,744 | (108,256) |
| Local sources | 102,049,545 | 108,530,115 | 110,061,488 | 1,531,373 |
| Federal sources | 4,521,945 | 12,920,187 | 7,882,432 | (5,037,755) |
| Other State sources | 2,677,357 | 13,325,769 | 24,361,603 | 11,035,834 |
| Other local sources | 56,851,954 | 61,594,949 | 63,158,451 | 1,563,502 |
| Total revenues [1] | 176,686,644 | 206,956,863 | 215,942,069 | 8,985,206 |
| Expenditures | | | | |
| Current | | | | |
| Certificated salaries | 66,064,832 | 78,802,308 | 77,687,546 | 1,114,762 |
| Classified salaries | 33,995,721 | 38,946,787 | 39,414,623 | (467,836) |
| Employee benefits | 49,213,030 | 52,884,394 | 63,714,879 | (10,830,485) |
| Books and supplies | 3,595,415 | 9,221,648 | 5,493,387 | 3,728,261 |
| Services and operating expenditures | 21,718,131 | 35,561,994 | 28,289,908 | 7,272,086 |
| Other outgo | (614,711) | (662,241) | 484,899 | (1,147,140) |
| Capital outlay | 357,686 | 1,092,875 | 1,354,551 | (261,676) |
| Debt service | | | | |
| Debt service - principal | - | - | 520,080 | (520,080) |
| Debt service - interest and other | - | - | 41,432 | (41,432) |
| Total expenditures | 174,330,104 | 215,847,765 | 217,001,305 | (1,153,540) |
| Excess (Deficiency) of Revenues Over Expenditures | 2,356,540 | (8,890,902) | (1,059,236) | 7,831,666 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | - | 438,502 | - | (438,502) |
| Other sources - lease | - | 4,556,245 | 949,847 | (3,606,398) |
| Transfers out | (3,100,000) | (3,538,502) | (2,200,000) | 1,338,502 |
| Net Financing Sources (Uses) | (3,100,000) | 1,456,245 | (1,250,153) | (2,706,398) |
| Net Change in Fund Balances | (743,460) | (7,434,657) | (2,309,389) | 5,125,268 |
| Fund Balance - Beginning, as restated | 54,242,169 | 54,242,169 | 54,242,169 | - |
| Fund Balance - Ending | $ 53,498,709 | $ 46,807,512 | $ 51,932,780 | $ 5,125,268 |

# Santa Monica-Malibu Unified School District
## Schedule of Changes in the District's Net OPEB Liability and Related Ratios
## Year Ended June 30, 2023

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Total OPEB Liability | | | |
| Service cost | $ 2,624,929 | $ 3,419,011 | $ 3,020,133 |
| Interest | 2,223,725 | 1,689,516 | 1,912,637 |
| Difference between expected and actual experience | - | (8,961,132) | - |
| Changes of assumptions | (1,108,838) | (6,412,655) | 7,032,656 |
| Benefit payments | (1,203,448) | (1,769,010) | (1,879,864) |
| Net change in total OPEB liability | 2,536,368 | (12,034,270) | 10,085,562 |
| Total OPEB Liability - Beginning | 56,490,262 | 68,524,532 | 58,438,970 |
| Total OPEB Liability - Ending (a) | $ 59,026,630 | $ 56,490,262 | $ 68,524,532 |
| Plan Fiduciary Net Position | | | |
| Employer contributions | $ 1,203,448 | $ 1,769,010 | $ 1,879,864 |
| Net investment income | 432,837 | (1,032,776) | 1,671,883 |
| Benefit payments | (1,203,448) | (1,769,010) | (1,879,864) |
| Administrative expense | (5,793) | (6,511) | (5,918) |
| Net change in plan fiduciary net position | 427,044 | (1,039,287) | 1,665,965 |
| Plan Fiduciary Net Position - Beginning | 6,700,637 | 7,739,924 | 6,073,959 |
| Plan Fiduciary Net Position - Ending (b) | $ 7,127,681 | $ 6,700,637 | $ 7,739,924 |
| Net OPEB Liability - Ending (a) - (b) | $ 51,898,949 | $ 49,789,625 | $ 60,784,608 |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 12.08% | 11.86% | 11.30% |
| Covered Payroll | N/A[1] | N/A[1] | N/A[1] |
| Net OPEB Liability as a Percentage of Covered Payroll | N/A[1] | N/A[1] | N/A[1] |
| Measurement Date | June 30, 2023 | June 30, 2022 | June 30, 2021 |

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

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

# Santa Monica-Malibu Unified School District

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

### Year Ended June 30, 2023

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Total OPEB Liability | | | |
| Service cost | $ 2,370,918 | $ 2,077,187 | $ 2,016,686 |
| Interest | 2,050,071 | 2,100,375 | 1,974,060 |
| Difference between expected and actual experience | (3,264,350) | - | - |
| Changes of assumptions | 8,193,212 | 5,561,651 | - |
| Benefit payments | (1,906,398) | (1,484,273) | (1,445,115) |
| Net change in total OPEB liability | 7,443,453 | 8,254,940 | 2,545,631 |
| Total OPEB Liability - Beginning | 50,995,517 | 42,740,577 | 40,194,946 |
| Total OPEB Liability - Ending (a) | $ 58,438,970 | $ 50,995,517 | $ 42,740,577 |
| Plan Fiduciary Net Position | | | |
| Employer contributions | $ 1,906,398 | $ 1,484,273 | $ 2,445,115 |
| Net investment income | 209,781 | 343,772 | 311,899 |
| Benefit payments | (1,906,398) | (1,484,273) | (1,445,115) |
| Administrative expense | (5,051) | (4,713) | (4,176) |
| Net change in plan fiduciary net position | 204,730 | 339,059 | 1,307,723 |
| Plan Fiduciary Net Position - Beginning | 5,869,229 | 5,530,170 | 4,222,447 |
| Plan Fiduciary Net Position - Ending (b) | $ 6,073,959 | $ 5,869,229 | $ 5,530,170 |
| Net OPEB Liability - Ending (a) - (b) | $ 52,365,011 | $ 45,126,288 | $ 37,210,407 |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 10.39% | 11.51% | 12.94% |
| Covered Payroll | N/A[1] | N/A[1] | N/A[1] |
| Net OPEB Liability as a Percentage of Covered Payroll | N/A[1] | N/A[1] | N/A[1] |
| Measurement Date | June 30, 2020 | June 30, 2019 | June 30, 2018 |

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

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

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Actuarially determined contribution | $ 3,816,144 | $ 3,704,994 | $ 3,847,353 |
| Contribution in relation to the actuarially determined contribution | 1,203,448 | 1,769,010 | 1,879,864 |
| Contribution deficiency (excess) | $ 2,612,696 | $ 1,935,984 | $ 1,967,489 |
| Covered payroll | N/A[1] | N/A[1] | N/A[1] |
| Contributions as a percentage of covered payroll | N/A[1] | N/A[1] | N/A[1] |

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Actuarially determined contribution | $ 3,735,294 | $ 3,767,554 | $ 3,657,819 |
| Contribution in relation to the actuarially determined contribution | 1,906,398 | 1,484,273 | 2,445,115 |
| Contribution deficiency (excess) | $ 1,828,896 | $ 2,283,281 | $ 1,212,704 |
| Covered payroll | N/A[1] | N/A[1] | N/A[1] |
| Contributions as a percentage of covered payroll | N/A[1] | N/A[1] | N/A[1] |

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

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

| Year ended June 30, | 2023 | 2022 | 2021 |
|---|---|---|---|
| Proportion of the net OPEB liability | 0.1724% | 0.1761% | 0.2133% |
| Proportionate share of the net OPEB liability | $ 567,926 | $ 702,519 | $ 903,722 |
| Covered payroll | N/A[1] | N/A[1] | N/A[1] |
| Proportionate share of the net OPEB liability as a percentage of it's covered payroll | N/A[1] | N/A[1] | N/A[1] |
| Plan fiduciary net position as a percentage of the total OPEB liability | (0.94%) | (0.80%) | (0.71%) |
| Measurement Date | June 30, 2022 | June 30, 2021 | June 30, 2020 |

| Year ended June 30, | 2020 | 2019 | 2018 |
|---|---|---|---|
| Proportion of the net OPEB liability | 0.2183% | 0.2230% | 0.2314% |
| Proportionate share of the net OPEB liability | $ 812,832 | $ 854,202 | $ 994,653 |
| Covered payroll | N/A[1] | N/A[1] | N/A[1] |
| Proportionate share of the net OPEB liability as a percentage of it's covered payroll | N/A[1] | N/A[1] | N/A[1] |
| Plan fiduciary net position as a percentage of the total OPEB liability | (0.81%) | (0.40%) | 0.01% |
| Measurement Date | June 30, 2019 | June 30, 2018 | June 30, 2017 |

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

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

# Santa Monica-Malibu Unified School District
## Schedule of the District's Proportionate Share of the Net Pension Liability - CalSTRS
## Year Ended June 30, 2023

| **CalSTRS** | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| Proportion of the net pension liability | 0.1149% | 0.1172% | 0.1224% | 0.1234% | 0.1243% |
| Proportionate share of the net pension liability | $ 79,823,158 | $ 53,323,078 | $ 118,601,908 | $ 111,436,765 | $ 114,272,455 |
| State's proportionate share of the net pension liability | 39,975,125 | 26,830,105 | 61,139,298 | 60,796,195 | 68,048,603 |
| Total | $ 119,798,283 | $ 80,153,183 | $ 179,741,206 | $ 172,232,960 | $ 182,321,058 |
| Covered payroll | $ 66,315,928 | $ 64,466,173 | $ 67,297,626 | $ 67,555,147 | $ 67,206,168 |
| Proportionate share of the net pension liability as a percentage of its covered payroll | 120.37% | 82.71% | 176.23% | 164.96% | 170.03% |
| Plan fiduciary net position as a percentage of the total pension liability | 81% | 87% | 72% | 73% | 71% |
| Measurement Date | June 30, 2022 | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 |

| | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| Proportion of the net pension liability | 0.1278% | 0.1242% | 0.1318% | 0.1260% |
| Proportionate share of the net pension liability | $ 118,214,471 | $ 100,480,053 | $ 88,739,307 | $ 73,375,330 |
| State's proportionate share of the net pension liability | 71,711,086 | 61,767,308 | 46,933,185 | 44,307,192 |
| Total | $ 189,925,557 | $ 162,247,361 | $ 135,672,492 | $ 117,682,522 |
| Covered payroll | $ 67,800,668 | $ 63,504,492 | $ 60,268,435 | 57,309,309 |
| Proportionate share of the net pension liability as a percentage of its covered payroll | 174.36% | 158.23% | 147.24% | 128.03% |
| Plan fiduciary net position as a percentage of the total pension liability | 69% | 70% | 74% | 77% |
| Measurement Date | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 |

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

| **CalPERS** | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| Proportion of the net pension liability | 0.2086% | 0.2192% | 0.2101% | 0.2199% | 0.2315% |
| Proportionate share of the net pension liability | $ 71,778,657 | $ 44,565,033 | $ 64,457,667 | $ 64,090,590 | $ 61,732,127 |
| Covered payroll | $ 32,068,992 | $ 31,475,087 | $ 30,871,533 | $ 30,586,469 | $ 30,836,411 |
| Proportionate share of the net pension liability as a percentage of its covered payroll | 223.83% | 141.59% | 208.79% | 209.54% | 200.19% |
| Plan fiduciary net position as a percentage of the total pension liability | 70% | 81% | 70% | 70% | 71% |
| Measurement Date | June 30, 2022 | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 |

| | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| Proportion of the net pension liability | 0.2303% | 0.2312% | 0.2325% | 0.2310% |
| Proportionate share of the net pension liability | $ 54,968,070 | $ 45,665,948 | $ 34,274,607 | $ 26,174,060 |
| Covered payroll | $ 29,392,792 | $ 27,759,137 | $ 25,758,729 | 24,305,768 |
| Proportionate share of the net pension liability as a percentage of its covered payroll | 187.01% | 164.51% | 133.06% | 107.69% |
| Plan fiduciary net position as a percentage of the total pension liability | 72% | 74% | 79% | 83% |
| Measurement Date | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 |

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

| **CalSTRS** | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| Contractually required contribution | $ 14,719,270 | $ 11,220,655 | $ 10,411,287 | $ 11,507,894 | $ 10,997,978 |
| Less contributions in relation to the contractually required contribution | 14,719,270 | 11,220,655 | 10,411,287 | 11,507,894 | 10,997,978 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - |
| Covered payroll | $ 77,064,241 | $ 66,315,928 | $ 64,466,173 | $ 67,297,626 | $ 67,555,147 |
| Contributions as a percentage of covered payroll | 19.10% | 16.92% | 16.15% | 17.10% | 16.28% |

| | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| Contractually required contribution | $ 9,697,850 | $ 8,529,324 | $ 6,814,032 | $ 5,351,837 |
| Less contributions in relation to the contractually required contribution | 9,697,850 | 8,529,324 | 6,814,032 | 5,351,837 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - |
| Covered payroll | $ 67,206,168 | $ 67,800,668 | $ 63,504,492 | $ 60,268,435 |
| Contributions as a percentage of covered payroll | 14.43% | 12.58% | 10.73% | 8.88% |

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

| **CalPERS** | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| Contractually required contribution | $ 9,707,866 | $ 7,347,006 | $ 6,515,343 | $ 6,088,175 | $ 5,524,528 |
| Less contributions in relation to the contractually required contribution | 9,707,866 | 7,347,006 | 6,515,343 | 6,088,175 | 5,524,528 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - |
| Covered payroll | $ 38,265,140 | $ 32,068,992 | $ 31,475,087 | $ 30,871,533 | $ 30,586,469 |
| Contributions as a percentage of covered payroll | 25.370% | 22.910% | 20.700% | 19.721% | 18.062% |

| | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| Contractually required contribution | $ 4,789,203 | $ 4,082,071 | $ 3,288,625 | $ 3,032,060 |
| Less contributions in relation to the contractually required contribution | 4,789,203 | 4,082,071 | 3,288,625 | 3,032,060 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - |
| Covered payroll | $ 30,836,411 | $ 29,392,792 | $ 27,759,137 | $ 25,758,729 |
| Contributions as a percentage of covered payroll | 15.531% | 13.888% | 11.847% | 11.771% |

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

## Note 1 - Purpose of Schedules

**Budgetary Comparison Schedule**

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

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

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

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

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

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The discount rate reflects a change from 3.80% to 3.94% and the plan healthcare cost trends rate was changed from 5.50% in 2022 to 5.25% in 2023.

**Schedule of the District's Contributions for OPEB**

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

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

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

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The plan rate of investment return assumption was changed from 2.16% to 3.54% since the previous valuation.

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

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

- *Changes in Benefit Terms* – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.
- *Changes of Assumptions* – There were no changes in economic assumptions for the CalSTRS plan from the previous valuations. The CalPERS plan rate of investment return assumption was changed from 7.15% to 6.90% since the previous valuation.

**Schedule of the District's Contributions**

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

Supplementary Information
June 30, 2023

# Santa Monica-Malibu Unified School District

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal Financial Assistance Listing Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|---|---|---|---|
| U.S. Department of Education | | | |
| Passed Through California Department of Education (CDE) | | | |
| Adult Basic Education and ESL | 84.002A | 14508 | $ 41,260 |
| Adult Secondary Education | 84.002 | 13978 | 22,680 |
| Subtotal | | | 63,940 |
| Title I, Part A, Basic Grants Low-Income and Neglected | 84.010 | 14329 | 1,249,463 |
| ESSA School Improvement (CSI) Funding for LEAs | 84.010 | 15438 | 285 |
| Subtotal | | | 1,249,748 |
| Title IV, Part A, Student Support and Academic Enrichment Grants | 84.424 | 15396 | 62,600 |
| Title II, Part A, Supporting Effective Instruction | 84.367 | 14341 | 237,133 |
| Title III, English Learner Student Program | 84.365 | 14346 | 75,503 |
| Carl D. Perkins Career and Technical Education: Secondary, Section 131 | 84.048 | 14894 | 30,066 |
| Education Stabilization Fund | | | |
| COVID-19 Elementary and Secondary School Emergency Relief II (ESSER II) | 84.425D | 15547 | 1,575,948 |
| COVID-19 ARP Elementary and Secondary School Emergency Relief (ARP ESSER) | 84.425U | 10155 | 963,705 |
| COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER) | 84.425D | 15618 | 686,369 |
| COVID-19 Governor's Emergency Education Relief | 84.425C | 15619 | 122,786 |
| Subtotal Education Stabilization Fund | | | 3,348,808 |
| Passed through Tri-Cities SELPA | | | |
| Special Education (IDEA) Cluster | | | |
| Basic Local Assistance Entitlement, Part B, Sec 611 | 84.027 | 13379 | 2,257,880 |
| COVID-19 Special Education Grants to States | 84.027 | 15638 | 471,468 |
| Subtotal | | | 2,729,348 |
| Preschool Grants, Part B, Sec 618 | 84.173 | 13430 | 52,846 |
| COVID-19 Preschool Grants, Part B, Sec 619 | 84.173 | 15639 | 37,281 |
| Subtotal | | | 90,127 |
| Subtotal Special Education (IDEA) Cluster | | | 2,819,475 |
| Early Intervention Grants, Part C | 84.181 | 23761 | 59,099 |
| Total U.S. Department of Education | | | 7,946,372 |

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal Financial Assistance Listing Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|---|---|---|---|
| U.S. Department of Health and Human Services | | | |
| Passed through California Department of Social Services (CDSS) | | | |
| Child Care Development Fund (CCDF) Cluster | | | |
| COVID-19 Child Development: ARP California State Preschool Program One-time Stipend | 93.575 | 15640 | $ 262,006 |
| Subtotal CCDF Cluster | | | 262,006 |
| Total U.S. Department of Health and Human Services | | | 262,006 |
| U.S. Department of Agriculture | | | |
| Passed through CDE | | | |
| Child Nutrition Cluster | | | |
| Child Nutrition: | | | |
| School Programs (School Breakfast Basic) | 10.553 | 13525 | 60,963 |
| School Programs (School Breakfast Needy) | 10.553 | 13526 | 236,296 |
| Subtotal | | | 297,259 |
| School Programs (NSL Sec 4) | 10.555 | 13523 | 530,488 |
| School Programs (NSL Sec 11) | 10.555 | 13524 | 703,242 |
| Commodities | 10.555 | 13396 | 231,420 |
| Summer Food Program | 10.555 | 15655 | 342,892 |
| Subtotal | | | 1,808,042 |
| Total Child Nutrition Cluster | | | 2,105,301 |
| Passed through CDSS | | | |
| Child and Adult Care Food Program | 10.558 | 13529 | 71,519 |
| Child and Adult Care Food Program | 10.558 | 13534 | 4,054 |
| Subtotal | | | 75,573 |
| Total U.S. Department of Agriculture | | | 2,180,874 |
| Total Federal Financial Assistance | | | $ 10,389,252 |

**ORGANIZATION**

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

**GOVERNING BOARD**

| MEMBER | OFFICE | TERM EXPIRES |
|---|---|---|
| Maria Leon-Vazquez | President | 2024 |
| Dr. Richard Tahvildaran-Jesswein | Vice President | 2026 |
| Jon Kean | Member | 2024 |
| Laurie Lieberman | Member | 2026 |
| Alicia Mignano | Member | 2026 |
| Stacy Rouse | Member | 2026 |
| Jennifer Smith | Member | 2024 |

**ADMINISTRATION**

| NAME | TITLE |
|---|---|
| Dr. Ben Drati | Superintendent (7/1/22-12/31/22) |
| Dr. Mark Kelly | Interim Superintendent (1/1/23-6/30/23) |
| Ms. Melody Canady | Assistant Superintendent, Fiscal and Business Services |
| Dr. Mark Kelly | Assistant Superintendent, Human Resources (7/1/22-12/31/22) |
| Dr. Jacqueline Mora | Assistant Superintendent, Educational Services |

| | Final Report | |
|---|---|---|
| | Second Period Report | Annual Report |
| Regular ADA | | |
| Transitional kindergarten through third | 2,213.14 | 2,221.58 |
| Fourth through sixth | 1,854.04 | 1,856.84 |
| Seventh and eighth | 1,267.98 | 1,268.13 |
| Ninth through twelfth | 2,867.52 | 2,862.78 |
| Total Regular ADA | 8,202.68 | 8,209.33 |
| Extended Year Special Education | | |
| Transitional kindergarten through third | 3.11 | 3.11 |
| Fourth through sixth | 3.06 | 3.06 |
| Seventh and eighth | 2.38 | 2.38 |
| Ninth through twelfth | 8.23 | 8.23 |
| Total Extended Year Special Education | 16.78 | 16.78 |
| Special Education, Nonpublic, Nonsectarian Schools | | |
| Fourth through sixth | 0.93 | 0.91 |
| Seventh and eighth | 4.21 | 4.17 |
| Ninth through twelfth | 6.42 | 6.19 |
| Total Special Education, Nonpublic, Nonsectarian Schools | 11.56 | 11.27 |
| Extended Year Special Education, Nonpublic, Nonsectarian Schools | | |
| Fourth through sixth | 0.19 | 0.19 |
| Seventh and eighth | 0.43 | 0.43 |
| Ninth through twelfth | 0.83 | 0.83 |
| Total Extended Year Special Education, Nonpublic, Nonsectarian Schools | 1.45 | 1.45 |
| Total ADA | 8,232.47 | 8,238.83 |

# Santa Monica-Malibu Unified School District
## Schedule of Instructional Time
### Year Ended June 30, 2023

| Grade Level | 1986-1987 Minutes Requirement | 2022-2023 Actual Minutes | Number of Minutes Credited Form J-13A | Total Minutes Offered | Traditional Calendar: Number of Actual Days | Traditional Calendar: Number of Days Credited Form J-13A | Traditional Calendar: Total Days Offered | Multitrack Calendar: Number of Actual Days | Multitrack Calendar: Number of Days Credited Form J-13A | Multitrack Calendar: Total Days Offered | Status |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **For all sites other than those specified below** | | | | | | | | | | | |
| Kindergarten | 36,000 | 42,500 | - | 42,500 | 180 | - | 180 | - | - | - | Complied |
| Grades 1 - 3 | 50,400 | | | | | | | | | | |
| Grade 1 | | 52,425 | - | 52,425 | 180 | - | 180 | - | - | - | Complied |
| Grade 2 | | 52,425 | - | 52,425 | 180 | - | 180 | - | - | - | Complied |
| Grade 3 | | 52,425 | - | 52,425 | 180 | - | 180 | - | - | - | Complied |
| Grades 4 - 8 | 54,000 | | | | | | | | | | |
| Grade 4 | | 53,640 | - | 53,640 | 180 | - | 180 | - | - | - | Did not Comply |
| Grade 5 | | 53,640 | - | 53,640 | 180 | - | 180 | - | - | - | Did not Comply |
| Grade 6 | | 54,600 | - | 54,600 | 180 | - | 180 | - | - | - | Complied |
| Grade 7 | | 54,600 | - | 54,600 | 180 | - | 180 | - | - | - | Complied |
| Grade 8 | | 54,600 | - | 54,600 | 180 | - | 180 | - | - | - | Complied |
| Grades 9 - 12 | 64,800 | | | | | | | | | | |
| Grade 9 | | 65,025 | - | 65,025 | 180 | - | 180 | - | - | - | Complied |
| Grade 10 | | 65,025 | - | 65,025 | 180 | - | 180 | - | - | - | Complied |
| Grade 11 | | 65,025 | - | 65,025 | 180 | - | 180 | - | - | - | Complied |
| Grade 12 | | 65,025 | - | 65,025 | 180 | - | 180 | - | - | - | Complied |

| Grade Level | 1986-1987 Minutes Requirement | 2022-2023 Actual Minutes | Traditional Calendar: Number of Minutes Credited Form J-13A | Traditional Calendar: Total Minutes Offered | Traditional Calendar: Number of Actual Days | Traditional Calendar: Number of Days Credited Form J-13A | Traditional Calendar: Total Days Offered | Multitrack Calendar: Number of Actual Days | Multitrack Calendar: Number of Days Credited Form J-13A | Multitrack Calendar: Total Days Offered | Status |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Malibu Elementary** | | | | | | | | | | | |
| Kindergarten | 36,000 | 47,250 | 275 | 47,525 | 179 | 1 | 180 | - | - | - | Did not Comply |
| Grades 1 - 3 | 50,400 | | | | | | | | | | |
| Grade 1 | | 54,450 | 330 | 54,780 | 179 | 1 | 180 | - | - | - | Did not Comply |
| Grade 2 | | 54,450 | 330 | 54,780 | 179 | 1 | 180 | - | - | - | Did not Comply |
| Grade 3 | | 54,450 | 330 | 54,780 | 179 | 1 | 180 | - | - | - | Did not Comply |
| Grades 4 - 5 | 54,000 | | | | | | | | | | |
| Grade 4 | | 55,350 | 335 | 55,685 | 179 | 1 | 180 | - | - | - | Did not Comply |
| Grade 5 | | 55,350 | 335 | 55,685 | 179 | 1 | 180 | - | - | - | Did not Comply |
| **Webster Elementary** | | | | | | | | | | | |
| Kindergarten | 36,000 | 45,225 | 265 | 45,490 | 179 | 1 | 180 | - | - | - | Did not Comply |
| Grades 1 - 3 | 50,400 | | | | | | | | | | |
| Grade 1 | | 52,425 | 315 | 52,740 | 179 | 1 | 180 | - | - | - | Did not Comply |
| Grade 2 | | 52,425 | 315 | 52,740 | 179 | 1 | 180 | - | - | - | Did not Comply |
| Grade 3 | | 52,425 | 315 | 52,740 | 179 | 1 | 180 | - | - | - | Did not Comply |
| Grades 4 - 5 | 54,000 | | | | | | | | | | |
| Grade 4 | | 54,225 | 320 | 54,545 | 179 | 1 | 180 | - | - | - | Did not Comply |
| Grade 5 | | 54,225 | 320 | 54,545 | 179 | 1 | 180 | - | - | - | Did not Comply |

| Grade Level | 1986-1987 Minutes Requirement | 2022-2023 Actual Minutes | Number of Minutes Credited Form J-13A | Total Minutes Offered | Traditional Calendar: Number of Actual Days | Traditional Calendar: Number of Days Credited Form J-13A | Traditional Calendar: Total Days Offered | Multitrack Calendar: Number of Actual Days | Multitrack Calendar: Number of Days Credited Form J-13A | Multitrack Calendar: Total Days Offered | Status |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Malibu Middle School** | | | | | | | | | | | |
| Grades 6 - 8 | | | | | | | | | | | |
| Grade 6 | | 60,525 | 360 | 60,885 | 179 | 1 | 180 | - | - | - | Did not Comply |
| Grade 7 | | 60,525 | 360 | 60,885 | 179 | 1 | 180 | - | - | - | Did not Comply |
| Grade 8 | | 60,525 | 360 | 60,885 | 179 | 1 | 180 | - | - | - | Did not Comply |
| **Malibu High School** | | | | | | | | | | | |
| Grades 9 - 12 | 64,800 | | | | | | | | | | |
| Grade 9 | | 65,025 | 390 | 65,415 | 179 | 1 | 180 | - | - | - | Did not Comply |
| Grade 10 | | 65,025 | 390 | 65,415 | 179 | 1 | 180 | - | - | - | Did not Comply |
| Grade 11 | | 65,025 | 390 | 65,415 | 179 | 1 | 180 | - | - | - | Did not Comply |
| Grade 12 | | 65,025 | 390 | 65,415 | 179 | 1 | 180 | - | - | - | Did not Comply |

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

| | General Fund |
|---|---|
| Fund Balance | |
| Balance, June 30, 2023, Unaudited Actuals | $ 58,005,713 |
| Current year changes due to Fund 71 reported in the General Fund from consolidation | |
| (Increase) Decrease in payables | (1,052) |
| Increase (Decrease) in Cash in County Treasury | (481,833) |
| Current year changes due to audit adjustments | |
| Decrease in | |
| Fair value adjustment to Cash in County Treasury | (1,619,421) |
| Receivables | (4,808,457) |
| Unearned revenue | 837,830 |
| Balance, June 30, 2023, Audited Financial Statements | $ 51,932,780 |

| | (Budget) 2024 [1] | 2023 | 2022 [1] | 2021 [1] |
|---|---|---|---|---|
| General Fund [3] | | | | |
| Revenues | $ 191,193,019 | $ 215,942,069 | $ 201,242,037 | $ 190,459,299 |
| Other sources | - | 949,847 | - | - |
| Total Revenues and Other Sources | 191,193,019 | 216,891,916 | 201,242,037 | 190,459,299 |
| Expenditures | 197,441,181 | 217,001,305 | 181,506,788 | 177,076,207 |
| Other uses | 3,500,000 | 2,200,000 | 2,200,000 | 2,500,000 |
| Total expenditures and other uses | 200,941,181 | 219,201,305 | 183,706,788 | 179,576,207 |
| Increase/(Decrease) in Fund Balance | (9,748,162) | (2,309,389) | 17,535,249 | 10,883,092 |
| Prior-period adjustment | - | (1,231,446) | (1,281,970) | - |
| Ending Fund Balance | $ 45,237,034 | $ 51,444,361 | $ 54,985,196 | $ 38,731,917 |
| Available Reserves [2] | $ 29,150,769 | $ 27,069,038 | $ 46,756,585 | $ 31,699,326 |
| Available Reserves as a Percentage of Total Outgo | 14.51% | 12.35% | 25.45% | 17.65% |
| Long-Term Liabilities | N/A | $ 1,179,116,070 | $ 1,169,418,363 | $ 1,023,734,867 |
| K-12 Average Daily Attendance at P-2 | 7,974 | 8,232 | 8,508 | 9,841 |

The General Fund balance has increased by $12,712,444 over the past two years. The fiscal year 2023-2024 budget projects a decrease of $9,748,162 (18.9%). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years and anticipates incurring an operating deficit during the 2023-2024 fiscal year. Total long-term liabilities have increased by $155,381,203 over the past two years.

Average daily attendance has decreased by 1,609 over the past two years. An additional decline of 258 ADA is anticipated during fiscal year 2023-2024.

[1] Financial information for 2024, 2022, and 2021 are included for analytical purposes only and has not been subjected to audit.

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

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

| | Student Activity Fund | Adult Education Fund | Child Development Fund | Cafeteria Fund | Deferred Maintenance Fund |
|---|---|---|---|---|---|
| Assets | | | | | |
| Deposits and investments | $ 287,844 | $ 1,318,920 | $ 6,573,299 | $ 914,419 | $ 1,006,907 |
| Receivables | 484 | 38,114 | 447,456 | 1,046,039 | 12,680 |
| Stores inventories | - | - | - | 153,429 | - |
| Total assets | $ 288,328 | $ 1,357,034 | $ 7,020,755 | $ 2,113,887 | $ 1,019,587 |
| Liabilities and Fund Balances | | | | | |
| Liabilities | | | | | |
| Accounts payable | $ 41 | $ 242,083 | $ 3,092,514 | $ 1,101,319 | $ 128,757 |
| Unearned revenue | - | - | 185,831 | - | - |
| Total liabilities | 41 | 242,083 | 3,278,345 | 1,101,319 | 128,757 |
| Fund Balances | | | | | |
| Nonspendable | - | - | - | 153,429 | - |
| Restricted | 288,287 | 885,689 | 645,723 | 859,139 | - |
| Committed | - | 229,262 | - | - | 890,830 |
| Assigned | - | - | 3,096,687 | - | - |
| Total fund balances | 288,287 | 1,114,951 | 3,742,410 | 1,012,568 | 890,830 |
| Total liabilities and fund balances | $ 288,328 | $ 1,357,034 | $ 7,020,755 | $ 2,113,887 | $ 1,019,587 |

| | Capital Facilities Fund | County School Facilities Fund | Special Reserve Fund for Capital Outlay Projects | Total Non-Major Governmental Funds |
|---|---|---|---|---|
| Assets | | | | |
| Deposits and investments | $ 5,878,473 | $ 8,297 | $ 12,433,746 | $ 28,421,905 |
| Receivables | 130,727 | 13,042 | 137,696 | 1,826,238 |
| Stores inventories | - | - | - | 153,429 |
| Total assets | $ 6,009,200 | $ 21,339 | $ 12,571,442 | $ 30,401,572 |
| Liabilities and Fund Balances | | | | |
| Liabilities | | | | |
| Accounts payable | $ 241,753 | $ - | $ 836,488 | $ 5,642,955 |
| Unearned revenue | - | - | - | 185,831 |
| Total liabilities | 241,753 | - | 836,488 | 5,828,786 |
| Fund Balances | | | | |
| Nonspendable | - | - | - | 153,429 |
| Restricted | 5,767,447 | 21,339 | 11,734,954 | 20,202,578 |
| Committed | - | - | - | 1,120,092 |
| Assigned | - | - | - | 3,096,687 |
| Total fund balances | 5,767,447 | 21,339 | 11,734,954 | 24,572,786 |
| Total liabilities and fund balances | $ 6,009,200 | $ 21,339 | $ 12,571,442 | $ 30,401,572 |

| | Student Activity Fund | Adult Education Fund | Child Development Fund | Cafeteria Fund | Deferred Maintenance Fund |
|---|---|---|---|---|---|
| Revenues | | | | | |
| Federal sources | $ - | $ 63,940 | $ 337,579 | $ 2,105,301 | $ - |
| Other State sources | - | 797,063 | 3,400,593 | 2,672,053 | - |
| Other local sources | 1,607,107 | 20,610 | 3,447,948 | 145,837 | 28,851 |
| Total revenues | 1,607,107 | 881,613 | 7,186,120 | 4,923,191 | 28,851 |
| Expenditures | | | | | |
| Current | | | | | |
| Instruction | - | 293,497 | 4,622,388 | - | - |
| Instruction-related activities | | | | | |
| Supervision of instruction | - | - | 624,784 | - | - |
| School site administration | - | 396,437 | 799,924 | - | - |
| Pupil services | | | | | |
| Food services | - | - | 138,611 | 4,868,340 | - |
| All other pupil services | - | 44,136 | 16,994 | - | - |
| Administration | | | | | |
| All other administration | - | 36,107 | 443,678 | 149,550 | - |
| Plant services | - | 52,019 | 234,053 | - | 1,218,412 |
| Ancillary services | 1,757,960 | - | - | - | - |
| Facility acquisition and construction | - | - | - | - | 15,801 |
| Debt service | | | | | |
| Principal | - | - | - | - | - |
| Interest and other | - | - | - | - | - |
| Total expenditures | 1,757,960 | 822,196 | 6,880,432 | 5,017,890 | 1,234,213 |
| Excess (Deficiency) of Revenues Over Expenditures | (150,853) | 59,417 | 305,688 | (94,699) | (1,205,362) |
| Other Financing Sources | | | | | |
| Transfers in | - | - | 1,200,000 | - | 1,000,000 |
| Net Change in Fund Balances | (150,853) | 59,417 | 1,505,688 | (94,699) | (205,362) |
| Fund Balance - Beginning | 439,140 | 1,055,534 | 2,236,722 | 1,107,267 | 1,096,192 |
| Fund Balance - Ending | $ 288,287 | $ 1,114,951 | $ 3,742,410 | $ 1,012,568 | $ 890,830 |

| | Capital Facilities Fund | County School Facilities Fund | Special Reserve Fund for Capital Outlay Projects | Total Non-Major Governmental Funds |
|---|---|---|---|---|
| Revenues | | | | |
| Federal sources | $ - | $ - | $ - | $ 2,506,820 |
| Other State sources | - | 2,482,737 | - | 9,352,446 |
| Other local sources | 1,448,920 | 9,997 | 3,006,109 | 9,715,379 |
| Total revenues | 1,448,920 | 2,492,734 | 3,006,109 | 21,574,645 |
| Expenditures | | | | |
| Current | | | | |
| Instruction | - | - | - | 4,915,885 |
| Instruction-related activities | | | | |
| Supervision of instruction | - | - | - | 624,784 |
| School site administration | - | - | - | 1,196,361 |
| Pupil services | | | | |
| Food services | - | - | - | 5,006,951 |
| All other pupil services | - | - | - | 61,130 |
| Administration | | | | |
| All other administration | - | - | - | 629,335 |
| Plant services | 367,971 | - | 849,169 | 2,721,624 |
| Ancillary services | - | - | - | 1,757,960 |
| Facility acquisition and construction | 704,633 | 2,482,737 | 7,473,757 | 10,676,928 |
| Debt service | | | | |
| Principal | - | - | 2,620,000 | 2,620,000 |
| Interest and other | - | - | 1,001,947 | 1,001,947 |
| Total expenditures | 1,072,604 | 2,482,737 | 11,944,873 | 31,212,905 |
| Excess (Deficiency) of Revenues Over Expenditures | 376,316 | 9,997 | (8,938,764) | (9,638,260) |
| Other Financing Sources | | | | |
| Transfers in | - | - | - | 2,200,000 |
| Net Change in Fund Balances | 376,316 | 9,997 | (8,938,764) | (7,438,260) |
| Fund Balance - Beginning | 5,391,131 | 11,342 | 20,673,718 | 32,011,046 |
| Fund Balance - Ending | $ 5,767,447 | $ 21,339 | $ 11,734,954 | $ 24,572,786 |

## Note 1 - Purpose of Schedules

### Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the schedule) includes the federal award activity of the Santa Monica-Malibu Unified School District (the District) under programs of the federal government for the year ended June 30, 2023. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the net position, changes in net position or fund balance of the District.

Summary of Significant Accounting Policies

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

Indirect Cost Rate

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

Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2023, the fair market value of food commodities in inventory was insignificant.

### Local Education Agency Organization Structure

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

### Schedule of Average Daily Attendance (ADA)

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

**Schedule of Instructional Time**

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

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

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

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

**Schedule of Financial Trends and Analysis**

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

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

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

Independent Auditor's Reports
June 30, 2023

# Santa Monica-Malibu Unified School District

EideBailly

CPAs & BUSINESS ADVISORS

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Santa Monica-Malibu Unified School District (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 12, 2023.

***Correction of Error***

As discussed in Note 17 to the financial statements, certain errors resulting in an overstatement of amounts previously reported for receivables as of June 30, 2022, were discovered during the current year. Accordingly, a restatement has been made to the General Fund balance and governmental activities net position as of July 1, 2022, to correct the error. Our opinions are not modified with respect to this matter.

***Adoption of New Accounting Standard***

As discussed in Notes 1 and 18 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, *SBITA*, for the year ended June 30, 2023. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2022, to restate beginning net position. Our opinions are not modified with respect to this matter.

**Report on Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Financial Statement Findings as item 2023-01, and 2023-002 as described in the accompanying Schedule of State Compliance Findings and Questioned Costs that we consider to be material weaknesses.

**Report on Compliance and Other Matters**

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

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

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

**Purpose of this Report**

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

Eide Bailly LLP

Rancho Cucamonga, California
December 12, 2023

EideBailly

CPAs & BUSINESS ADVISORS

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

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

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

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

We have audited Santa Monica-Malibu Unified School District's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

***Basis for Opinion on Each Major Federal Program***

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

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

***Responsibilities of Management for Compliance***

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

***Auditor's Responsibilities for the Audit of Compliance***

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

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

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

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

**Report on Internal Control over Compliance**

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

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

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

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

Eide Bailly LLP

Rancho Cucamonga, California
December 12, 2023

EideBailly

CPAs & BUSINESS ADVISORS

## Independent Auditor's Report on State Compliance

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

### Report on Compliance

***Qualified and Unmodified Opinions on State Compliance***

We have audited Santa Monica-Malibu Unified School District's (the District) compliance with the requirements specified in the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the District's state program requirements identified below for the year ended June 30, 2023.

***Qualified Opinion on Instructional Time***

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2023.

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2023, except as described in the accompanying Schedule of Findings and Questioned Costs.

***Basis for Qualified and Unmodified Opinions***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards)*, and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

*Matters Giving Rise to Qualified Opinion on Instructional Time*

As described in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with requirements regarding Instructional Time, as indicated in finding 2023-002.

Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements referred to above.

***Responsibilities of Management for Compliance***

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

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.

- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

| 2022-2023 K-12 Audit Guide Procedures | Procedures Performed |
|---|---|
| Local Education Agencies Other Than Charter Schools | |
| Attendance | Yes |
| Teacher Certification and Misassignments | Yes |
| Kindergarten Continuance | Yes |
| Independent Study | Yes |
| Continuation Education | No, see below |
| Instructional Time | Yes |
| Instructional Materials | Yes |
| Ratio of Administrative Employees to Teachers | Yes |
| Classroom Teacher Salaries | Yes |
| Early Retirement Incentive | No, see below |
| GANN Limit Calculation | Yes |
| School Accountability Report Card | Yes |
| Juvenile Court Schools | No, see below |
| Middle or Early College High Schools | No, see below |
| K-3 Grade Span Adjustment | Yes |
| Transportation Maintenance of Effort | Yes |
| Apprenticeship: Related and Supplemental Instruction | No, see below |
| Comprehensive School Safety Plan | Yes |
| District of Choice | No, see below |
| Home to School Transportation Reimbursement | Yes |
| Independent Study Certification for ADA Loss Mitigation | Yes |
| School Districts, County Offices of Education, and Charter Schools | |
| California Clean Energy Jobs Act | No, see below |
| After/Before School Education and Safety Program: | No, see below |
| Proper Expenditure of Education Protection Account Funds | Yes |
| Unduplicated Local Control Funding Formula Pupil Counts | Yes |
| Local Control and Accountability Plan | Yes |
| Independent Study-Course Based | No, see below |
| Immunizations | Yes |
| Educator Effectiveness | Yes |
| Expanded Learning Opportunities Grant (ELO-G) | Yes |
| Career Technical Education Incentive Grant | Yes |
| Transitional Kindergarten | Yes |

| 2022-2023 K-12 Audit Guide Procedures | Procedures Performed |
|---|---|
| Charter Schools | |
| Attendance | No, see below |
| Mode of Instruction | No, see below |
| Nonclassroom-Based Instruction/Independent Study | No, see below |
| Determination of Funding for Nonclassroom-Based Instruction | No, see below |
| Annual Instructional Minutes – Classroom Based | No, see below |
| Charter School Facility Grant Program | No, see below |

We did not perform Continuation Education procedures because the program is not offered by the District.

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

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

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

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

The District did not elect to operate as a school district of choice; therefore, we did not perform procedures related to District of Choice.

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

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

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

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

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

***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 items 2023-003, 2023-004, and 2023-005.

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

**Report on Internal Control over Compliance**

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with compliance requirement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2023-002 to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2023-003, 2023-004, and 2023-005 to be significant deficiencies.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
December 12, 2023

Schedule of Findings and Questioned Costs
June 30, 2023

# Santa Monica-Malibu Unified School District

**Financial Statements**

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

**Federal Awards**

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

**Identification of major programs**

| Name of Federal Program or Cluster | Federal Financial Assistance Listing Number |
|---|---|
| Title I, Part A, Basic Grants Low-Income and Neglected | 84.010 |
| ESSA School Improvement (CSI) Funding for LEAs | 84.010 |
| COVID-19 Elementary and Secondary School Emergency Relief II (ESSER II) | 84.425D |
| COVID-19 ARP Elementary and Secondary School Emergency Relief (ARP ESSER) | 84.425U |
| COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER) | 84.425D |
| COVID-19 Governor's Emergency Education Relief | 84.425C |
| Child Nutrition Cluster | 10.553, 10.555 |

| | |
|---|---|
| Dollar threshold used to distinguish between Type A and Type B programs | $750,000 |
| Auditee qualified as low-risk auditee? | No |

**State Compliance**

| | |
|---|---|
| Internal control over state compliance programs | |
| Material weaknesses identified | Yes |
| Significant deficiencies identified not considered to be material weaknesses | Yes |
| Type of auditor's report issued on compliance for programs | Qualified |
| Other matters to be reported | Yes |
| Unmodified for all programs except for the following program which was qualified | |

| Name of Program |
|---|
| Instructional Time |

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

| Five Digit Code | AB 3627 Finding Type |
|---|---|
| 30000 | Internal Control |

**2023-001 30000 – Internal Control**

Criteria or Specific Requirements

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

Condition

During our review of the current year receivable accruals, and through discussion with management, it was determined that a prior year receivable of $1,231,446 that was accrued, should not have been. As a result, beginning fund balance of the General Fund was restated to correct this error.

During our review of General Fund activity, we noted that fair value adjustment to Cash in County Treasury had been recorded for the unrestricted portion of the Fund but not for the restricted portion. The effect of this adjustment was a decrease in the Fair Value Adjustment to Cash in County Treasury reported in the amount of $1,619,421. We also noted that receivables was overstated by $4,808,457, largely due to mis-accruals of state categorical funding. In addition, we noted revenue that had been accrued as unearned at the end of the prior year had not been recognized during 2022-2023. This amounted to $837,830 additional revenue required to be recognized.

Questioned Costs

There were no questioned costs associated with the finding.

Context

The conditions were identified as a result of our audit of the financial statement balances as of June 30, 2023. Thru review of available District records and audit procedures performed related to the current year ending balances, the errors noted were identified.

Effect

The effect of the restatement of beginning fund balance in the General Fund was a decrease in beginning fund balance of $1,231,446.

The net effect of the current-year adjustments was a combined decrease in the fund balance of the General Fund of $5,590,048.

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

Cause

The restatement to beginning fund balance was the result of an audit adjustment in the prior year related to categorical program revenues received from the State of California that management subsequently determined should not have been accrued.

The audit adjustments in the current year are due to inadequate review processes related to the preparation of the District's year-end financial statements in determining the proper reporting period for various adjustments to the fair value of deposits in the County treasury, for accrual of receivables, and for revenue recognition of unearned revenue.

Recommendation

The District should ensure a review of year-end activity and closing entries is performed by appropriate District business department personnel prior to closing the books. This review should include a determination about whether an adjustment to the fair value of deposits in the County treasury is needed, review of receivable transactions for accuracy, and review of unearned revenue balances for validity.

Repeat Finding

Yes, see related finding 2022-001.

Corrective Action Plan and Views of Responsible Officials

The District concurs with the finding.

In order to prevent future findings related to accounts receivable accruals, and prior year receivable accruals, District management will ensure staff maintain an active listing of current and prior year activity.

The receivable accrual activity listing will be reviewed at each of the three interim reporting periods throughout the year for First Interim, Second Interim, and Third Budget Revision to ensure accrual adjusting entries are made should the accrual activity materialize. Staff will also validate that the reconciliation accrual balance sheet accounts for all Funds are reviewed at the three interim reporting periods as well.

Additionally, during the year-end closing, staff will confirm that all cash receipts have been received prior to the June 30 and revenue not received will be accrued. This additional validation will ensure each accrual entry is accounted for by year-end closing as well as a full reconciliation of the balance sheet accounts for accounts receivables.

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

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

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

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

None reported.

The following findings represent a material weakness in internal control, significant deficiencies in internal control, and instances of noncompliance that are required to be reported by the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. The findings have been coded as follows:

| Five Digit Code | AB 3627 Finding Type |
|---|---|
| 40000 | State Compliance |
| 61000 | Classroom Teacher Salaries |

**2023-002 40000 – Instructional Time**

Criteria or Specific Requirements

California *Education Code* Section 46207(a)(3) specifies that each school district, as a condition of apportionment pursuant to Section 42238.02, as implemented pursuant to Section 42238.03, shall, for each fiscal year, offer, at a minimum, 54,000 minutes of instruction to pupils in grades 4 to 8, inclusive.

Condition

At one of the sites selected for testing instructional time offered, we noted that grades 4 and 5 did not offer the minimum number of minutes required. Pupils in grades 4 and 5 were offered 53,640 minutes during the 2022-2023 fiscal year.

Questioned Costs

There are no questioned costs associated with the finding.

Context

We discovered the condition during the compliance audit of Instructional Time using documents provided by District management.

Effect

In accordance with California *Education Code* Section 46207(b), the State Superintendent of Public Instruction shall withhold from the school district's local control funding formula apportionment for the average daily attendance of each affected grade level, the product of that apportionment multiplied by the percentage of the minimum offered minutes at that grade level that the school district failed to offer.

| Grade Level | ADA by Grade Level | Derived Value of ADA for Grade Level | Number of Required Minutes | Number of Minutes Short | Percentage of Minutes not offered | Affected LCFF Apportionment by Grade Span | Instructional Time Penalty |
|---|---|---|---|---|---|---|---|
| 4-6 | 1,854.04 | 9,819.63 | 54,000 | 360 | 0.67% | 18,205,987 | 121,980 |

However, since the District's local property tax collections exceed its calculated LCFF revenue, the shortage of minutes will result in no loss of funding for the District.

Cause

The cause is a lack of District Office level controls over instructional time schedules calculated at the site level. The schedules prepared by staff at the site were not reviewed in advance of the beginning of the school year by staff at the District Office with knowledge of the *Education Code* requirements.

Repeat Finding

No.

Recommendation

Bell schedules should be reviewed in advance of the beginning of the school year by staff at the District Office with knowledge of the *Education Code* requirements for instructional time.

Corrective Action Plan and Views of Responsible Officials

The District concurs with the finding.

The District identified the school that was in question. The school site administration has made the correction to the bell schedule allocating the appropriate number of minutes for pupils in grades 4 and 5. The corrected bell schedule was communicated to the school community and was implemented effective immediately.

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

| | |
|---|---|
| Dr. Stacy Williamson, | Director of Assessment, Research, & Evaluation |
| Christian Fuhrer, | Principal, Grant Elementary |

**2023-003 61000 - Classroom Teacher Salaries**

Criteria or Specific Requirements

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

Condition

In reviewing Form CEA, it was noted that the District did not meet the minimum percentage required for payment of classroom teachers. Form CEA reported total salaries and benefits of $100,893,763, and current expense of education of $192,505,387. This results in 52.41% of the current expense of education reported as those of classroom teachers. This is 2.59% lower than the minimum required.

Questioned Costs

There are no questioned costs related to this finding.

Context

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

Effect

The noncompliance resulted in the District being deficient by $4,985,890, or 2.59% of the current expense of education as calculated by the Form CEA.

Cause

The cause is unknown.

Repeat Finding

Yes, see prior-year finding 2022-002.

Recommendation

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

Corrective Action Plan and Views of Responsible Officials

The District concurs with the finding.

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

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

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

**2023-004 40000 - Career Technical Education Incentive Grant**

Criteria or Specific Requirements

In accordance with *Education Code* section 53071(a)(1)(D)(i), the District is required to budget $2 in matching funds for every $1 received for the Career Technical Education Incentive Grant.

Condition

In reviewing the budgeting documents received from management, it was noted that the District did not meet the budget match of $2 for every $1 of the grant amount. The grant for 2022-2023 was $586,239, which would require a match of $1,172,578. The District's identified match was for $1,171,558, a shortage of $1,020.

Questioned Costs

There are no questioned costs related to this finding.

Context

The condition was identified during the audit of Career Technical Education Incentive Grant compliance requirements using documentation prepared by the District's management.

Effect

The noncompliance resulted in the District being deficient by $1,020 in budgeting for the match for the Career Technical Education Incentive Grant.

Cause

The cause is unknown.

Repeat Finding

No.

Recommendation

The District should consider reviewing this calculation for compliance during interim budget periods and make adjustments as necessary to comply with matching requirements.

Corrective Action Plan and Views of Responsible Officials

The District does not concur with the finding.

As per the CTEIG requirement citing *Education Code* 53071, the District matched fiscal year funds for 2022-2023 in fiscal year 2021-2022 as allowable and cited in the Matching Funds Requirement. The district met its matching obligation for 2021-2022 and 2022-2023 in 2021-2022 as allowed.

The citation states, "For any funding received for this program (CTEIG), *Education Code* Section 53071 requires a local match from Fiscal Year (FY) 2021-22 and/or FY 2022-23 of $2 for every $1 received for this program".

It is the opinion of district management that the requirement has not been tested appropriately by the firm since all funds were matched in the prior year audit of 2021-2022 which they also audited.

On or about Wednesday, July 6, 2022, and several written communications prior, the audit firm was informed of this Matching Funds Requirement and no credence was given to district management's statements.

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

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

**2023-005 40000 – Instructional Time**

Criteria or Specific Requirements

California Education Code Section 46208 indicates that each school district, as a condition of apportionment pursuant to Section 42238.02, as implemented pursuant to Section 42238.03, shall offer 180 days or more of instruction per school year.

Condition

During the state of emergency as proclaimed by Gov. Gavin Newsom in response to severe winter storms, and due to public safety concerns from the inclement weather and continuous excessive amount of rain, the City of Malibu sent alerts to the community about unsafe road conditions. Two of the three canyons in Malibu were not assessable for staff and buses due to boulder and rocks impeding safe travel. In collaboration with city officials, and in the interest of staff and student's safety, the District affected school closures for four school sites in Malibu.

Questioned Costs

There are no questioned costs associated with the finding.

Context

The condition was identified during our review of instructional time as we noted the District had filed a Request for Allowance of Attendance Due to Emergency Conditions, Form J-13A.

Effect

For a school district that has met its local control funding formula target and that offers fewer than the number of instructional days required pursuant to this section, the Superintendent shall withhold from the school district's local control funding formula grant apportionment pursuant to Section 42238.02, as implemented by Section 42238.03, for the average daily attendance of each affected grade level, the sum of 0.0056 multiplied by that apportionment for each day less than what was required pursuant to this section, for up to five days.

| Grade Level | ADA by Grade Level | Derived Value of ADA for Grade Level | Number of Required Days | Number of Days Short | Percentage of Days not offered | Affected LCFF Apportionment by Grade Span | Instructional Day Penalty |
|---|---|---|---|---|---|---|---|
| K-3 | 2,216.25 | $ 10,679.79 | 180 | 1 | 0.56% | $ 23,669,085 | $ 132,547 |
| 4-6 | 1,858.22 | 9,819.63 | 180 | 1 | 0.56% | 18,247,033 | 102,183 |
| 7-8 | 1,275.00 | 10,110.92 | 180 | 1 | 0.56% | 12,891,423 | 72,192 |
| 9-12 | 2,833.00 | 12,022.29 | 180 | 1 | 0.56% | 34,059,148 | 190,731 |
| | | | | | | | $ 497,653 |

However, since the District's local property tax collections exceed its calculated LCFF revenue, the shortage of a day will result in no loss of funding for the District.

Cause

The District continues to await the approval for the submitted Request for Allowance of Attendance Due to Emergency Conditions, Form J-13A. As for the recording of Average Daily Attendance (ADA), the California Department of Education (CDE) notes that "schools that calculate ADA based on days taught (without a fixed divisor) should reduce their divisor (days taught) for any school closure, disregarding whether it was approved or not, because it was not a day of instruction." Absent approval of the Request for Allowance of Attendance Due to Emergency Conditions, Form J-13A, the CDE acknowledges that apportionment funding will not be impacted due to the closure.

Repeat Finding

No.

Recommendation

The District awaits the approval for the submitted Request for Allowance of Attendance Due to Emergency Conditions, Form J-13A.

Corrective Action Plan and Views of Responsible Officials

The District concurs with the finding.

The District awaits the approval for the submitted Request for Allowance of Attendance Due to Emergency Conditions, Form J-13A. It has been seven months since this waiver request was submitted and the District awaits the response from CDE (California Department of Education). It is extremely likely that this waiver will be approved as with prior J-13A waiver request for the same reasons.

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

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

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

***Financial Statement Findings***

**2022-001 30000 – Internal Control**

Criteria or Specific Requirements

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

Condition

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

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

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

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

Questioned Costs

There were no questioned costs associated with the finding.

Context

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

Effect

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

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

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

Cause

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

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

Recommendation

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

Current Status

Not implemented, see current-year finding 2023-001

***State Compliance Findings***

**2022-002 61000 - Classroom Teacher Salaries**

Criteria or Specific Requirements

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

Condition

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

Questioned Costs

There are no questioned costs related to this finding.

Context

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

Effect

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

Cause

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

Recommendation

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

Current Status

Not implemented, see current-year finding 2023-003

EideBailly

CPAs & BUSINESS ADVISORS

December 12, 2023

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

We have audited the financial statements of Santa Monica-Malibu Unified School District (the District) as of and for the year ended June 30, 2023, and have issued our report thereon dated December 12, 2023. Professional standards require that we advise you of the following matters relating to our audit.

**Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and *Government Auditing Standards* and our Compliance Audit under the Uniform Guidance**

As communicated in our letter dated June 1, 2023, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America and to express an opinion on whether the District complied with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs. Our audit of the financial statements and major program compliance does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Our responsibility, as prescribed by professional standards as it relates to the audit of the District's major federal program compliance, is to express an opinion on the compliance for each of District's major federal programs based on our audit of the types of compliance requirements referred to above. An audit of major program compliance includes consideration of internal control over compliance with the types of compliance requirements referred to above as a basis for designing audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, as a part of our major program compliance audit, we considered internal control over compliance for these purposes and not to provide any assurance on the effectiveness of the District's internal control over compliance.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding internal controls during our audit in our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated December 12, 2023. We have also provided our comments regarding compliance with the types of compliance requirements referred to above and internal controls over compliance during our audit in our Independent Auditor's Report on Compliance with Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance dated December 12, 2023.

**Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

**Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

**Significant Risks Identified**

As stated in our auditor's report, professional standards require us to design our audit to provide reasonable assurance that the financial statements are free of material misstatement whether caused by fraud or error. In designing our audit procedures, professional standards require us to evaluate the financial statements and assess the risk that a material misstatement could occur. Areas that are potentially more susceptible to misstatements, and thereby require special audit considerations, are designated as "significant risks". We have identified the following as significant risks.

- Management Override of Controls – Professional standards require auditors to address the possibility of management overriding controls. Accordingly, we identified as a significant risk that management of the District may have the ability to override controls that the District has implemented. Management may override the District's controls in order to modify the financial records with the intent of manipulating the financial statements to overstate the District's financial performance or with the intent of concealing fraudulent transactions.
- Revenue Recognition – We identified revenue recognition as a significant risk due to financial and operational incentives for the District to overstate revenues.

**Qualitative Aspects of the Entity's Significant Accounting Practices**

*Significant Accounting Policies*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. As described in Note 1, the District changed accounting policies related to accounting for leases to adopt the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

*Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Governmental Accounting Standards Board (GASB) requires the District to calculate, recognize, and report the costs and obligations associated with pensions and Other Postemployment Benefits (OPEB) in their financial statements. These amounts were all determined based on the District's proportionate share of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) estimated net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, which utilized projections of future contributions and future earnings, actuarial assumptions such as inflation, salary increases, mortality rates, and investment rate of return and discount rates in the determination of the final balances reported in the CalSTRS and CalPERS audited financial statements. The District's proportionate share was determined by calculating the District's share of contributions to the pension plan relative to the contributions of all participating entities in the plan.

*Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the District's financial statements relate to Other Postemployment Benefits (OPEB) Liability (Note 11) and Employee Retirement Systems (Note 14).

**Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

**Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit.

There were no uncorrected misstatements.

The following summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and each applicable opinion unit.

| General Fund | |
|---|---|
| Overstatement of receivables | $(4,808,457) |
| Understatement of unearned revenue | 837,830 |
| Fair value adjustment of cash in County Treasury | (1,619,421) |

The effect of these uncorrected misstatements, including the effect of the reversal of prior year uncorrected misstatements as of and for the year ended June 30, 2023, is an overstatement of the net position of the Government-Wide financial statements of $5,590,048 and an overstatement of the fund balance of the General Fund of $5,590,048.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the financial statements or the auditor's report. The District has indicated that they disagree with audit finding 2023-004.

**Circumstances that Affect the Form and Content of the Auditor's Report**

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report.

**Modification of the Auditor's Report**

We have made the following modifications to our auditor's report:

*Correction of Error*

As discussed in Note 17 to the financial statements, certain errors resulting in an overstatement of amounts previously reported for receivables as of June 30, 2022, were discovered during the current year. Accordingly, a restatement has been made to the General Fund balance and governmental activities net position as of July 1, 2022, to correct the error. Our opinions are not modified with respect to this matter.

*Adoption of New Accounting Standard*

As discussed in Notes 1 and 18 to the financial statements, the District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 96, Subscription-Based Information Technology Arrangements, for the year ended June 30, 2023. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2022, to restate beginning net position. Our opinions are not modified with respect to this matter.

**Representations Requested from Management**

We have requested certain written representations from management which are included in the management representation letter dated December 12, 2023.

**Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

**Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

This report is intended solely for the information and use of the governing board, and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

Eide Bailly LLP

Rancho Cucamonga, California

Financial and Performance Audits
Building Fund (Measure BB)
June 30, 2023

# Santa Monica-Malibu Unified School District

Santa Monica-Malibu Unified School District
Building Fund (Measure BB)
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June 30, 2023

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Financial Audit
Building Fund (Measure BB)
June 30, 2023

# Santa Monica-Malibu Unified School District

EideBailly

CPAs & BUSINESS ADVISORS

# Independent Auditor's Report

Governing Board and
Bond Oversight Committee
Santa Monica-Malibu Unified School District
Santa Monica, California

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the financial statements of the Building Fund (Measure BB) of the Santa Monica-Malibu Unified School District (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Building Fund (Measure BB) of the Santa Monica-Malibu Unified School District, as of June 30, 2023, and the change in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

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

### *Emphasis of Matter*

As discussed in Note 1, the financial statements present only Building Fund (Measure BB), and do not purport to, and do not, present fairly the financial position of the District as of June 30, 2023, the change in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2023 on our consideration of the Building Fund (Measure BB) of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Building Fund (Measure BB) of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Building Fund (Measure BB) of the District's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
December 12, 2023

# Santa Monica-Malibu Unified School District
## Building Fund (Measure BB)
### Balance Sheet
### June 30, 2023

| | |
|---|---|
| Assets | |
| Investments | $ 66,261 |
| FMV adjustment to investments | (3,202) |
| Total assets | $ 63,059 |
| Liabilities and Fund Balance | |
| Liabilities | |
| Accounts payable | $ 67,826 |
| Fund Balance | |
| Unassigned (deficit) | (4,767) |
| Total liabilities and fund balance | $ 63,059 |

# Santa Monica-Malibu Unified School District
## Building Fund (Measure BB)
### Statement of Revenues, Expenditures, and Change in Fund Balance
### Year Ended June 30, 2023

| | |
|---|---|
| Revenues | |
| Interest income | $ 195 |
| Net change in FMV of investments | (3,202) |
| Total revenues | (3,007) |
| Expenditures | |
| Current | |
| Services | 47,503 |
| Capital outlay | |
| Building and improvements to buildings | 64,139 |
| Total expenditures | 111,642 |
| Deficiency of Revenues over Expenditures | (114,649) |
| Other Financing Sources | |
| Transfer in from Building Fund (Measure M) | 111,447 |
| Net Change in Fund Balance | (3,202) |
| Fund Balance (deficit) - Beginning | (1,565) |
| Fund Balance (deficit) - Ending | $ (4,767) |

## Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Santa Monica-Malibu Unified School District's (the District) Building Fund (Measure BB) conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA), who is not an accounting standard setting body, but does produce non-authoritative guidance. The District's Building Fund (Measure BB) accounts for financial transactions in accordance with the policies and procedures of the *California School Accounting Manual*.

### Financial Reporting Entity

The financial statements include only the Building Fund of the District used to account for Measure BB projects. This Fund was established to account for the expenditures of general obligation bonds issued under Measure BB. These financial statements are not intended to present fairly the financial position and results of operations of the District in compliance with accounting principles generally accepted in the United States of America.

### Fund Accounting

The operations of the Building Fund (Measure BB) are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

### Basis of Accounting

The Building Fund (Measure BB) is accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and change in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

### Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's governing board adopts an operating budget no later than July 1 in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

**Encumbrances**

The District utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances lapse at June 30.

**Fund Balance - Building Fund (Measure BB)**

As of June 30, 2023, the fund balance is classified as follows:

**Unassigned** - all other spendable amounts. For Measure BB, this includes the deficit ending fund balance that is primarily a result of the unrealized loss on the fair market value of cash in county.

**Spending Order Policy**

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

**Use of Estimates**

The preparation of 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 reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

## Note 2 - Investments

**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 instrument; 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 agreement; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security, and collateralized mortgage obligations.

**Investment in County Treasury**

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statement at amounts based upon the District's pro-rata share of the fairly 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.

The District's investment in the Los Angeles County Treasury Investment Pool are measured at fair value on a recurring basis, which is determined by the fair value per share of the underlying portfolio determined by the program sponsor. The position in the investment pool is not required to be categorized within the fair value hierarchy.

**General Authorizations**

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

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

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the Los Angeles County Treasury Investment Pool. The District maintains a Building Fund (Measure BB) investment of $63,059 (cost basis of $66,261 less fair market value loss adjustment of $3,202) with the Los Angeles County Treasury Investment Pool, with an average maturity of 753 days.

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the Los Angeles County Treasury Investment Pool are not required to be rated nor have they been rated as of June 30, 2023.

## Note 3 - Fair Value Measurements

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

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

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

As of June 30, 2023, the District’s investments of $66,261 in the Los Angeles County Treasury Investment Pool are uncategorized.

## Note 4 - Accounts Payable

Accounts payable at June 30, 2023, consisted of the following:

| | |
|---|---|
| Vendor payables | $ 67,826 |

## Note 5 - Transfers

The Building Fund (Measure M) transferred $111,447 to the Building Fund (Measure BB) for the Measure BB shortfall related to Malibu Middle and High School campus improvements.

## Note 6 - Commitments and Contingencies

### Litigation

The District is not currently a party to any legal proceedings related to the Building Fund (Measure BB) as of June 30, 2023.

Independent Auditor's Report
June 30, 2023

# Santa Monica-Malibu Unified School District

EideBailly

CPAs & BUSINESS ADVISORS

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

Governing Board and
Bond Oversight Committee
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 (*Government Auditing Standards)*, the financial statements of the Building Fund (Measure BB) of the Santa Monica-Malibu Unified School District (the District) as of and for the year ended June 30, 2023, and the related notes of the financial statements, and have issued our report thereon dated December 12, 2023.

**Emphasis of Matter**

As discussed in Note 1, the financial statements present only Building Fund (Measure BB), and do not purport to, and do not, present fairly the financial position of the District as of June 30, 2023, the change in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Report on Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's Building Fund (Measure BB) 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 or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

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

**Purpose of this Report**

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

Eide Bailly LLP

Rancho Cucamonga, California
December 12, 2023

None reported.

There were no audit findings reported in the prior year's Schedule of Findings.

Performance Audit
Building Fund (Measure BB)
June 30, 2023

# Santa Monica-Malibu Unified School District

EideBailly

CPAs & BUSINESS ADVISORS

## Independent Auditor's Report on Performance

Governing Board and
Bond Oversight Committee
Santa Monica-Malibu Unified School District
Santa Monica, California

We were engaged to conduct a performance audit of the Building Fund (Measure BB) of the Santa Monica-Malibu Unified School District (the District) for the year ended June 30, 2023.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

**Audit Authority/Purpose**

The general obligation bonds associated with Measure BB were issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California *Education Code*, and other applicable provisions of law. The bonds are authorized to be issued by a resolution adopted by the Board of Supervisors of the County, pursuant to a request of the District made by a resolution adopted by the Board of Education of the District on August 3, 2006.

The District received authorization from an election held on November 7, 2006, to issue bonds of the District in an aggregate principal amount not to exceed $268 million to finance specific construction and renovation projects approved by eligible voters within the District. The proposition required approval by at least 55% of the votes cast by eligible voters within the District (the 2006 Authorization). The fourth and final series of bonds under the 2006 Authorization were issued on April 3, 2013.

**Purpose**

The general obligation bond funds of the District would be used to improve health, safety, class instruction by upgrading, acquiring, constructing repairing and equipping classrooms, science labs, local neighborhood schools, sites and facilities; repairing, renovating outdated classrooms, bathrooms, plumbing, leaky roofs, computer technology, fire safety equipment; improving handicapped student accessibility; earthquake-retrofitting classrooms; removing asbestos and mold.

**Authority**

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by the District, "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities", upon approval by 55% of the electorate. In addition to reducing the approval threshold from two-thirds to 55%, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in *Education Code* sections 15278-15282:

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIIIA, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.

2. The District must list the specific school facilities projects to be funded in the ballot measure and must certify that the governing board has evaluated safety, class size reduction and information technology needs in developing the project list.

3. Requires the District to appoint a bond oversight committee.

4. Requires the District to conduct an annual independent financial audit and performance audit in accordance with the Government Auditing Standards issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.

5. Requires the District to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

**Objectives of the Audit**

Our audit was limited to the objectives listed below which includes determining the compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIIIA, Section 1(b)(3)(C) of the California Constitution and Appendix A contained in the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* issued by the California Education Audit Appeals Panel. Management is responsible for the District compliance with those requirements.

1. Determine whether bond proceeds have been segregated and deposited in a separate Bond Fund (Measure BB).

2. Determine whether expenditures charged to the Building Fund have been made in accordance with the bond project list approved by the voters through the approval of Measure BB.

3. Determine whether salary transactions, charged to the Building Fund were in support of Measure BB and not for District general administration or operations.

**Scope of the Audit**

The scope of our performance audit covered the period of July 1, 2022 to June 30, 2023. The population of expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2023, were not reviewed or included within the scope of our audit or in this report.

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIIIA, Section 1(b)(3)(C) of the *California Constitution* but not for the purpose of expressing an opinion of the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

**Methodology**

We verified that Measure BB bond funds are accounted for in a separate account within the Building Fund. We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2023, for the Building Fund (Measure BB). Within the fiscal year audited, we obtained the actual invoices, purchase orders, and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIIIA, Section 1(b)(3)(C) of the California Constitution and Measure BB as to the approved bond projects list. We performed the following procedures:

1. We identified expenditures and projects charged to the general obligation bond proceeds by obtaining the general ledger and project listing.

2. We selected a sample of expenditures using the following criteria:
    a) We considered all expenditures recorded in all object codes.
    b) We considered all expenditures recorded in all projects that were funded from July 1, 2022 through June 30, 2023 from Measure BB.
    c) We selected all expenditures that were individually significant expenditures. Individually significant expenditures were identified based on our assessment of materiality.
    d) For all items below the individually significant threshold identified in item 2c, judgmentally selected expenditures based on risk assessment and consideration of coverage of all object codes and projects for the period starting July 1, 2022 and ending June 30, 2023. The results can be projected to the intended population.

3. Our sample included transactions totaling $110,170. This represents 99% of the total expenditures of $111,642.

4. We reviewed the actual invoices and other supporting documentation to determine that:
    a) Expenditures were supported by invoices with evidence of proper approval and documentation of receipting goods or services.
    b) Expenditures were supported by proper bid documentation, as applicable.

c) Expenditures were expended in accordance with voter-approved bond project list.
d) Bond proceeds were not used for salaries of school administrators or other operating expenses of the District.

5. We determined that the District has met the compliance requirement of Measure BB if the following conditions were met:
    a) Supporting documents for expenditures were aligned with the voter-approved bond project list.
    b) Supporting documents for expenditures provided evidence that funds were not used for salaries of school administrators or other operating expenses of the District.

The results of our tests indicated that the District expended Building Fund (Measure BB) funds only for the specific projects approved by the voters, in accordance with Proposition 39 and outlined in Article XIIIA, Section 1(b)(3)(C) of the California Constitution.

**Audit Results**

The results of our tests indicated that, in all significant respects, the District has properly accounted for the expenditures held in the Building Fund (Measure BB) and that such expenditures were made for authorized Bond projects.

This report is intended solely for the information and use of the District, Governing Board, and Citizens Oversight Committee, and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Rancho Cucamonga, California
December 12, 2023

None reported.

EideBailly

CPAs & BUSINESS ADVISORS

December 12, 2023

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

We have audited the financial statements of Santa Monica-Malibu Unified School District's (the District) Building Fund (Measure BB) as of and for the year ended June 30, 2023, and have issued our report thereon dated December 12, 2023. We have also performed the performance audit of the District's Building Fund. Professional standards require that we advise you of the following matters relating to our audit.

**Our Responsibility in Relation to the Financial Statement Audit of the District's Building Fund (Measure BB) under Generally Accepted Auditing Standards and Government Auditing Standards and the Performance Audit under *Government Auditing Standards*.**

As communicated in our letter dated June 1, 2023, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Additionally, our responsibility, as described by professional standards, is to conduct a performance audit in accordance with *Government Auditing Standards*. Our audit of the financial statements and performance audit does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding internal controls during our audit in our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated December 12, 2023.

**Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

**Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

**Significant Risks Identified**

As stated in our auditor's report, professional standards require us to design our audit to provide reasonable assurance that the financial statements are free of material misstatement whether caused by fraud or error. In designing our audit procedures, professional standards require us to evaluate the financial statements and assess the risk that a material misstatement could occur. Areas that are potentially more susceptible to misstatements, and thereby require special audit considerations, are designated as "significant risks". We have identified the following as significant risks.

- Management Override of Controls – Professional standards require auditors to address the possibility of management overriding controls. Accordingly, we identified as a significant risk that management of the District may have the ability to override controls that the District has implemented. Management may override the District's controls in order to modify the financial records with the intent of manipulating the financial statements to overstate the District's financial performance or with the intent of concealing fraudulent transactions.
- Revenue Recognition – We identified revenue recognition as a significant risk due to financial and operational incentives for the District to overstate revenues.

**Qualitative Aspects of the Entity's Significant Accounting Practices**

*Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended June 30, 2023. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

*Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. No such significant accounting estimates were identified.

*Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the District's Building Fund (Measure BB) financial statements relate to:

The summary of significant accounting policies in Note 1.

**Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

**Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. There were no corrected or uncorrected missstatements identified as a result of our audit procedures.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

**Circumstances that Affect the Form and Content of the Auditor's Report**

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report.

*Modification of the Auditor's Report*

We have made the following modification to our auditor's report.

Emphasis of Matter

As discussed in Note 1, the financial statements present only Building Fund (Measure BB), and do not purport to, and do not, present fairly the financial position of the Santa Monica-Malibu Unified School District as of June 30, 2023, the change in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Representations Requested from Management**

We have requested certain written representations from management which are included in the management representation letter dated December 12, 2023.

**Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

**Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

This report is intended solely for the information and use of the Governing Board, and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

Eide Bailly LLP

Rancho Cucamonga, California

Financial and Performance Audits
Building Fund (Measure ES)
June 30, 2023

# Santa Monica-Malibu Unified School District

Santa Monica-Malibu Unified School District
Building Fund (Measure ES)
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June 30, 2023

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Financial Audit
Building Fund (Measure ES)
June 30, 2023

# Santa Monica-Malibu Unified School District

EideBailly

CPAs & BUSINESS ADVISORS

**Independent Auditor's Report**

Governing Board and
Bond Oversight Committee
Santa Monica-Malibu Unified School District
Santa Monica, California

**Report on the Audit of the Financial Statements**

***Opinion***

We have audited the financial statements of the Building Fund (Measure ES) of the Santa Monica-Malibu Unified School District (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Building Fund (Measure ES) of the Santa Monica-Malibu Unified School District , as of June 30, 2023, and the change in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

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

***Emphasis of Matter***

As discussed in Note 1, the financial statements present only Building Fund (Measure ES), and do not purport to, and do not, present fairly the financial position of the District as of June 30, 2023, the change in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2023 on our consideration of the Building Fund (Measure ES) of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Building Fund (Measure ES) of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Building Fund (Measure ES) of the District's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
December 12, 2023

# Santa Monica-Malibu Unified School District
## Building Fund (Measure ES)
### Balance Sheet
### June 30, 2023

| | |
|---|---|
| Assets | |
| Investments | $ 26,777,890 |
| FMV adjustment to investments | (1,294,126) |
| Receivables | 282,722 |
| Total assets | $ 25,766,486 |
| Liabilities and Fund Balance | |
| Liabilities | |
| Accounts payable | $ 5,164,773 |
| Fund Balance | |
| Restricted for capital projects | 20,601,713 |
| Total liabilities and fund balance | $ 25,766,486 |

# Santa Monica-Malibu Unified School District
## Building Fund (Measure ES)
### Statement of Revenues, Expenditures, and Change in Fund Balance
### Year Ended June 30, 2023

| | |
|---|---|
| Revenues | |
| Interest income | $ 855,860 |
| Net change in FMV of investments | (1,294,126) |
| Total revenues | (438,266) |
| Expenditures | |
| Current | |
| Salaries and benefits | 43,604 |
| Supplies and materials | 427,507 |
| Services | 1,690,963 |
| Capital outlay | |
| Equipment | 280,722 |
| Building and improvements to buildings | 5,077,795 |
| Total expenditures | 7,520,591 |
| Net Change in Fund Balance | (7,958,857) |
| Fund Balance - Beginning | 28,560,570 |
| Fund Balance - Ending | $ 20,601,713 |

## Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Santa Monica-Malibu Unified School District's (the District) Building Fund (Measure ES) conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA), who is not an accounting standard setting body, but does produce non-authoritative guidance. The District Building Fund (Measure ES) accounts for financial transactions in accordance with the policies and procedures of the *California School Accounting Manual*.

### Financial Reporting Entity

The financial statements include only the Building Fund of the District used to account for Measure ES projects. This Fund was established to account for the expenditures of general obligation bonds issued under Measure ES. These financial statements are not intended to present fairly the financial position and results of operations of the District in compliance with accounting principles generally accepted in the United States of America.

### Fund Accounting

The operations of the Building Fund (Measure ES) are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

### Basis of Accounting

The Building Fund (Measure ES) is accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and change in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

### Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's governing board adopts an operating budget no later than July 1 in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

**Encumbrances**

The District utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances lapse at June 30.

**Fund Balance - Building Fund (Measure ES)**

As of June 30, 2023, the fund balance is classified as follows:

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

**Spending Order Policy**

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

**Use of Estimates**

The preparation of 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 reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

## Note 2 - Investments

**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 instrument; 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 agreement; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security, and collateralized mortgage obligations.

**Investment in County Treasury**

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statement at amounts based upon the District's pro-rata share of the fairly 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.

The District's investment in the Los Angeles County Treasury Investment Pool are measured at fair value on a recurring basis, which is determined by the fair value per share of the underlying portfolio determined by the program sponsor. The position in the investment pool is not required to be categorized within the fair value hierarchy.

**General Authorizations**

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

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

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the Los Angeles County Treasury Investment Pool. The District maintains a Building Fund (Measure ES) investment of $25,483,764 (cost basis of $26,777,890 less fair market value loss adjustment of $1,294,126) with the Los Angeles County Treasury Investment Pool, with an average maturity of 753 days.

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the Los Angeles County Treasury Investment Pool are not required to be rated, nor have they been rated as of June 30, 2023.

## Note 3 - Fair Value Measurements

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

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

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

As of June 30, 2023, the District’s investments of $26,777,890 in the Los Angeles County Treasury Investment Pool are uncategorized.

## Note 4 - Receivables

Receivables at June 30, 2023 , consisted of the following:

| | |
|---|---|
| Interest | $ 282,722 |

## Note 5 - Accounts Payable

Accounts payable at June 30, 2023, consisted of the following:

| | |
|---|---|
| Vendor payables | $ 5,163,705 |
| Salaries and benefits | 1,068 |
| | $ 5,164,773 |

## Note 6 - Commitments and Contingencies

As of June 30, 2023, the Building Fund (Measure ES) had the following commitments with respect to unfinished projects:

| Measure ES Projects | Remaining Construction Commitment | Expected Date of Completion |
|---|---|---|
| SAMOHI - Discovery Building | $ 187,707 | December 2023 |
| McKinley - Window, Floor, Paint & Door Project & HVAC Project | 19,835 | December 2023 |
| Olympic - Window, Floor, Paint & Door Project & HVAC Project | 7,818 | December 2023 |
| JAMS Auditorium | 95,317 | December 2023 |
| Franklin - Roof Replacement | 523,296 | March 2024 |
| Roosevelt - Roof Replacement | 531,730 | March 2024 |
| JAMS - Roof Replacement | 37,675 | March 2024 |
| Lincoln - Roof Replacement | 430,759 | March 2024 |
| 21st Century | 617,598 | June 2024 |
| Leadership & Capacity - Building | 96,522 | June 2024 |
| Santa Monica Others - Centralized Cost | 237,593 | June 2024 |
| Centralized Cost - Santa Monica Others (Distributed end of Fiscal Year) | 86,835 | June 2024 |
| Total | $ 2,872,685 | |

**Litigation**

The District is not currently a party to any legal proceedings related to the Building Fund (Measure ES) as of June 30, 2023.

Independent Auditor's Report
June 30, 2023

# Santa Monica-Malibu Unified School District

EideBailly

CPAs & BUSINESS ADVISORS

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

Governing Board and
Bond Oversight Committee
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 (*Government Auditing Standards)*, the financial statements of the Building Fund (Measure ES) of the Santa Monica-Malibu Unified School District (the District) as of and for the year ended June 30, 2023, and the related notes of the financial statements, and have issued our report thereon dated December 12, 2023.

**Emphasis of Matter**

As discussed in Note 1, the financial statements present only Building Fund (Measure ES), and do not purport to, and do not, present fairly the financial position of the District as of June 30, 2023, the change in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Report on Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's Building Fund (Measure ES) 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 or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

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

**Purpose of this Report**

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

Eide Bailly LLP

Rancho Cucamonga, California
December 12, 2023

None reported.

There were no audit findings reported in the prior year's Schedule of Findings.

Performance Audit
Building Fund (Measure ES)
June 30, 2023

# Santa Monica-Malibu Unified School District

EideBailly

CPAs & BUSINESS ADVISORS

## Independent Auditor's Report on Performance

Governing Board and
Bond Oversight Committee
Santa Monica-Malibu Unified School District
Santa Monica, California

We were engaged to conduct a performance audit of the Building Fund (Measure ES) of the Santa Monica-Malibu Unified School District (the District) for the year ended June 30, 2023.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

**Audit Authority/Purpose**

The general obligation bonds associated with Measure ES were issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California *Education Code*, and other applicable provisions of law. The bonds are authorized to be issued by a resolution adopted by the Board of Supervisors of the County, pursuant to a request of the District made by a resolution adopted by the Board of Education of the District on August 1, 2012.

The District received authorization from an election held on November 6, 2012, to issue bonds of the District in an aggregate principal amount not to exceed $ 385 million to finance specific construction and renovation projects approved by eligible voters within the District. The proposition required approval by at least 55% of the votes cast by eligible voters within the District (the 2012 Authorization). The bonds represent the fifth and final series of the authorized bonds to be issued under the 2012 Authorization.

**Purpose**

To improve academic instruction and school safety by modernizing high school classrooms and campuses, repairing aging elementary schools, ensuring every school meets current earthquake and fire safety standards to protect students, and constructing, acquiring, modernizing, and/or repairing classrooms, sites, facilities, equipment, computers, and learning technology to raise student achievement, shall the Santa Monica-Malibu Unified School District issue $385,000,000 in bonds at legal rates, with independent fiscal oversight, mandatory audits, and all fund for Santa Monica and Malibu schools.

**Authority**

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by the District, "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities", upon approval by 55% of the electorate. In addition to reducing the approval threshold from two-thirds to 55%, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in *Education Code* sections 15278-15282:

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIIIA, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.

2. The District must list the specific school facilities projects to be funded in the ballot measure and must certify that the governing board has evaluated safety, class size reduction and information technology needs in developing the project list.

3. Requires the District to appoint a bond oversight committee.

4. Requires the District to conduct an annual independent financial audit and performance audit in accordance with the Government Auditing Standards issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.

5. Requires the District to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

**Objectives of the Audit**

Our audit was limited to the objectives listed below which includes determining the compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIIIA, Section 1(b)(3)(C) of the California Constitution and Appendix A contained in the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* issued by the California Education Audit Appeals Panel. Management is responsible for the District compliance with those requirements.

1. Determine whether bond proceeds have been segregated and deposited in a separate Bond Fund (Measure ES).

2. Determine whether expenditures charged to the Building Fund have been made in accordance with the bond project list approved by the voters through the approval of Measure ES.

3. Determine whether salary transactions, charged to the Building Fund were in support of Measure ES and not for District general administration or operations.

**Scope of the Audit**

The scope of our performance audit covered the period of July 1, 2022 to June 30, 2023. The population of expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2023, were not reviewed or included within the scope of our audit or in this report.

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIIIA, Section 1(b)(3)(C) of the *California Constitution* but not for the purpose of expressing an opinion of the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

**Methodology**

We verified that Measure ES bond funds are accounted for in a separate account within the Building Fund. We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2023, for the Building Fund (Measure ES). Within the fiscal year audited, we obtained the actual invoices, purchase orders, and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIIIA, Section 1(b)(3)(C) of the California Constitution and Measure ES as to the approved bond projects list. We performed the following procedures:

1. We identified expenditures and projects charged to the general obligation bond proceeds by obtaining the general ledger and project listing.

2. We selected a sample of expenditures using the following criteria:
    a) We considered all expenditures recorded in all object codes.
    b) We considered all expenditures recorded in all projects that were funded from July 1, 2022 through June 30, 2023 from Measure ES.
    c) We selected all expenditures that were individually significant expenditures. Individually significant expenditures were identified based on our assessment of materiality.
    d) For all items below the individually significant threshold identified in 2c, judgmentally selected expenditures based on risk assessment and consideration of coverage of all object codes and projects for the period starting July 1, 2022 and ending June 30, 2023. The results can be projected to the intended population.

3. Our sample included transactions totaling $6,261,112. This represents 83% of the total expenditures of $7,520,591.

4. We reviewed the actual invoices and other supporting documentation to determine that:
    a) Expenditures were supported by invoices with evidence of proper approval and documentation of receipting goods or services.
    b) Expenditures were supported by proper bid documentation, as applicable.

c) Expenditures were expended in accordance with voter-approved bond project list.
d) Bond proceeds were not used for salaries of school administrators or other operating expenses of the District.

5. We determined that the District has met the compliance requirement of Measure ES if the following conditions were met:
    a) Supporting documents for expenditures were aligned with the voter-approved bond project list.
    b) Supporting documents for expenditures provided evidence that funds were not used for salaries of school administrators or other operating expenses of the District.

The results of our tests indicated that the District expended Building Fund (Measure ES) funds only for the specific projects approved by the voters, in accordance with Proposition 39 and outlined in Article XIIIA, Section 1(b)(3)(C) of the California Constitution.

**Audit Results**

The results of our tests indicated that, in all significant respects, the District has properly accounted for the expenditures held in the Building Fund (Measure ES) and that such expenditures were made for authorized Bond projects. Further, it was noted funds held in the Building Fund (Measure ES) and expended by District were used for salaries only to the extent they perform administrative oversight work on construction projects as allowable per Opinion 04-110 issued on November 9, 2004, by the State of California Attorney General.

This report is intended solely for the information and use of the District, Governing Board, and Citizens Oversight Committee, and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Rancho Cucamonga, California
December 12, 2023

None reported.

EideBailly

CPAs & BUSINESS ADVISORS

December 12, 2023

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

We have audited the financial statements of Santa Monica-Malibu Unified School District's (the District) Building Fund (Measure ES) as of and for the year ended June 30, 2023, and have issued our report thereon dated December 12, 2023. We have also performed the performance audit of the District's Building Fund. Professional standards require that we advise you of the following matters relating to our audit.

**Our Responsibility in Relation to the Financial Statement Audit of the District's Building Fund (Measure ES) under Generally Accepted Auditing Standards and Government Auditing Standards and the Performance Audit under *Government Auditing Standards*.**

As communicated in our letter dated June 1, 2023, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Additionally, our responsibility, as described by professional standards, is to conduct a performance audit in accordance with *Government Auditing Standards*. Our audit of the financial statements and performance audit does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding internal controls during our audit in our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated December 12, 2023.

**Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

**Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

**Significant Risks Identified**

As stated in our auditor's report, professional standards require us to design our audit to provide reasonable assurance that the financial statements are free of material misstatement whether caused by fraud or error. In designing our audit procedures, professional standards require us to evaluate the financial statements and assess the risk that a material misstatement could occur. Areas that are potentially more susceptible to misstatements, and thereby require special audit considerations, are designated as "significant risks". We have identified the following as significant risks.

- Management Override of Controls – Professional standards require auditors to address the possibility of management overriding controls. Accordingly, we identified as a significant risk that management of the District may have the ability to override controls that the District has implemented. Management may override the District's controls in order to modify the financial records with the intent of manipulating the financial statements to overstate the District's financial performance or with the intent of concealing fraudulent transactions.
- Revenue Recognition – We identified revenue recognition as a significant risk due to financial and operational incentives for the District to overstate revenues.

**Qualitative Aspects of the Entity's Significant Accounting Practices**

*Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended June 30, 2023. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

*Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. No such significant accounting estimates were identified.

*Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the District's Building Fund (Measure ES) financial statements relate to:

The summary of significant accounting policies in Note 1.

**Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

**Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. There were no corrected or uncorrected missstatements identified as a result of our audit procedures.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

**Circumstances that Affect the Form and Content of the Auditor's Report**

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report.

*Modification of the Auditor's Report*

We have made the following modification to our auditor's report.

Emphasis of Matter

As discussed in Note 1, the financial statements present only Building Fund (Measure ES), and do not purport to, and do not, present fairly the financial position of the Santa Monica-Malibu Unified School District as of June 30, 2023, the change in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Representations Requested from Management**

We have requested certain written representations from management which are included in the management representation letter dated December 12, 2023.

**Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

**Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

This report is intended solely for the information and use of the Governing Board, and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

Eide Bailly LLP

Rancho Cucamonga, California

Financial and Performance Audits
Building Fund (Measure M)
June 30, 2023

# Santa Monica-Malibu Unified School District

Santa Monica-Malibu Unified School District
Building Fund (Measure M)
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June 30, 2023

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Financial Audit
Building Fund (Measure M)
June 30, 2023

# Santa Monica-Malibu Unified School District

EideBailly

CPAs & BUSINESS ADVISORS

**Independent Auditor's Report**

Governing Board and
Bond Oversight Committee
Santa Monica-Malibu Unified School District
Santa Monica, California

**Report on the Audit of the Financial Statements**

***Opinion***

We have audited the financial statements of the Building Fund (Measure M) of the Santa Monica-Malibu Unified School District (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Building Fund (Measure M) of the Santa Monica-Malibu Unified School District, as of June 30, 2023, and the change in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

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

***Emphasis of Matter***

As discussed in Note 1, the financial statements present only Building Fund (Measure M), and do not purport to, and do not, present fairly the financial position of the District as of June 30, 2023, the change in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2023 on our consideration of the Building Fund (Measure M) of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Building Fund (Measure M) of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Building Fund (Measure M) of the District's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
December 12, 2023

# Santa Monica-Malibu Unified School District
## Building Fund (Measure M)
### Balance Sheet
### June 30, 2023

| | |
|---|---|
| Assets | |
| Investments | $ 64,454,705 |
| FMV adjustment to investments | (3,146,981) |
| Receivables | 662,200 |
| Total assets | $ 61,969,924 |
| Liabilities and Fund Balance | |
| Liabilities | |
| Accounts payable | $ 3,859,825 |
| Fund Balance | |
| Restricted for capital projects | 58,110,099 |
| Total liabilities and fund balance | $ 61,969,924 |

# Santa Monica-Malibu Unified School District
## Building Fund (Measure M)
### Statement of Revenues, Expenditures, and Change in Fund Balance
### Year Ended June 30, 2023

| | |
|---|---|
| Revenues | |
| Interest income | $ 1,944,391 |
| Net change in FMV of investments | (3,146,981) |
| Total revenues | (1,202,590) |
| Expenditures | |
| Current | |
| Salaries and benefits | 457,463 |
| Supplies and materials | 3,105 |
| Services | 4,227,515 |
| Capital outlay | |
| Building and improvements | 3,870,812 |
| Total expenditures | 8,558,895 |
| Deficiency of Revenues over Expenditures | (9,761,485) |
| Other Financing Uses | |
| Transfer out to Building Fund (Measure BB) | (111,447) |
| Net Change in Fund Balance | (9,872,932) |
| Fund Balance - Beginning | 67,983,031 |
| Fund Balance - Ending | $ 58,110,099 |

## Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Santa Monica-Malibu Unified School District's (the District) Building Fund (Measure M) conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA), who is not an accounting standard setting body, but does produce non-authoritative guidance. The District Building Fund (Measure M) accounts for financial transactions in accordance with the policies and procedures of the *California School Accounting Manual*.

### Financial Reporting Entity

The financial statements include only the Building Fund of the District used to account for Measure M projects. This Fund was established to account for the expenditures of general obligation bonds issued under Measure M. These financial statements are not intended to present fairly the financial position and results of operations of the District in compliance with accounting principles generally accepted in the United States of America.

### Fund Accounting

The operations of the Building Fund (Measure M) are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

### Basis of Accounting

The Building Fund (Measure M) is accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and change in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

### Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's governing board adopts an operating budget no later than July 1 in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

**Encumbrances**

The District utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances lapse at June 30.

**Fund Balance - Building Fund (Measure M)**

As of June 30, 2023, the fund balance is classified as follows:

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

**Spending Order Policy**

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

**Use of Estimates**

The preparation of 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 reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

## Note 2 - Investments

**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 instrument; 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 agreement; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security, and collateralized mortgage obligations.

**Investment in County Treasury**

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statement at amounts based upon the District's pro-rata share of the fairly 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.

The District's investment in the Los Angeles County Treasury Investment Pool are measured at fair value on a recurring basis, which is determined by the fair value per share of the underlying portfolio determined by the program sponsor. The position in the investment pool is not required to be categorized within the fair value hierarchy.

**General Authorizations**

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

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

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the Los Angeles County Treasury Investment Pool. The District maintains a Building Fund (Measure M) investment of $61,307,724 (cost basis of $64,454,705 less fair market value loss adjustment of $3,146,981) with the Los Angeles County Treasury Investment Pool, with an average maturity of 753 days.

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the Los Angeles County Treasury Investment Pool are not required to be rated, nor have they been rated as of June 30, 2023.

## Note 3 - Fair Value Measurements

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

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

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

As of June 30, 2023, the District’s investments of $64,454,705 in the Los Angeles County Treasury Investment Pool are uncategorized.

## Note 4 - Receivables

Receivables at June 30, 2023, consisted of the following:

| | |
|---|---|
| Interest | $ 662,200 |

## Note 5 - Accounts Payable

Accounts payable at June 30, 2023, consisted of the following:

| | |
|---|---|
| Vendor payables | $ 3,855,429 |
| Salaries and benefits | 4,396 |
| | $ 3,859,825 |

## Note 6 - Transfers

Interfund transfers for the year ended June 30, 2023, consisted of the following:

The Building Fund (Measure M) transferred $111,447 to the Building Fund (Measure BB) for the Measure BB shortfall related to Malibu Middle and High School campus improvement projects.

## Note 7 - Commitments and Contingencies

### Construction Commitments

As of June 30, 2023, the Building Fund (Measure M) had the following commitments with respect to unfinished projects:

| Measure M Projects | Remaining Construction Commitment | Expected Date of Completion |
|---|---|---|
| Malibu- Window, Floor Paint, Door & HVAC Project | $ 15,301 | December 2023 |
| Webster - Window, Floor Paint & Door Project | 13,304 | December 2023 |
| Malibu Elementary Schools Alignment & Playground Project | 270,154 | December 2023 |
| Webster ES Safety & Security Project | 39,462 | December 2023 |
| Malibu & Cabrillo HVAC & Electrical | 56,694 | December 2023 |
| Malibu Elementary FF&E Project | 5,191 | December 2023 |
| Malibu High FF&E Project | 20,121 | December 2023 |
| Webster ES FF&E Project | 6,149 | December 2023 |
| Malibu Campus Plan Interim Measures | 86,900 | December 2023 |
| Malibu Elementary Safety & Security Project | 4,500 | June 2024 |
| Malibu - new high school | 678,044 | December 2024 |
| Malibu Campus Plan - Phase I | 103,086,116 | June 2025 |
| Malibu - Window, Floor Paint, Door, & HVAC Project | 793,077 | June 2025 |
| Measure M - Centralized Expenses | 779,094 | Ongoing |
| | $ 105,854,107 | |

### Litigation

The District is not currently a party to any legal proceedings related to the Building Fund (Measure M) as of June 30, 2023.

Independent Auditor's Report
June 30, 2023

# Santa Monica-Malibu Unified School District

EideBailly

CPAs & BUSINESS ADVISORS

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

Governing Board and
Bond Oversight Committee
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 (*Government Auditing Standards)*, the financial statements of the Building Fund (Measure M) of the Santa Monica-Malibu Unified School District (the District) as of and for the year ended June 30, 2023, and the related notes of the financial statements, and have issued our report thereon dated December 12, 2023.

**Emphasis of Matter**

As discussed in Note 1, the financial statements present only Building Fund (Measure M), and do not purport to, and do not, present fairly the financial position of the District as of June 30, 2023, the change in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Report on Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's Building Fund (Measure M) 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 or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

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

**Purpose of this Report**

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

Eide Bailly LLP

Rancho Cucamonga, California
December 12, 2023

None reported.

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

Performance Audit
Building Fund (Measure M)
June 30, 2023

# Santa Monica-Malibu Unified School District

EideBailly

CPAs & BUSINESS ADVISORS

## Independent Auditor's Report on Performance

Governing Board and
Bond Oversight Committee
Santa Monica-Malibu Unified School District
Santa Monica, California

We were engaged to conduct a performance audit of the Building Fund (Measure M) of the Santa Monica-Malibu Unified School District (the District) for the year ended June 30, 2023.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

**Audit Authority/Purpose**

The general obligation bonds associated with Measure M were issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California *Education Code*, and other applicable provisions of law. The bonds are authorized to be issued by a resolution adopted by the Board of Supervisors of the County, pursuant to a request of the District made by a resolution adopted by the Board of Education of the District on July 19, 2018.

The District received authorization from an election held on November 6, 2018, to issue bonds of the District in an aggregate principal amount not to exceed $195 million to finance specific construction and renovation projects approved by eligible voters within the District. The proposition required approval by at least 55% of the votes cast by eligible voters within the District (the 2018 Authorization). The bonds represent the first series of the authorized bonds to be issued under the 2018 Authorization.

**Purpose**

To improve, repair, and modernize outdated Malibu classrooms, science labs, libraries, instructional technology and other school facilities; improve school safety/security systems; shall Santa Monica-Malibu Unified School District's School Facilities Improvement District No. 2 (Malibu Schools) issue $195 million of bonds at legal interest rates, averaging $10.8 million raised annually to repay issued bonds through final maturity, from levies estimated at three cents per $100 of assessed value, with citizens' oversight, annual audits, all funds benefitting Malibu schools.

**Authority**

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by the District, "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities", upon approval by 55% of the electorate. In addition to reducing the approval threshold from two-thirds to 55%, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in *Education Code* sections 15278-15282:

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIIIA, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.

2. The District must list the specific school facilities projects to be funded in the ballot measure and must certify that the governing board has evaluated safety, class size reduction and information technology needs in developing the project list.

3. Requires the District to appoint a bond oversight committee.

4. Requires the District to conduct an annual independent financial audit and performance audit in accordance with the Government Auditing Standards issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.

5. Requires the District to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

**Objectives of the Audit**

Our audit was limited to the objectives listed below which includes determining the compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIIIA, Section 1(b)(3)(C) of the California Constitution and Appendix A contained in the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* issued by the California Education Audit Appeals Panel. Management is responsible for the District compliance with those requirements.

1. Determine whether bond proceeds have been segregated and deposited in a separate Bond Fund (Measure M).

2. Determine whether expenditures charged to the Building Fund have been made in accordance with the bond project list approved by the voters through the approval of Measure M.

3. Determine whether salary transactions, charged to the Building Fund were in support of Measure M and not for District general administration or operations.

**Scope of the Audit**

The scope of our performance audit covered the period of July 1, 2022 to June 30, 2023. The population of expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2023, were not reviewed or included within the scope of our audit or in this report.

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIIIA, Section 1(b)(3)(C) of the *California Constitution* but not for the purpose of expressing an opinion of the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

**Methodology**

We verified that Measure M bond funds are accounted for in a separate account within the Building Fund. We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2023, for the Building Fund (Measure M). Within the fiscal year audited, we obtained the actual invoices, purchase orders, and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIIIA, Section 1(b)(3)(C) of the California Constitution and Measure M as to the approved bond projects list. We performed the following procedures:

1. We identified expenditures and projects charged to the general obligation bond proceeds by obtaining the general ledger and project listing.

2. We selected a sample of expenditures using the following criteria:
    a) We considered all expenditures recorded in all object codes, including transfers out.
    b) We considered all expenditures recorded in all projects that were funded from July 1, 2022 through June 30, 2023 from Measure M.
    c) We selected all expenditures that were individually significant expenditures, including transfers out. Individually significant expenditures were identified based on our assessment of materiality.
    d) For all items below the individually significant threshold identified in item 2c, judgmentally selected expenditures based on risk assessment and consideration of coverage of all object codes and projects for period starting July 1, 2022 and ending June 30, 2023. The results can be projected to the intended population.

3. Our sample included transactions totaling $6,920,997. This represents 80% of the total expenditures of $8,670,342, including transfers out.

4. We reviewed the actual invoices and other supporting documentation to determine that:
    a) Expenditures were supported by invoices with evidence of proper approval and documentation of receipting goods or services.
    b) Expenditures were supported by proper bid documentation, as applicable.
    c) Expenditures were expended in accordance with voter-approved bond project list.
    d) Bond proceeds were not used for salaries of school administrators or other operating expenses of the District.

5. We determined that the District has met the compliance requirement of Measure M if the following conditions were met:
    a) Supporting documents for expenditures were aligned with the voter-approved bond project list.
    b) Supporting documents for expenditures provided evidence that funds were not used for salaries of school administrators or other operating expenses of the District.

The results of our tests indicated that the District expended Building Fund (Measure M) funds only for the specific projects approved by the voters, in accordance with Proposition 39 and outlined in Article XIIIA, Section 1(b)(3)(C) of the California Constitution.

**Audit Results**

The results of our tests indicated that, in all significant respects, the District has properly accounted for the expenditures held in the Building Fund (Measure M) and that such expenditures were made for authorized Bond projects. Further, it was noted funds held in the Building Fund (Measure M) and expended by District were used for salaries only to the extent they perform administrative oversight work on construction projects as allowable per Opinion 04-110 issued on November 9, 2004, by the State of California Attorney General.

This report is intended solely for the information and use of the District, Governing Board, and Citizens Oversight Committee, and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Reporting City, California
December 12, 2023

None reported.

EideBailly

CPAs & BUSINESS ADVISORS

December 12, 2023

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

We have audited the financial statements of Santa Monica-Malibu Unified School District's (the District) Building Fund (Measure M) as of and for the year ended June 30, 2023, and have issued our report thereon dated December 12, 2023. We have also performed the performance audit of the District's Building Fund. Professional standards require that we advise you of the following matters relating to our audit.

**Our Responsibility in Relation to the Financial Statement Audit of the District's Building Fund (Measure M) under Generally Accepted Auditing Standards and Government Auditing Standards and the Performance Audit under *Government Auditing Standards*.**

As communicated in our letter dated June 1, 2023, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Additionally, our responsibility, as described by professional standards, is to conduct a performance audit in accordance with *Government Auditing Standards*. Our audit of the financial statements and performance audit does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding internal controls during our audit in our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated December 12, 2023.

**Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

**Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

**Significant Risks Identified**

As stated in our auditor's report, professional standards require us to design our audit to provide reasonable assurance that the financial statements are free of material misstatement whether caused by fraud or error. In designing our audit procedures, professional standards require us to evaluate the financial statements and assess the risk that a material misstatement could occur. Areas that are potentially more susceptible to misstatements, and thereby require special audit considerations, are designated as "significant risks". We have identified the following as significant risks.

- Management Override of Controls – Professional standards require auditors to address the possibility of management overriding controls. Accordingly, we identified as a significant risk that management of the District may have the ability to override controls that the District has implemented. Management may override the District's controls in order to modify the financial records with the intent of manipulating the financial statements to overstate the District's financial performance or with the intent of concealing fraudulent transactions.
- Revenue Recognition – We identified revenue recognition as a significant risk due to financial and operational incentives for the District to overstate revenues.

**Qualitative Aspects of the Entity's Significant Accounting Practices**

*Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended June 30, 2023. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

*Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. No such significant accounting estimates were identified.

*Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the District's Building Fund (Measure M) financial statements relate to:

The summary of significant accounting policies in Note 1.

**Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

**Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. There were no corrected or uncorrected missstatements identified as a result of our audit procedures.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

**Circumstances that Affect the Form and Content of the Auditor's Report**

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report.

*Modification of the Auditor's Report*

We have made the following modification to our auditor's report.

Emphasis of Matter

As discussed in Note 1, the financial statements present only Building Fund (Measure M), and do not purport to, and do not, present fairly the financial position of the Santa Monica-Malibu Unified School District as of June 30, 2023, the change in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Representations Requested from Management**

We have requested certain written representations from management which are included in the management representation letter dated December 12, 2023.

**Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

**Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

This report is intended solely for the information and use of the Governing Board, and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.



Rancho Cucamonga, California

Performance Audit
Quality Education Funding Renewal Measure (Measure R)
June 30, 2023

# Santa Monica-Malibu Unified School District

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EideBailly

CPAs & BUSINESS ADVISORS

**Independent Auditor's Report on Performance**

Governing Board and
Financial Oversight Committee on Measure R
Santa Monica-Malibu Unified School District
Santa Monica, California

We were engaged to conduct a performance audit of the Quality Education Funding Renewal Measure (Measure R) of the Santa Monica-Malibu Unified School District (the District) funds for the year ended June 30, 2023.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusion based on our audit objectives. We believe that evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

**Audit Authority/Purpose**

On February 5, 2008, the District voters passed the Santa Monica-Malibu Schools Quality Education Funding Renewal Measure (Measure R) which replaced the previous parcel tax Measure S and Measure Y. The results of the passage of Measure R include a tax of $435.06 per parcel, as of June 30, 2020, adjusted annually for inflation by the Consumer Price Index-All Urban Consumers with exemptions for parcels owned and occupied by persons age 65 or older.

**Purpose**

The revenues raised by Measure R shall be used by Santa Monica-Malibu Unified School District exclusively for the following purposes:

1. To preserve programs and replace funds lost or reduced due to inadequate state funding (including state budget reductions that are the result of reduced federal funding of state programs).
2. To sustain achievement in reading, writing, and mathematics for all students at all grade levels and to fulfill the District's core curriculum which includes music, arts, and athletics.
3. To attract and retain highly qualified teachers.
4. To protect the taxpayers' investment in education and ensure District accountability by providing for special citizen financial oversight and independent annual audits of revenues and expenditures.

**Objectives of the Audit**

Our audit was limited to the objectives listed below which includes determining the compliance with the performance requirements as referred to in Santa Monica-Malibu Schools Quality Education Funding Renewal Measure R. Management is responsible for the District compliance with those requirements.

1. Determine whether the School District properly accounted for the revenues and expenditures of the Santa Monica-Malibu Schools Quality Education Funding Renewal Measure.
2. Determine whether expenditures charged to the Santa Monica-Malibu Schools Quality Education Funding Renewal Measure have been made in accordance with the ballot language approved by the voters through the approval of Measure R.
3. Determine whether expenditures were maintained and expended in compliance with the Adopted Annual Plan.

**Scope of the Audit**

The scope of our performance audit covered the period of July 1, 2022 to June 30, 2023. The population of expenditures tested included all object codes associated with the Santa Monica-Malibu Schools Quality Education Funding Renewal Measure. The propriety of expenditures funded through other State or local funding sources other than the Santa Monica-Malibu Schools Quality Education Funding Renewal Measure were not included within the scope of the audit. Expenditures subsequent to June 30, 2023, were not reviewed or included within the scope of our audit or in this report.

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Santa Monica-Malibu Schools Quality Education Funding Renewal Measure R but not for the purpose of expressing an opinion of the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

**Methodology**

We obtained the adopted annual plan, general ledger and expenditure reports prepared by the District for the fiscal year ended June 30, 2023 for Measure R. Within the fiscal year audited, we obtained the actual invoices, purchase orders, and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of the Measure R ballot language and adopted annual plan. We performed the following procedures:

1. We identified the total budgeted and actual revenues and expenditures charged to Measure R by obtaining a detailed general ledger report. We verified that revenues and expenditures are recorded in a separate unrestricted general fund specific resource entitled Resource 00001 as required by Measure R ballot text. In addition, we obtained the adopted annual plan for the current fiscal year. With this information, we verified that the current year budgeted amounts were established based on the adopted annual plan by agreeing the budgeted amounts reported in the general ledger to the adopted annual plan. We also verified that the proposed annual plan was made available for public review 90 days prior to board adoption.

2. We obtained an understanding of the internal controls over calculating and recording revenues related to Measure R. In addition, we recalculated the total revenue based on the current year parcel tax rate and number of parcels and verified the total revenues were properly recorded in the general ledger. A summary schedule of the revenues and expenditures as compared to the prior year and current year budget for the year-ended June 30, 2023 is as follows:

| | June 30, 2022 Actual | June 30, 2023 Budget | June 30, 2023 Actual |
|---|---|---|---|
| Income | | | |
| Parcel tax proceeds | $ 13,365,564 | $ 13,881,013 | $ 14,315,994 |
| Expenditures | | | |
| General education teachers | $ 6,580,211 | $ 6,390,598 | $ 5,891,304 |
| Technology | 2,419,754 | 2,483,736 | 2,866,742 |
| Fine art and music programs | 1,725,044 | 2,075,752 | 2,422,912 |
| Library program | 1,453,130 | 1,626,383 | 1,712,357 |
| Physical education programs | 1,086,225 | 1,182,817 | 1,302,187 |
| Community services | 89,254 | 86,727 | 108,123 |
| Costs to administer | 11,946 | 35,000 | 13,178 |
| Total expenditures | $ 13,365,564 | $ 13,881,013 | $ 14,316,803 |
| Balance used for general education teacher compensation | $ - | $ - | $ (809) |

3. Next, we selected a sample of expenditures using the following criteria:
   a) We considered all expenditures recorded in all object codes.
   b) We considered all expenditures recorded in the period starting July 1, 2022 and ending June 30, 2023.
   c) We selected all expenditures that were individually significant expenditures. Individually significant expenditures were identified based on our assessment of materiality.
   d) For all items below the individually significant threshold identified in item 2c, we judgmentally selected expenditures based on risk assessment and consideration of coverage of all object codes for the period starting July 1, 2022 and ending June 30, 2023. The results can be projected to the intended population.

4. Our sample included transactions totaling $2,829,573. This represents 19.8% of the total expenditures of $14,316,803.

5. We obtained an understanding of the internal controls over compliance and reviewed expenditures for actual compliance. In consideration of the internal controls over compliance and actual compliance with expenditure requirements, we reviewed invoices and other supporting documentation to determine that:
   a) Expenditures were supported by invoices or other appropriate support, with evidence of proper approval and documentation of receipting of goods and services.
   b) Expenditures were expended in accordance with the adopted annual plan and within budgeted allocations.
   c) Expenditures were expended in accordance with Measure R ballot text.
   d) For salaries charged, we verified that the positions were supported by Measure R and the adopted annual plan.

6. We determined that the District has met the compliance requirements of Measure R when supporting documents for expenditures were aligned with the Measure R ballot text and adopted annual plan.

The result of our tests indicated that the District expended Santa Monica-Malibu Schools Quality Education Funding Renewal Measure funds only for the specific expenditures approved by the voters, in accordance with the Santa Monica-Malibu Schools Quality Education Funding Renewal Measure as outlined in the ballot text for Measure R.

**Audit Results**

The results of our tests indicated that, in all significant respects, the District properly accounted for the expenditures held in the Santa Monica-Malibu Schools Quality Education Funding Renewal Measure (Measure R) and that such expenditures were made for authorized activities noted in the ballot text and adopted annual plan.

This report is intended solely for the information and use of the District, Governing Board, and Financial Oversight Committee on Measure R and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Rancho Cucamonga, California
December 12, 2023

None reported.

EideBailly

CPAs & BUSINESS ADVISORS

December 12, 2023

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

We have conducted our performance audit and have issued our report thereon dated December 12, 2023. Professional standards require that we advise you of the following matters relating to our performance audit.

**Our Responsibility in Relation to the Performance Audit**

As communicated in our letter dated June 1, 2023, our responsibility, as described by professional standards, is to conduct a performance audit in accordance with *Government Auditing Standards*. Our performance audit does not relieve you or management of your respective responsibilities.

We are also responsible for communicating significant matters related to the objectives of the performance audit. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

**Planned Scope and Timing of the Audit**

We conducted our performance audit consistent with the planned scope and timing we previously communicated to you.

**Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

**Significant Difficulties Encountered during the Performance Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit of Measure R.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Santa Monica-Malibu Unified School District's Parcel Tax Fund (Measure R) performance audit. No such disagreements arose during the course of the performance audit.

**Representations Requested from Management**

We have requested certain written representations from management which are included in the management representation letter dated December 12, 2023.

**Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

**Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

This report is intended solely for the information and use of the Governing Board and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Rancho Cucamonga, California

Financial and Performance Audits
Building Fund (Measure SMS)
June 30, 2023

# Santa Monica-Malibu Unified School District

Santa Monica-Malibu Unified School District
Building Fund (Measure SMS)
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June 30, 2023

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Financial Audit
Building Fund (Measure SMS)
June 30, 2023

# Santa Monica-Malibu Unified School District

EideBailly

CPAs & BUSINESS ADVISORS

**Independent Auditor's Report**

Governing Board and
Bond Oversight Committee
Santa Monica-Malibu Unified School District
Santa Monica, California

**Report on the Audit of the Financial Statements**

***Opinion***

We have audited the financial statements of the Building Fund (Measure SMS) of the Santa Monica-Malibu Unified School District (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Building Fund (Measure SMS) of the Santa Monica-Malibu Unified School District, as of June 30, 2023, and the change in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

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

***Emphasis of Matter***

As discussed in Note 1, the financial statements present only Building Fund (Measure SMS), and do not purport to, and do not, present fairly the financial position of the District as of June 30, 2023, the change in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2023 on our consideration of the Building Fund (Measure SMS) of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Building Fund (Measure SMS) of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Building Fund (Measure SMS) of the District's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
December 12, 2023

# Santa Monica-Malibu Unified School District
## Building Fund (Measure SMS)
### Balance Sheet
### June 30, 2023

| | |
|---|---|
| Assets | |
| Investments | $ 96,264,394 |
| FMV adjustment to investments | (4,620,279) |
| Receivables | 1,031,407 |
| Total assets | $ 92,675,522 |
| Liabilities and Fund Balance | |
| Liabilities | |
| Accounts payable | $ 16,857,685 |
| Fund Balance | |
| Restricted for capital projects | 75,817,837 |
| Total liabilities and fund balance | $ 92,675,522 |

# Santa Monica-Malibu Unified School District
## Building Fund (Measure SMS)
### Statement of Revenues, Expenditures, and Change in Fund Balance
### Year Ended June 30, 2023

| | |
|---|---|
| Revenues | |
| Interest income | $ 3,587,117 |
| Net change in FMV of investments | (4,620,279) |
| Total revenues | (1,033,162) |
| Expenditures | |
| Current | |
| Salaries and benefits | 975,133 |
| Supplies and materials | 10,610 |
| Services | 17,733,347 |
| Capital outlay | |
| Building and improvements to buildings | 50,412,164 |
| Total expenditures | 69,131,254 |
| Net Change in Fund Balance | (70,164,416) |
| Fund Balance - Beginning | 145,982,253 |
| Fund Balance - Ending | $ 75,817,837 |

## Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Santa Monica-Malibu Unified School District's (the District) Building Fund (Measure SMS) conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA), who is not an accounting standard setting body, but does produce non-authoritative guidance. The District Building Fund (Measure SMS) accounts for financial transactions in accordance with the policies and procedures of the *California School Accounting Manual*.

### Financial Reporting Entity

The financial statements include only the Building Fund of the District used to account for Measure SMS projects. This Fund was established to account for the expenditures of general obligation bonds issued under Measure SMS. These financial statements are not intended to present fairly the financial position and results of operations of the District in compliance with accounting principles generally accepted in the United States of America.

### Fund Accounting

The operations of the Building Fund (Measure SMS) are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

### Basis of Accounting

The Building Fund (Measure SMS) is accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and change in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

### Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's governing board adopts an operating budget no later than July 1 in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

**Encumbrances**

The District utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid, and all outstanding encumbrances lapse at June 30.

**Fund Balance - Building Fund (Measure SMS)**

As of June 30, 2023, the fund balance is classified as follows:

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

**Spending Order Policy**

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

**Use of Estimates**

The preparation of 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 reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

## Note 2 - Investments

**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 instrument; 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 agreement; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security, and collateralized mortgage obligations.

**Investment in County Treasury**

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statement at amounts based upon the District's pro-rata share of the fairly 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.

The District's investment in the Los Angeles County Treasury Investment Pool are measured at fair value on a recurring basis, which is determined by the fair value per share of the underlying portfolio determined by the program sponsor. The position in the investment pool is not required to be categorized within the fair value hierarchy.

**General Authorizations**

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

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

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the Los Angeles County Treasury Investment Pool. The District maintains a Building Fund (Measure SMS) investment of $91,644,115 (cost basis of $96,264,394 less fair market value loss adjustment of $4,620,279) with the Los Angeles County Treasury Investment Pool, with an average maturity of 753 days.

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the Los Angeles County Treasury Investment Pool are not required to be rated, nor have they been rated as of June 30, 2023.

## Note 3 - Fair Value Measurements

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

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

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

As of June 30, 2023, the District’s investments of $96,264,394 in the Los Angeles County Treasury Investment Pool are uncategorized.

## Note 4 - Receivables

Receivables at June 30, 2023, consisted of the following:

| | |
|---|---|
| Interest | $ 1,031,407 |

## Note 5 - Accounts Payable

Accounts payable at June 30, 2023, consisted of the following:

| | |
|---|---|
| Vendor payables | $ 16,846,715 |
| Salaries and benefits | 10,970 |
| | $ 16,857,685 |

## Note 6 - Commitments and Contingencies

### Construction Commitments

As of June 30, 2023, the Building Fund (Measure SMS) had the following commitments with respect to unfinished projects:

| Measure SMS Projects | Remaining Construction Commitment | Expected Date of Completion |
|---|---|---|
| Lincoln Bldg G & K Modernization | $ 87,238 | December 2023 |
| Lincoln HVAC & Electrical Project | 33,218 | December 2023 |
| Olympic - Window, Floor, Paint & Door Project & HVAC Project | 12,109 | December 2023 |
| Edison - Window, Floor, Paint & Door Project & HVAC Project | 112,298 | December 2023 |
| Grant - HVAC & Electrical Project | 65,464 | December 2023 |
| Will Rogers - HVAC & Electrical Project | 39,396 | December 2023 |
| Roosevelt - HVAC & Electrical Project | 43,810 | December 2023 |
| Franklin ES - Safety & Security Project | 6,000 | December 2023 |
| Grant ES - Safety & Security Project | 6,300 | December 2023 |
| McKinley ES - Safety & Security Project | 5,700 | December 2023 |
| Roosevelt ES - Safety & Security Project | 5,400 | December 2023 |
| JAMS - MS Safety & Security Project | 6,265 | December 2023 |
| Lincoln MS - Safety & Security Project | 2,400 | December 2023 |
| Obama Center - Safety & Security Project | 7,560 | December 2023 |
| SAMOHI - Safety & Security Project | 3,656 | December 2023 |
| JAMS Marquee | 9,065 | December 2023 |
| John Muir/SMASH - Window, Floor, Paint & Door & HVAC Project | 56,855 | December 2023 |
| JAMS Linear Courtyard Project | 7,300 | December 2023 |

| Measure SMS Projects | Remaining Construction Commitment | Expected Date of Completion |
|---|---|---|
| Franklin ES - FF&E Project | $ 59,612 | June 2024 |
| Grant ES - FF&E Project | 7,117 | June 2024 |
| McKinley ES - FF&E Project | 38,385 | June 2024 |
| Will Rogers ES - FF&E Project | 52,319 | June 2024 |
| Roosevelt ES - FF&E Project | 25,278 | June 2024 |
| JAMS MS - FF&E Project | 86,827 | June 2024 |
| Lincoln MS - FF&E Project | 37,715 | June 2024 |
| SAMOHI - FF&E Project | 17,817 | June 2024 |
| Washington West - FF&E Project | 13,798 | June 2024 |
| Edison ES - Safety & Security Project | 20,160 | June 2024 |
| Will Rogers ES - Safety & Security Project | 536,570 | June 2024 |
| SAMOHI - Interim Repairs/Upgrades Project | 13,579 | June 2024 |
| JAMS Middle Schools (MS) Master Planning Assessment | 56,757 | December 2024 |
| JAMS Library | 1,245,781 | December 2024 |
| SMASH/Muir ES - FF&E Project | 51,112 | December 2024 |
| Smash/Muir ES - Safety & Security Project | 114,322 | December 2024 |
| SAMOHI - Phase 3 | 73,977,564 | June 2025 |
| Santa Monica Others - FF&E Project | 37,364 | June 2025 |
| John Muir/SMASH - Water Intrusion | 2,954,050 | June 2025 |
| Franklin ES Master Planning Assessment | 87,822 | June 2025 |
| Roosevelt ES Master Planning Assessment | 338,145 | June 2025 |
| McKinley ES Master Planning Assessment | 462,233 | June 2025 |
| Grant ES Master Planning Assessment | 271,777 | June 2025 |
| Will Rogers ES Master Planning Assessment | 209,964 | June 2025 |
| Lincoln Middle Schools (MS) Master Planning Assessment | 32,926 | June 2026 |
| Rogers Early Elementary Buidling | 6,395,008 | June 2026 |
| McKinley Admin and Early Elementary Building | 5,354,913 | June 2026 |
| Grant Library Renovation | 172,868 | December 2026 |
| McKinley Library Renovation | 772 | December 2026 |
| Roosevelt Elementary and Library Building | 4,784,472 | December 2026 |
| Franklin Maker Space and Field | 573,748 | June 2027 |
| Grant Early Elementary Building | 2,146,958 | June 2027 |
| JAMS Library Renovation | 1,245,781 | June 2027 |
| JAMS STEM Building | 2,568,872 | June 2027 |
| Lincoln 500s Building Modenization | 1,271,039 | June 2027 |
| Safety & Security Projects | 50,417 | Ongoing |
| Measure SMS - SMO Centralized Cost | 844,245 | Ongoing |
| Total | $ 106,668,121 | |

**Litigation**

The District is not currently a party to any legal proceedings related to the Building Fund (Measure SMS) as of June 30, 2023.

Independent Auditor's Report
June 30, 2023

# Santa Monica-Malibu Unified School District

EideBailly

CPAs & BUSINESS ADVISORS

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

Governing Board and
Bond Oversight Committee
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 (*Government Auditing Standards)*, the financial statements of the Building Fund (Measure SMS) of the Santa Monica-Malibu Unified School District (the District) as of and for the year ended June 30, 2023, and the related notes of the financial statements, and have issued our report thereon dated December 12, 2023.

**Emphasis of Matter**

As discussed in Note 1, the financial statements present only Building Fund (Measure SMS), and do not purport to, and do not, present fairly the financial position of the District as of June 30, 2023, the change in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Report on Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's Building Fund (Measure SMS) 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 or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

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

**Purpose of this Report**

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

Eide Bailly LLP

Rancho Cucamonga, California
December 12, 2023

None reported.

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

Performance Audit
Building Fund (Measure SMS)
June 30, 2023

# Santa Monica-Malibu Unified School District

EideBailly

CPAs & BUSINESS ADVISORS

## Independent Auditor's Report on Performance

Governing Board and
Bond Oversight Committee
Santa Monica-Malibu Unified School District
Santa Monica, California

We were engaged to conduct a performance audit of the Building Fund (Measure SMS) of the Santa Monica-Malibu Unified School District (the District) for the year ended June 30, 2023.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

**Audit Authority/Purpose**

The general obligation bonds associated with Measure SMS were issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California *Education Code*, and other applicable provisions of law. The bonds are authorized to be issued by a resolution adopted by the Board of Supervisors of the County, pursuant to a request of the District made by a resolution adopted by the Board of Education of the District on July 19, 2018.

The District received authorization from an election held on November 6, 2018, to issue bonds of the District in an aggregate principal amount not to exceed $485,000,000 to finance specific construction and renovation projects approved by eligible voters within the District. The proposition required approval by at least 55% of the votes cast by eligible voters within the District (the 2018 Authorization). The bonds represent the first and second series of the authorized bonds to be issued under the 2018 Authorization.

**Purpose**

To improve, repair, and modernize outdated Santa Monica classrooms, science labs, libraries, instructional technology and other school facilities; improve school safety/security systems; shall Santa Monica-Malibu Unified School District's School Facilities Improvement District No. 1 (Santa Monica Schools) issue $485 million of bonds at legal interest rates, averaging $27.4 million raised annually to repay issued bonds through final maturity, from levies estimated at four cents per $100 assessed value, with citizens' oversight, annual audits, and all funds benefitting Santa Monica schools.

**Authority**

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by the District, "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities", upon approval by 55% of the electorate. In addition to reducing the approval threshold from two-thirds to 55%, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in *Education Code* sections 15278-15282:

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIIIA, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.

2. The District must list the specific school facilities projects to be funded in the ballot measure and must certify that the governing board has evaluated safety, class size reduction and information technology needs in developing the project list.

3. Requires the District to appoint a bond oversight committee.

4. Requires the District to conduct an annual independent financial audit and performance audit in accordance with the Government Auditing Standards issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.

5. Requires the District to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

**Objectives of the Audit**

Our audit was limited to the objectives listed below which includes determining the compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIIIA, Section 1(b)(3)(C) of the California Constitution and Appendix A contained in the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* issued by the California Education Audit Appeals Panel. Management is responsible for the District compliance with those requirements.

1. Determine whether bond proceeds have been segregated and deposited in a separate Bond Fund (Measure SMS).

2. Determine whether expenditures charged to the Building Fund have been made in accordance with the bond project list approved by the voters through the approval of Measure SMS.

3. Determine whether salary transactions, charged to the Building Fund were in support of Measure SMS and not for District general administration or operations.

**Scope of the Audit**

The scope of our performance audit covered the period of July 1, 2022 to June 30, 2023. The population of expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2023, were not reviewed or included within the scope of our audit or in this report.

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIIIA, Section 1(b)(3)(C) of the *California Constitution* but not for the purpose of expressing an opinion of the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

**Methodology**

We verified that Measure SMS bond funds are accounted for in a separate account within the Building Fund. We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2023, for the Building Fund (Measure SMS). Within the fiscal year audited, we obtained the actual invoices, purchase orders, and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIIIA, Section 1(b)(3)(C) of the California Constitution and Measure SMS as to the approved bond projects list. We performed the following procedures:

1. We identified expenditures and projects charged to the general obligation bond proceeds by obtaining the general ledger and project listing.

2. We selected a sample of expenditures using the following criteria:
    a) We considered all expenditures recorded in all object codes.
    b) We considered all expenditures recorded in all projects that were funded from July 1, 2022 through June 30, 2023 from Measure SMS.
    c) We selected all expenditures that were individually significant expenditures. Individually significant expenditures were identified based on our assessment of materiality.
    d) For all items below the individually significant threshold identified in item 2c, judgmentally selected expenditures based on risk assessment and consideration of coverage of all object codes and projects for period starting July 1, 2022 and ending June 30, 2023. The results can be projected to the intended population.

3. Our sample included transactions totaling $49,190,960. This represents 71% of the total expenditures of $69,131,254.

4. We reviewed the actual invoices and other supporting documentation to determine that:
    a) Expenditures were supported by invoices with evidence of proper approval and documentation of receipting goods or services.
    b) Expenditures were supported by proper bid documentation, as applicable.

c) Expenditures were expended in accordance with voter-approved bond project list.
d) Bond proceeds were not used for salaries of school administrators or other operating expenses of the District.

5. We determined that the District has met the compliance requirement of Measure SMS if the following conditions were met:
    a) Supporting documents for expenditures were aligned with the voter-approved bond project list.
    b) Supporting documents for expenditures provided evidence that funds were not used for salaries of school administrators or other operating expenses of the District.

The results of our tests indicated that the District expended Building Fund (Measure SMS) funds only for the specific projects approved by the voters, in accordance with Proposition 39 and outlined in Article XIIIA, Section 1(b)(3)(C) of the California Constitution.

**Audit Results**

The results of our tests indicated that, in all significant respects, the District has properly accounted for the expenditures held in the Building Fund (Measure SMS) and that such expenditures were made for authorized Bond projects. Further, it was noted funds held in the Building Fund (Measure SMS) and expended by District were used for salaries only to the extent they perform administrative oversight work on construction projects as allowable per Opinion 04-110 issued on November 9, 2004, by the State of California Attorney General.

This report is intended solely for the information and use of the District, Governing Board, and Citizens Oversight Committee, and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Rancho Cucamonga, California
December 12, 2023

None reported.

EideBailly

CPAs & BUSINESS ADVISORS

December 12, 2023

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

We have audited the financial statements of Santa Monica-Malibu Unified School District's (the District) Building Fund (Measure SMS) as of and for the year ended June 30, 2023, and have issued our report thereon dated December 12, 2023. We have also performed the performance audit of the District's Building Fund. Professional standards require that we advise you of the following matters relating to our audit.

**Our Responsibility in Relation to the Financial Statement Audit of the District's Building Fund (Measure SMS) under Generally Accepted Auditing Standards and Government Auditing Standards and the Performance Audit under *Government Auditing Standards*.**

As communicated in our letter dated June 1, 2023, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Additionally, our responsibility, as described by professional standards, is to conduct a performance audit in accordance with *Government Auditing Standards*. Our audit of the financial statements and performance audit does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding internal controls during our audit in our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated December 12, 2023.

**Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

**Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

**Significant Risks Identified**

As stated in our auditor's report, professional standards require us to design our audit to provide reasonable assurance that the financial statements are free of material misstatement whether caused by fraud or error. In designing our audit procedures, professional standards require us to evaluate the financial statements and assess the risk that a material misstatement could occur. Areas that are potentially more susceptible to misstatements, and thereby require special audit considerations, are designated as "significant risks". We have identified the following as significant risks.

- Management Override of Controls – Professional standards require auditors to address the possibility of management overriding controls. Accordingly, we identified as a significant risk that management of the District may have the ability to override controls that the District has implemented. Management may override the District's controls in order to modify the financial records with the intent of manipulating the financial statements to overstate the District's financial performance or with the intent of concealing fraudulent transactions.
- Revenue Recognition – We identified revenue recognition as a significant risk due to financial and operational incentives for the District to overstate revenues.

**Qualitative Aspects of the Entity's Significant Accounting Practices**

*Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended June 30, 2023. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

*Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. No such significant accounting estimates were identified.

*Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the District's Building Fund (Measure SMS) financial statements relate to:

The summary of significant accounting policies in Note 1.

**Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

**Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. There were no corrected or uncorrected missstatements identified as a result of our audit procedures.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

**Circumstances that Affect the Form and Content of the Auditor's Report**

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report.

*Modification of the Auditor's Report*

We have made the following modification to our auditor's report.

Emphasis of Matter

As discussed in Note 1, the financial statements present only Building Fund (Measure SMS), and do not purport to, and do not, present fairly the financial position of the Santa Monica-Malibu Unified School District as of June 30, 2023, the change in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Representations Requested from Management**

We have requested certain written representations from management which are included in the management representation letter dated December 12, 2023.

**Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

**Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

This report is intended solely for the information and use of the Governing Board, and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

Eide Bailly LLP

Rancho Cucamonga, California