



See what's possible.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**

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**AUDIT REPORT**  
JUNE 30, 2025

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
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**JUNE 30, 2025**

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## INDEPENDENT AUDITORS' REPORT

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

### Report on Audit of Financial Statements

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities, the 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, 2025, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the District as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **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. Our responsibilities under those standards are further described in the Auditors' 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.

#### **Change in Accounting Principle**

As discussed in Note 1 to financial statements, the District adopted GASB Statement No. 101, *Compensated Absences*, which required a restatement of net position as of July 1, 2024. 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 these 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 misstatements, 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.

### ***Auditors' 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 auditors' 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, and the Required Supplementary Information as listed in the Table of Contents 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 Supplementary Information as listed in the Table of Contents, which includes 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*, 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information, is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2025 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.



San Diego, California  
December 10, 2025

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2025**

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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 activities and financial performance as of and during the fiscal year ended June 30, 2025, with comparative information for the fiscal year ended June 30, 2024. Please read it in conjunction with the District's financial statements, which immediately follow this section.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

**The Basic Financial Statements**

The basic financial statements presented herein include all of the activities of the District and its component unit 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-based 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 activities, payables, and receivables.

The *Fund Financial Statements* include statements for governmental funds. 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 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.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2025**

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**REPORTING THE DISTRICT AS A WHOLE, continued**

**Government-Wide Financial Statements, continued**

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.

**Discretely Presented Component Unit**

The District reports the Santa Monica Education Foundation (the "Foundation") as a separate discretely presented component unit. Although the 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.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2025**

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**FINANCIAL HIGHLIGHTS**

Total net position for the primary government was \$124,575,737 at June 30, 2025. This was a decrease of \$19,484,771 or 14% compared to the prior fiscal year's net position.

Overall revenues for the primary government were \$324,099,766 which created a deficit over expenses of \$18,398,862. Prior period adjustment was recorded to correct the beginning balances of general obligation bonds and compensated absences from implementation of GASB Statement No. 101, see Note 17 for additional information.

**THE DISTRICT AS A WHOLE**

**Net Position**

The District's net position was \$124,575,737 for the fiscal year ended June 30, 2025. Of this amount, \$399,084,307 was restricted net position. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limits 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 of the District's governmental activities.

	Governmental Activities		
	2025	2024	Net Change
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
Current assets	\$ 539,220,699	\$ 416,267,399	\$ 122,953,300
Non-current assets	1,252,050,594	1,107,068,295	144,982,299
Deferred outflows of resources	77,238,538	73,697,979	3,540,559
Total Assets and Deferred Outflows of Resources	1,868,509,831	1,597,033,673	271,476,158
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>			
Current liabilities	123,828,234	122,564,167	1,264,067
Non-current liabilities	1,530,041,129	1,287,034,689	243,006,440
Deferred inflows of resources	90,064,731	43,374,309	46,690,422
Total Liabilities and Deferred Inflows of Resources	1,743,934,094	1,452,973,165	290,960,929
<b>NET POSITION</b>			
Net investment in capital assets	181,834,725	166,517,990	15,316,735
Restricted	399,100,906	288,675,561	110,425,345
Unrestricted	(456,359,894)	(311,133,043)	(145,226,851)
Total Net Position	\$ 124,575,737	\$ 144,060,508	\$ (19,484,771)

The \$(456,343,295) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations and is inclusive of the net pension and net OPEB liabilities, related deferred inflows and outflows of resources and the cumulative effect as a result of GASB Statements No. 68 and 75, which is a reduction to the District's net position. Unrestricted net position is 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, which decreased by 47% compared to prior year balance of \$(311,133,043).

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2025**

**THE DISTRICT AS A WHOLE, continued**

**Changes in Net Position**

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 15. Table below takes the information from the Statement and rearranges them slightly so you can see our total revenues for the fiscal year and changes in net position of the District's governmental activities.

	Governmental Activities		
	2025	2024	Net Change
REVENUES			
Program revenues			
Charges for services	\$ 4,692,726	\$ 5,335,396	\$ (642,670)
Operating grants and contributions	72,032,876	56,811,159	15,221,717
Capital grants and contributions	2,052,624	5,135,321	(3,082,697)
General revenues			
Property taxes	197,161,790	197,239,360	(77,570)
Federal and state aid not restricted for specific purposes	12,269,170	12,633,450	(364,280)
Other	35,890,580	50,695,378	(14,804,798)
Total Revenues	324,099,766	327,850,064	(3,750,298)
EXPENSES			
Instruction	135,682,536	105,083,153	30,599,383
Instruction-related services	27,587,122	21,593,554	5,993,568
Pupil services	27,582,786	22,505,107	5,077,679
General administration	25,321,263	10,535,293	14,785,970
Plant services	39,440,314	26,795,362	12,644,952
Ancillary services	3,849,591	3,277,458	572,133
Community services	3,870,084	2,862,235	1,007,849
Interest on long-term debt	33,645,073	42,782,636	(9,137,563)
Other outgo	1,950,026	33,232,011	(31,281,985)
Depreciation (unallocated)	43,359,969	44,318,589	(958,620)
Amortization (unallocated)	209,864	840,234	(630,370)
Total Expenses	342,498,628	313,825,632	28,672,996
CHANGE IN NET POSITION	(18,398,862)	14,024,432	(32,423,294)
NET POSITION - BEGINNING	144,060,508	129,116,097	14,944,411
PRIOR PERIOD ADJUSTMENTS (NOTE 17)	(1,085,909)	919,979	(2,005,888)
NET POSITION - ENDING	\$ 124,575,737	\$ 144,060,508	\$ (19,484,771)

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2025**

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**THE DISTRICT AS A WHOLE, continued**

**Governmental Activities**

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was \$342,498,628. The amount that our taxpayers ultimately financed for these activities through local taxes was \$197,161,790. Some of our costs were paid by those who benefited from the programs which amounted to \$4,692,726 and by other governments and organizations who subsidized certain programs with grants and contributions which amounted to \$74,085,500. We paid for the remaining “public benefit” portion of our governmental activities with \$48,159,750 in Federal and State funds, and with other revenues, like interest, investment earnings and miscellaneous revenues.

In Table below, we have presented the net cost of each of the District’s largest functions: instruction, instruction-related services, pupil services, general administration, plant services, ancillary services, community services, interest on long-term debt, depreciation and amortization, and other outgo. 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.

	Governmental Activities	
	Net Cost of Services	
	2025	2024
Instruction	\$ 107,123,004	\$ 85,273,072
Instruction-related services	23,884,692	18,890,544
Pupil services	18,503,882	14,283,916
General administration	24,196,982	9,512,705
Plant services	18,656,131	4,607,876
Ancillary services	1,620,966	1,430,757
Community services	3,583,485	2,596,060
Interest on long-term debt	33,645,073	42,782,636
Other outgo	(11,063,646)	44,318,589
Depreciation (unallocated)	43,359,969	840,234
Amortization (unallocated)	209,864	22,007,367
Total	\$ 263,720,402	\$ 246,543,756

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2025**

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**THE DISTRICT’S FUNDS**

As the District completed this fiscal year, our governmental funds reported a combined fund balance of \$469,827,902 which has increased by \$115,084,590 or 32% from last fiscal year, see table below.

GOVERNMENTAL FUNDS	July 01, 2024	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2025
General Fund	\$ 80,278,196	\$ 235,791,614	\$ 232,148,373	\$ 83,921,437
Student Activity Special Revenue Fund	378,350	2,204,339	2,062,904	519,785
Adult Education Fund	1,241,011	1,001,871	936,406	1,306,476
Child Development Fund	6,367,671	7,108,008	6,409,284	7,066,395
Cafeteria Special Revenue Fund	1,203,647	5,329,268	5,652,031	880,884
Deferred Maintenance Fund	1,457,220	2,072,377	1,997,915	1,531,682
Building Fund	192,231,782	287,742,681	175,372,112	304,602,351
Capital Facilities Fund	6,296,130	928,516	1,208,055	6,016,591
County School Facilities Fund	4,960,092	2,244,452	6,948,056	256,488
Special Reserve for Capital Outlay Projects Fund	13,363,641	20,444,458	20,033,461	13,774,638
Bond Interest and Redemption Fund	46,965,572	73,867,248	70,881,645	49,951,175
Total Governmental Funds	\$ 354,743,312	\$ 638,734,832	\$ 523,650,242	\$ 469,827,902

**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 \$469,827,902, which is significantly more than last fiscal year's ending fund balance of \$354,743,312. Because several of the new revenue sources were allocated to the District with multi-year expenditure deadlines in the future, the District reported deficiency of revenues over expenditures. This was offset by the current fiscal year’s other financing sources from the Building Fund’s bond issuance amounting to \$280,000,000, which will be used to finance the renovation, construction, and improvement of school facilities. Thus, contributed to higher combined ending fund balances, as compared to the prior year.

The District's General Fund had \$3,643,241 more in revenues and other financing sources than expenditures and other financing uses for the fiscal year ended June 30, 2025. In general, the excess was attributed higher than projected revenues and lower than anticipated expenditures. Therefore, significant savings from unspent funds and additional revenue comparing the June Estimated Actuals to September Actuals were reflected in the final financials of the District for fiscal year 2024-25. There were more revenues due to the following: an increase of \$231,420 of the Local General Fund Contribution to Special Education which is a decrease in revenue; a decrease of \$560,775 of the Local General Fund Contribution to Routine Restricted Maintenance Account (RRMA) which is a increase in revenue; increased Unrestricted Lottery Funds of \$6,184; increased Measure R Funds of \$416,327; increased Secured & Unsecured Property Tax as well as increased RDA (Community Redevelopment Funds) property tax of \$504,213 from the Local Control Funding Formula (LCFF); increased Measure GSH & Y revenue in the amount of \$85,081; decreased Home To School Transportation Reimbursement Grant of \$26,302; decreased Education Protection Account (EPA) funds of \$130,618; decreased lease and rental income related to Hilton gross sales agreement revenue of \$394,443; increased Interest Earned for cash held in the Los Angeles County Treasury of \$2,538,765 due to market conditions.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2025**

**FINANCIAL ANALYSIS OF THE DISTRICT’S MAJOR FUNDS, continued**

Additionally, there were less expenditures due to the following: Unspent Site Stretch Grant of \$51,542; Unspent Site Formula Allocations of \$51,641; Unspent Health Services Supplies & Non-Capital Equipment, General Supplies, Textbooks, & Electronic Devices of \$684,000; Unspent Salaries & Benefits as a result of Restricted General Fund one-time use of Career Technical Education and the last of COVID-19 ESSER Funds used, Health Benefits credit from the District’s transition from CalPERS to SISC, permanent vacancies, positions remaining unfilled longer than expected, and employees taking extended unpaid leave in the amount of \$6,604,893; and Unspent Other Operating Costs (legal, travel, consultants, utilities, repairs) of \$3,906,082; Lastly, it is important to note that the District spent all required Local Control Accountability Plan (LCAP) Supplemental Grant funds per the Local Control Funding Formula (LCFF) calculation in the amount of \$6,276,524 on the District’s most vulnerable populations. The actual funds spent was equal to the required amount of total expenditures.

**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. In years where a final amendment and Fourth Budget Revision are adopted by the Board of Education, the adjustment mainly perfect 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 73).

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

**Capital Assets and Right-to-Use Assets**

At June 30, 2025, the District had \$1,220,694,661 in a broad range of capital assets and right-to-use 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-based IT assets. This amount represents a net increase (including additions, deductions, depreciation and amortization) of \$145,605,394, or 14%, from last year as shown in table below.

	Governmental Activities		
	2025	2024	Net Change
<b>CAPITAL ASSETS AND RIGHT-TO-USE ASSETS</b>			
Land	\$ 15,122,223	\$ 15,122,223	\$ -
Construction in progress	465,661,220	291,970,316	173,690,904
Land improvements	119,291,772	119,220,616	71,156
Buildings and improvements	899,625,073	885,596,148	14,028,925
Furniture and equipment	59,668,112	58,406,318	1,261,794
Right-to-use leased assets	-	949,847	(949,847)
Right-to-use subscription-based IT assets	1,624,788	1,877,098	(252,310)
Less: Accumulated depreciation	(339,637,938)	(296,400,417)	(43,237,521)
Less: Accumulated amortization	(660,589)	(1,652,882)	992,293
Total Capital Assets and Right-to-Use Assets, Net	\$ 1,220,694,661	\$ 1,075,089,267	\$ 145,605,394

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

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2025**

**CAPITAL ASSETS, RIGHT-TO-USE ASSETS, AND LONG-TERM LIABILITIES, continued**

**Long-Term Liabilities**

At the end of this year, the District had \$1,391,727,784 in long-term debts, not including pension and OPEB liabilities, versus \$1,120,383,837 from last year, an increase of \$271,343,947, or 24%. The increase is largely attributed to issuance of additional general obligation bonds compared to prior year. See Note 10 for additional information. Long-term liabilities consisted of:

	Governmental Activities		
	2025	2024*	Net Change
LONG-TERM LIABILITIES			
General obligation bonds*	\$ 1,250,705,000	\$ 1,007,025,000	\$ 243,680,000
Unamortized premiums - GO Bonds	80,112,523	67,578,015	12,534,508
Unamortized discounts - GO Bonds	(12,478)	(14,261)	1,783
Certificates of participation (COP)	36,115,000	25,460,612	10,654,388
Unamortized premiums - COPs	3,481,287	3,630,314	(149,027)
BEST financing arrangement	60,378	176,725	(116,347)
Supplemental early retirement program	3,567,776	-	3,567,776
Compensated absences*	17,698,298	16,527,432	1,170,866
Net pension liability	134,647,445	168,748,490	(34,101,045)
Net OPEB liability	41,703,213	45,520,187	(3,816,974)
Total Long-Term Liabilities	<u>\$ 1,568,078,442</u>	<u>\$ 1,334,652,514</u>	<u>\$ 233,425,928</u>

\*2024 balances as restated, see Note 17.

The District's credit rating remains the same as previously report in the December 3, 2025 assessment. Moody's Investors Service rates the District's general obligation bonds at Aa1, while Standard & Poor's Financial Services LLC rates general obligation bonds at AA+ and the certificates of participation at AA.

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

At fiscal year-end, the District has net other post-employment benefit (OPEB) liability of \$41,703,213, versus \$45,520,187 last year, a decrease of \$3,816,974 or 8%. See Note 11 for additional information about net OPEB.

In addition, at fiscal year-end, the District has an aggregate net pension liability of \$134,647,445, versus \$168,748,490 last year, a decrease of \$34,101,045, or 20%. See Note 14 for additional information about pension liabilities.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2025**

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

In considering the District Budget for the 2025-26 fiscal 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 2025-26 for the ninth consecutive year. This occurred as Property Tax revenue exceeded that of the Local Control Funding Formula (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 Reserve Policy language within its current Budget Board Policy in order to keep higher reserves.

In 2024-25, the District received its final allotments of 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 for \$4.4 million as well as revised allocations to the Arts, Music, and Instructional Materials Discretionary Block Grant totaling approximately \$5.4 million. The District also received a final revised allocation for Proposition 28 funds totaling \$1.7 million. In addition, the District received \$10 million from City of Santa Monica Measure GS School Fund for a property transfer tax on property transfers of eight million dollars or more. The District will receive the \$10 million when the total tax levied of Measure GS is equal to at least fifty million dollars.

The District also receives a percentage of gross sales from their tenant The Hilton Hotel as the economy has surged and recovered from the global pandemic. In 2024-25, the District received \$993,166 from this agreement.

In 2025-26, the District will be increasing its projected revenue budget of Development Agenda (RDA) funds by an additional \$4.5 million to incorporate the assessed increase in RDA funds. This increase has materialized year-over-year with a trend that reflects at least this minimal increase.

**Expenditures**

The District continues to address its deficit spending for the combined General Fund with multiple tools and mechanisms. The District offered a Supplemental Employee Retirement Plan (SERP) for both the 2023-24 and 2024-25 years that reduced the number of staff in an effort to align staffing to enrollment as well as replace more veteran staff costs with that of more junior staff cost. The District is also replicating this approach with attrition of staff where each position is evaluated on its need within the District to support teaching and learning as well as operations. The District concluded negotiations with its bargaining units that resulted in a multi-year, multi-phase, salary schedule adjustment that will increase expenditures. The District increased its Deferred Maintenance budget by \$1.5 million that is in the form of an interfund transfer from the general fund to address ongoing maintenance of school sites that can not be covered by bond funds. The District also had a one-time increase to the liability insurance premium for future SAM (sexual abuse & molestation) liability coverage as a preventative and precautionary measure.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2025**

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**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.

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## **FINANCIAL SECTION**

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**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2025**

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash and equivalents	\$ 518,467,447
Accounts receivable	19,968,441
Inventory	79,259
Other current assets	82,457
Lease receivable, current portion	623,095
Total Current Assets	<u>539,220,699</u>
Non-Current Assets	
Lease receivable, non-current portion	31,355,933
Capital assets, net	1,219,730,462
Right-to-use assets, net	964,199
Total Non-Current Assets	<u>1,252,050,594</u>
TOTAL ASSETS	<u>1,791,271,293</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on debt refunding	17,983,289
Deferred outflows related to OPEB	6,244,888
Deferred outflows related to pensions	53,010,361
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>77,238,538</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,868,509,831</u>
LIABILITIES	
Current Liabilities	
Accrued liabilities	\$ 69,331,009
Interest payable	15,670,628
Unearned revenue	789,284
Long-term debt, current portion	38,037,313
Total Current Liabilities	<u>123,828,234</u>
Non-Current Liabilities	
Net pension liability	134,647,445
Net OPEB liability	41,703,213
Long-term debt, non-current portion	1,353,690,471
Total Non-Current Liabilities	<u>1,530,041,129</u>
TOTAL LIABILITIES	<u>1,653,869,363</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred gain on debt refunding	2,743,055
Deferred inflows related to lease receivable	30,628,437
Deferred inflows related to OPEB	24,821,728
Deferred inflows related to pensions	31,871,511
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>90,064,731</u>
NET POSITION	
Net investment in capital assets	181,834,725
Restricted	
Educational programs	18,259,598
Debt service	49,951,175
Capital projects	324,607,439
Child nutrition	1,151,304
Student activity funds	519,785
Other restrictions	4,611,605
Total Restricted	<u>399,100,906</u>
Unrestricted	<u>(456,359,894)</u>
TOTAL NET POSITION	<u>124,575,737</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 1,868,509,831</u>

The notes to financial statements are an integral part of this statement.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2025**

Function/Programs	Expenses	Program Revenues			Net (Expense)/ Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Instruction	\$ 135,682,536	\$ 761,981	\$ 25,744,927	\$ 2,052,624	\$ (107,123,004)
Instruction-related services					
Instructional supervision and administration	10,881,580	181,032	1,537,800	-	(9,162,748)
Instructional library, media, and technology	2,098,475	125	118,130	-	(1,980,220)
School site administration	14,607,067	205,827	1,659,516	-	(12,741,724)
Pupil services					
Home-to-school transportation	2,477,786	-	35,924	-	(2,441,862)
Food services	5,988,588	166,509	5,200,374	-	(621,705)
All other pupil services	19,116,412	22,784	3,653,313	-	(15,440,315)
General administration					
Centralized data processing	2,426,683	-	28,820	-	(2,397,863)
All other general administration	22,894,580	95,097	1,000,364	-	(21,799,119)
Plant services	39,440,314	78,417	20,705,766	-	(18,656,131)
Ancillary services	3,849,591	643	2,227,982	-	(1,620,966)
Community services	3,870,084	26,749	259,850	-	(3,583,485)
Interest on long-term debt	33,645,073	-	-	-	(33,645,073)
Other outgo	1,950,026	3,153,562	9,860,110	-	11,063,646
Depreciation (unallocated)	43,359,969	-	-	-	(43,359,969)
Amortization (unallocated)	209,864	-	-	-	(209,864)
<b>Total</b>	<b>\$ 342,498,628</b>	<b>\$ 4,692,726</b>	<b>\$ 72,032,876</b>	<b>\$ 2,052,624</b>	<b>(263,720,402)</b>
<b>General Revenues</b>					
Taxes and subventions					
Property taxes, levied for general purposes					120,740,080
Property taxes, levied for debt service					54,938,557
Property taxes, levied for other specific purposes					21,483,153
Federal and state aid not restricted for specific purposes					12,269,170
Interest and investment earnings					5,797,159
Miscellaneous					30,093,421
<b>Total General Revenues</b>					<b>245,321,540</b>
<b>CHANGE IN NET POSITION</b>					<b>(18,398,862)</b>
<b>NET POSITION - BEGINNING</b>					<b>144,060,508</b>
<b>PRIOR PERIOD ADJUSTMENTS (NOTE 17)</b>					<b>(1,085,909)</b>
<b>NET POSITION - ENDING</b>					<b>\$ 124,575,737</b>

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**JUNE 30, 2025**

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and equivalents	\$ 99,158,626	\$ 337,082,230	\$ 49,951,175	\$ 32,275,416	\$ 518,467,447
Accounts receivable	16,712,031	1,568,390	-	1,688,020	19,968,441
Inventory	-	-	-	79,259	79,259
Other current assets	82,457	-	-	-	82,457
Lease receivable	31,979,028	-	-	-	31,979,028
Total Assets	<u>\$ 147,932,142</u>	<u>\$ 338,650,620</u>	<u>\$ 49,951,175</u>	<u>\$ 34,042,695</u>	<u>\$ 570,576,632</u>
<b>LIABILITIES</b>					
Accrued liabilities	\$ 33,107,306	\$ 34,048,269	\$ -	\$ 2,175,434	\$ 69,331,009
Unearned revenue	274,962	-	-	514,322	789,284
Total Liabilities	<u>33,382,268</u>	<u>34,048,269</u>	<u>-</u>	<u>2,689,756</u>	<u>70,120,293</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows related to lease receivable	30,628,437	-	-	-	30,628,437
Total Deferred Inflows of Resources	<u>30,628,437</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,628,437</u>
<b>FUND BALANCES</b>					
Nonspendable	20,023	-	-	79,259	99,282
Restricted	21,371,385	304,602,351	49,951,175	23,175,995	399,100,906
Assigned	55,332,664	-	-	8,097,685	63,430,349
Unassigned	7,197,365	-	-	-	7,197,365
Total Fund Balances	<u>83,921,437</u>	<u>304,602,351</u>	<u>49,951,175</u>	<u>31,352,939</u>	<u>469,827,902</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 147,932,142</u>	<u>\$ 338,650,620</u>	<u>\$ 49,951,175</u>	<u>\$ 34,042,695</u>	<u>\$ 570,576,632</u>

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2025**

Total Fund Balances - Governmental Funds \$ 469,827,902

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

Capital assets and right-to-use assets:

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

Capital assets	\$ 1,559,368,400	
Accumulated depreciation	(339,637,938)	
Right-to-use assets	1,624,788	
Accumulated amortization	<u>(660,589)</u>	1,220,694,661

Unmatured interest on long-term debt:

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

(15,670,628)

Long-term liabilities:

In governmental funds, only current liabilities are reported. In the government-wide statement of net position, all liabilities, including long-term liabilities, are reported.

Long-term liabilities relating to governmental activities consist of:

General obligation bonds	\$ 1,250,705,000	
Unamortized premiums - GO Bonds	80,112,523	
Unamortized discounts - GO Bonds	(12,478)	
Certificates of participation (COP)	36,115,000	
Unamortized premiums - COPs	3,481,287	
BEST financing arrangement	60,378	
Supplemental early retirement program	3,567,776	
Compensated absences	17,698,298	
Net pension liability	134,647,445	
Net OPEB liability	<u>41,703,213</u>	(1,568,078,442)

Deferred gain or loss on debt refunding:

In the government-wide financial statements deferred gain or loss on debt refunding is recognized as a deferred outflow of resources (for a loss) or deferred inflow of resources (for a gain) and subsequently amortized over the life of the debt. Deferred gain or loss on debt refunding recognized as a deferred outflow of resources or deferred inflow of resources on the statement of net position was:

15,240,234

Deferred outflows and inflows of resources relating to pensions:

In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In government-wide the statement of net position, deferred outflows and inflows of resources relating to pensions are reported:

Deferred outflows related to pensions	\$ 53,010,361	
Deferred inflows related to pensions	<u>(31,871,511)</u>	21,138,850

Deferred outflows and inflows of resources relating to other postemployment benefits (OPEB):

In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the government-wide statement of net position, deferred outflows and inflows of resources relating to OPEB are reported:

Deferred outflows related to OPEB	\$ 6,244,888	
Deferred inflows related to OPEB	<u>(24,821,728)</u>	(18,576,840)

Total Net Position - Governmental Activities \$ 124,575,737

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2025**

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
LCFF sources	\$ 130,628,845	\$ -	\$ -	\$ -	\$ 130,628,845
Federal sources	5,724,899	-	-	2,004,964	7,729,863
Other state sources	16,840,701	-	55,498	8,857,552	25,753,751
Other local sources	78,137,449	7,742,681	56,671,636	14,478,736	157,030,502
Total Revenues	231,331,894	7,742,681	56,727,134	25,341,252	321,142,961
<b>EXPENDITURES</b>					
Current					
Instruction	127,752,926	-	-	4,565,173	132,318,099
Instruction-related services					
Instructional supervision and administration	9,793,373	-	-	594,860	10,388,233
Instructional library, media, and technology	1,998,790	-	-	-	1,998,790
School site administration	12,674,589	-	-	1,265,821	13,940,410
Pupil services					
Home-to-school transportation	2,292,109	-	-	-	2,292,109
Food services	77,351	-	-	5,662,331	5,739,682
All other pupil services	18,198,538	-	-	130,856	18,329,394
General administration					
Centralized data processing	2,414,236	-	-	-	2,414,236
All other general administration	21,589,162	-	-	657,793	22,246,955
Plant services	26,771,937	382,931	-	4,496,708	31,651,576
Facilities acquisition and maintenance	580,587	173,456,181	-	21,583,810	195,620,578
Ancillary services	1,702,490	-	-	2,062,904	3,765,394
Community services	3,593,775	-	-	-	3,593,775
Transfers to other agencies	110,486	-	-	-	110,486
Other outgo	-	1,533,000	-	306,540	1,839,540
Debt service					
Principal	116,347	-	36,320,000	2,805,000	39,241,347
Interest and other	6,677	-	34,561,645	1,116,316	35,684,638
Total Expenditures	229,673,373	175,372,112	70,881,645	45,248,112	521,175,242
Excess/(Deficiency) of Revenues					
Over Expenditures	1,658,521	(167,629,431)	(14,154,511)	(19,906,860)	(200,032,281)
<b>OTHER FINANCING SOURCES/(USES)</b>					
Transfers in	-	-	-	2,475,000	2,475,000
Other sources	4,459,720	280,000,000	17,140,114	13,517,037	315,116,871
Transfers out	(2,475,000)	-	-	-	(2,475,000)
Other Financing Sources/(Uses), Net	1,984,720	280,000,000	17,140,114	15,992,037	315,116,871
NET CHANGES IN FUND BALANCES	3,643,241	112,370,569	2,985,603	(3,914,823)	115,084,590
FUND BALANCES - BEGINNING	80,278,196	192,231,782	46,965,572	35,267,762	354,743,312
FUND BALANCES - ENDING	\$ 83,921,437	\$ 304,602,351	\$ 49,951,175	\$ 31,352,939	\$ 469,827,902

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2025**

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Net Change in Fund Balances - Governmental Funds \$ 115,084,590

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

Capital outlay:

In governmental funds, the costs of capital assets, lease assets and subscription-based IT arrangements are reported as expenditures in the period when the assets are acquired. In the government-wide statement of activities, costs of capital assets, lease assets and subscription-based IT arrangements are allocated over their estimated useful lives and their lease terms as depreciation expense and amortization expense respectively. The difference between capital outlay expenditures and depreciation expense and amortization expense for the period is:

Expenditures for capital outlay	\$ 189,175,227	
Depreciation expense	(43,359,969)	
Amortization expense	(209,864)	
		145,605,394

Debt service:

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

39,241,347

Debt proceeds:

In governmental funds, proceeds from debt are recognized as other financing sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were:

(310,657,151)

Unmatured interest on long-term debt:

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

(1,911,190)

Compensated absences:

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

(1,170,866)

Balance Forward

\$ (13,807,876)

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2025**

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Balance Brought Forward	\$ (13,807,876)
Pensions:	
In government funds, pension costs are recognized when employer contributions are made. In the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:	10,120,476
Postemployment benefits other than pensions (OPEB):	
In governmental funds, OPEB expenses are recognized when employer contributions are made. In the government-wide statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:	(15,094,441)
Other liabilities not normally liquidated with current financial resources:	
In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources. Examples include special termination benefits such as retirement incentives financed over time, and structured legal settlements. This year, expenses incurred for such obligations were:	(3,567,776)
Amortization of deferred gain or loss from debt refunding:	
In the government-wide statements, any deferred gain or loss from debt refunding is amortized as interest over the life of the debt. Amortization of deferred gain or loss from debt refunding for the period is:	(859,744)
Amortization of debt issuance premium or discount:	
In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an 'other financing source' or an 'other financing use' in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is:	4,810,499
Change in Net Position of Governmental Activities	<u>\$ (18,398,862)</u>

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
DISCRETELY PRESENTED COMPONENT UNIT - SANTA MONICA EDUCATION FOUNDATION  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2025**

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**ASSETS**

Current Assets

Cash and cash equivalents	\$ 439,731
Accounts receivable	102,615
Investments, current portion	1,362,760
Prepaid expenses	25,394
Total Current Assets	<u>1,930,500</u>

Non-Current Assets

Investments, non-current portion	13,662,272
Total Non-Current Assets	<u>13,662,272</u>

**TOTAL ASSETS**

\$ 15,592,772

**LIABILITIES**

Current Liabilities

Accounts payable	\$ 1,459,356
Accrued liabilities	20,821
Unearned revenue	29,920
Total Liabilities	<u>1,510,097</u>

**NET ASSETS**

Net assets without donor restrictions	411,070
Net assets without donor restrictions - board designated	1,800,000
Net assets with donor restrictions	11,871,605
Total Net Assets	<u>14,082,675</u>

**TOTAL LIABILITIES AND NET ASSETS**

\$ 15,592,772

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
DISCRETELY PRESENTED COMPONENT UNIT - SANTA MONICA EDUCATION FOUNDATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2025**

	<b>Net Assets Without Donor Restrictions</b>	<b>Net Assets With Donor Restrictions</b>	<b>Total</b>
<b>SUPPORT AND REVENUE</b>			
Contributions and grants	\$ 1,989,061	\$ 579,026	\$ 2,568,087
In-kind contributions	66,734	1,900	68,634
Donated services and facilities	5,454	-	5,454
Special events	468,670	-	468,670
Investment income	241,182	28,900	270,082
Realized/unrealized gain/(loss) on investments	980,696	97,926	1,078,622
Summer school	-	80,417	80,417
Net assets released from restriction	2,562,205	(2,562,205)	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>6,314,002</b>	<b>(1,774,036)</b>	<b>4,539,966</b>
<b>EXPENSES</b>			
<b>Program services</b>			
Program services	3,137,878	-	3,137,878
<b>Supporting services</b>			
Management and general	338,797	-	338,797
Fundraising	40,811	-	40,811
<b>TOTAL EXPENSES</b>	<b>3,517,486</b>	<b>-</b>	<b>3,517,486</b>
<b>CHANGES IN NET ASSETS</b>	<b>2,796,516</b>	<b>(1,774,036)</b>	<b>1,022,480</b>
<b>NET ASSETS, BEGINNING AS REPORTED</b>	<b>233,416</b>	<b>12,826,779</b>	<b>13,060,195</b>
<b>RECLASSIFICATION (NOTE 17)</b>	<b>(818,862)</b>	<b>818,862</b>	<b>-</b>
<b>NET ASSETS, BEGINNING AS RESTATED</b>	<b>(585,446)</b>	<b>13,645,641</b>	<b>13,060,195</b>
<b>NET ASSETS, ENDING</b>	<b>\$ 2,211,070</b>	<b>\$ 11,871,605</b>	<b>\$ 14,082,675</b>

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
DISCRETELY PRESENTED COMPONENT UNIT - SANTA MONICA EDUCATION FOUNDATION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2025**

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Changes in net assets	\$ 1,022,480
Adjustments to reconcile change in net assets to net cash provided by/(used in) operations	
Depreciation expense	-
Realized and unrealized (gain)/loss on investment	(1,078,622)
Changes in operating assets and liabilities	
Accounts receivable	44,388
Unconditional promises to give, net	-
Prepaid expenses	(11,179)
Accounts payable	702,571
Accrued liabilities	9,594
Unearned revenue	4,965
<b>Net Cash Provided by/(Used in) Operating Activities</b>	<u>694,197</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Net change in investments	<u>(1,153,592)</u>
<b>Net Cash Provided by/(Used in) Investing Activities</b>	<u>(1,153,592)</u>

<b>Net Changes in Cash and Cash Equivalents</b>	(459,395)
<b>Cash and Cash Equivalents - Beginning of Year</b>	899,126
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 439,731</u>

**Supplemental Data for Non-Cash Investing Activities**

In-kind donations	<u>\$ 74,088</u>
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**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

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**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 K-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 the 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 Foundation is a non-profit dedicated to enriching the education of every Santa Monica student in the District. Contributions to the 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 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.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Component Units, continued**

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's 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.

**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).

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Governmental Funds, continued**

**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 Special Revenue Fund** - The Student Activity Special Revenue 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 Special Revenue Fund** - The Cafeteria Special Revenue 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).

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Governmental Funds, continued**

**Non-Major Governmental Funds, continued**

**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 for Capital Outlay Projects Fund** - 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 depreciation and amortization expense to various functions. 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.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Basis of Accounting - Measurement Focus, continued**

**Government-Wide Financial Statements, continued**

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.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Basis of Accounting - Measurement Focus, continued**

**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.

**Cash and Equivalents**

The District's cash consists of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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.

**Accounts Receivable**

Accounts receivable include amounts due from the Local Control Fund Formula (LCFF), Federal, State and/or local governments, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of charges for other services. The District does not provide for an allowance for uncollectible accounts as an estimation of amounts that may not be received. Accounts receivable at June 30, 2025 are deemed fully collectible.

**Prepaid Expenses and Other Current Assets**

Certain payments to vendors for costs applicable to future accounting periods are recorded as prepaid items in both government-wide and fund financial statements using the consumption method. Other current assets are other categories of assets that are expected to be converted into cash, sold, or consumed within the operating cycle.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Inventory**

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

**Capital Assets and Right-to-Use Assets**

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; furniture and 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, 2025.

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 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-based 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-based IT asset is amortized each year for the term of the contract or useful life of the underlying asset.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**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.

GASB Statement No. 101 requires that liabilities for compensated absences be recognized for [1] leave that has not been used and [2] leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if [a] the leave is attributable to services already rendered, [b] the leave accumulates, and [c] the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

Flow Assumption: When determining the amounts due within one year for sick leave, accumulated sick leave as of June 30, 2025 is assumed to be used before future sick leave accruals (i.e. First In, First Out). The amount due within one year for vacation leave is based on the expected accumulated vacation leave to be cashed out upon the end of employment in the following year.

Under applicable California law, credit for unused sick leave is available at retirement. Classified employees retiring after January 1, 1999, receive 0.004 year of CalPERS service credit for each day of unused sick leave. Certificated employees receive CalSTRS service credit for unused sick leave, calculated by dividing unused sick days by the number of base service days required to complete the last school year, if employed full-time. This conversion to service credit is administered by the pension systems and does not create a direct financial liability of the District.

**Accrued Liabilities and Long-Term Liabilities**

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

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**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 loss on debt refunding, 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 gain on debt refunding, 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.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Other Postemployment Benefits (OPEB)**

For purposes of measuring the net OPEB liability/(asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense/(benefit), 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 recognize 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.

**Fund Balances - Governmental Funds**

As of June 30, 2025, 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.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**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 is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

**Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

**Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

**Unrestricted** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**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.

**Adoption of New Accounting Standards**

The following GASB Pronouncements were adopted by the District during the year ended June 30, 2025:

**GASB Statement No. 101** - In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The financial impact of this statement is reflected in Notes 10 and 17.

**GASB Statement No. 102** - In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with information about risks related to a government's vulnerabilities due to certain concentrations or constraints that is essential to their analyses for making decisions or assessing accountability. A government should disclose in notes to financial statements the information if the following criteria have been met; (a) a concentration or constraint is known to the government prior to the issuance of the financial statements and makes the reporting unit vulnerable to the risk of a substantial impact, (b) an event or events associated with the concentration or constraint that could cause a substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. Management has determined that the adoption of this statement did not have any material impact on the District's financial statements.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Upcoming GASB Pronouncements**

The GASB has issued several pronouncements that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the District.

**GASB Statement No. 103** - In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. This Statement also addresses certain application issues. This statement is effective for periods beginning after June 15, 2025.

**GASB Statement No. 104** - In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*. This Statement also requires additional disclosures for capital assets held for sale. This statement is effective for periods beginning after June 15, 2025.

**NOTE 2 – CASH AND EQUIVALENTS**

**Summary of Cash and Equivalents**

Cash and equivalents as of June 30, 2025, are classified in the accompanying financial statements and consisted of the following:

	Governmental Activities
Cash in county treasury	\$ 530,785,334
Cash on hand and in banks	1,562,436
Cash in revolving fund	20,023
Fair market value adjustment	(13,900,346)
Total Cash and Equivalents	<u>\$ 518,467,447</u>

**Policies and Practices**

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

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

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**NOTE 2 – CASH AND EQUIVALENTS, continued**

**Cash 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 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%	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 \$516,884,988 (cost basis of \$530,785,334 less fair market value loss adjustment of \$13,900,346) with the Los Angeles County Treasury Investment Pool that has an average weighted maturity of 556 days.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

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**NOTE 2 – CASH AND EQUIVALENTS, continued**

**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, 2025.

**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, 2025, the District's bank balance of \$588,197 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.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

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**NOTE 3 – FAIR VALUE MEASUREMENTS, continued**

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

Investment Type	Amount	Fair Value Measurement Using			Uncategorized
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Los Angeles County Investment Pool	\$ 530,785,334	\$ -	\$ -	\$ -	\$ 530,785,334

**NOTE 4 – ACCOUNTS RECEIVABLE**

Accounts Receivable at June 30, 2025, consisted of intergovernmental grants, entitlements, interest and other local sources. All accounts receivable are considered collectible in full.

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Federal Government				
Categorical aid	\$ 3,488,399	\$ -	\$ 855,298	\$ 4,343,697
State Government				
Categorical aid	4,645,879	-	29	4,645,908
Lottery	630,666	-	-	630,666
Local Government				
Interest	833,312	1,467,490	300,123	2,600,925
Other local sources	7,113,775	100,900	532,570	7,747,245
Total Accounts Receivable	\$ 16,712,031	\$ 1,568,390	\$ 1,688,020	\$ 19,968,441

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 5 – CAPITAL ASSETS AND RIGHT-TO-USE ASSETS**

Capital assets and right-to-use assets activity for the fiscal year ended June 30, 2025, was as follows:

	Balance		Balance	
	July 01, 2024	Additions	Deductions	June 30, 2025
<b>Governmental Activities</b>				
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 15,122,223	\$ -	\$ -	\$ 15,122,223
Construction in progress	291,970,316	173,784,270	93,366	465,661,220
Total Capital Assets Not Being Depreciated	307,092,539	173,784,270	93,366	480,783,443
<b>Capital Assets Being Depreciated</b>				
Land improvements	119,220,616	71,156	-	119,291,772
Buildings and improvements	885,596,148	14,028,925	-	899,625,073
Furniture and equipment	58,406,318	1,384,242	122,448	59,668,112
Total Capital Assets Being Depreciated	1,063,223,082	15,484,323	122,448	1,078,584,957
Total Capital Assets	1,370,315,621	189,268,593	215,814	1,559,368,400
<b>Less: Accumulated Depreciation</b>				
Land improvements	33,867,778	3,844,471	-	37,712,249
Buildings and improvements	234,864,269	36,366,786	-	271,231,055
Furniture and equipment	27,668,370	3,148,712	122,448	30,694,634
Total Accumulated Depreciation	296,400,417	43,359,969	122,448	339,637,938
Capital Assets, Net	1,073,915,204	145,908,624	93,366	1,219,730,462
<b>Right-to-Use Assets</b>				
Leased assets - buildings	949,847	-	949,847	-
Subscription-based IT arrangements	1,877,098	-	252,310	1,624,788
Total Right-to-Use Assets	2,826,945	-	1,202,157	1,624,788
<b>Less: Accumulated Amortization</b>				
Leased assets - buildings	949,847	-	949,847	-
Subscription-based IT arrangements	703,035	209,864	252,310	660,589
Total Accumulated Amortization	1,652,882	209,864	1,202,157	660,589
Right-to-Use Assets, Net	1,174,063	(209,864)	-	964,199
Total Capital Assets and Right-to-Use Assets, Net	\$ 1,075,089,267	\$ 145,698,760	\$ 93,366	\$ 1,220,694,661

The District did not allocate depreciation or amortization expenses to the various functions.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 6 – LEASE RECEIVABLE**

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

Description	Balance			Balance	Due in
	July 01, 2024	Additions	Deductions		
Santa Monica College	\$ 19,778,167	\$ -	\$ 311,697	\$ 19,466,470	\$ 322,607
Santa Monica Hotel Group, LLC (Hilton)	12,802,726	-	290,168	12,512,558	300,488
Total Lease Receivable	\$ 32,580,893	\$ -	\$ 601,865	\$ 31,979,028	\$ 623,095

**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 2058. 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 \$311,697 in lease revenue and \$692,236 in interest revenue related to this agreement. At June 30, 2025, the District recorded \$19,466,470 in lease receivable. 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, LLC (Hilton)**

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 \$290,168 in lease revenue and \$443,470 in interest revenue related to this agreement. At June 30, 2025, the District recorded \$12,512,558 in lease receivable. The District used an interest rate of 3.5%, based on the rates available to finance real estate over the same time period.

The future principal and interest payment requirements for these leases are as follows:

Year Ending	Principal	Interest	Total
June 30,	Receivable		
2026	\$ 623,095	\$ 1,114,476	\$ 1,737,571
2027	645,074	1,092,497	1,737,571
2028	667,827	1,069,744	1,737,571
2029	691,385	1,046,186	1,737,571
2030	715,771	1,021,800	1,737,571
2031-2035	3,975,870	4,711,985	8,687,855
2036-2040	4,728,343	3,959,512	8,687,855
2041-2045	5,623,239	3,064,616	8,687,855
2046-2050	6,687,517	2,000,338	8,687,855
2051-2055	4,808,252	945,051	5,753,303
2056-2058	2,812,655	199,143	3,011,798
Total	\$ 31,979,028	\$ 20,225,348	\$ 52,204,376

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

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**NOTE 7 – INTERFUND TRANSACTIONS**

Interfund transfers for the year ended June 30, 2025, consisted of the following:

<u>Interfund Transfer Out</u>	<u>Interfund Transfer In</u>	
	Non-Major Governmental Funds	Total
General Fund	\$ 2,475,000	\$ 2,475,000
Transfer from General Fund to the Child Development Fund program contributions.		\$ 475,000
Transfer from General Fund to the Deferred Maintenance Fund is for to support maintenance projects.		<u>2,000,000</u>
Total		<u>\$ 2,475,000</u>

**NOTE 8 – ACCRUED LIABILITIES**

Accrued liabilities at June 30, 2025, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Payroll and related	\$ 15,796,578	\$ 7,588	\$ 558,421	\$ 16,362,587
Vendors payable	17,158,872	34,040,681	1,113,084	52,312,637
Due to grantor government	151,856	-	503,929	655,785
Total Accrued Liabilities	<u>\$ 33,107,306</u>	<u>\$ 34,048,269</u>	<u>\$ 2,175,434</u>	<u>\$ 69,331,009</u>

**NOTE 9 – UNEARNED REVENUES**

Unearned revenue at June 30, 2025, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
State Government			
Other state sources	\$ 274,962	\$ 344,531	\$ 619,493
Local Government			
Other local sources	-	169,791	169,791
Total Unearned Revenue	<u>\$ 274,962</u>	<u>\$ 514,322</u>	<u>\$ 789,284</u>

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 10 – LONG-TERM LIABILITIES**

**Summary**

The changes in the District’s long-term liabilities during the fiscal year consisted of the following:

	Balance July 01, 2024	Adjustments (Note 17)	Adjusted Balance July 01, 2024	Additions	Deductions	Balance June 30, 2025	Due in One Year
<b>Governmental Activities</b>							
General obligation bonds	\$ 1,021,565,000	\$ (14,540,000)	\$ 1,007,025,000	\$ 280,000,000	\$ 36,320,000	\$ 1,250,705,000	\$ 26,535,000
Unamortized premiums - GO Bonds	67,578,015	-	67,578,015	17,140,114	4,605,606	80,112,523	4,444,361
Unamortized discounts - GO Bonds	(14,261)	-	(14,261)	-	(1,783)	(12,478)	(1,783)
Certificates of participation (COP)	25,460,612	-	25,460,612	13,459,388	2,805,000	36,115,000	1,080,000
Unamortized premiums - COPs	3,630,314	-	3,630,314	57,649	206,676	3,481,287	206,809
BEST financing arrangement	176,725	-	176,725	-	116,347	60,378	60,378
Supplemental early retirement program	-	-	-	4,459,720	891,944	3,567,776	891,944
Compensated absences	901,523	15,625,909	16,527,432	1,170,866	-	17,698,298	4,820,604
Net pension liability	168,748,490	-	168,748,490	-	34,101,045	134,647,445	-
Net OPEB liability	45,520,187	-	45,520,187	-	3,816,974	41,703,213	-
<b>Total Long-Term Liabilities</b>	<b>\$ 1,333,566,605</b>	<b>\$ 1,085,909</b>	<b>\$ 1,334,652,514</b>	<b>\$ 316,287,737</b>	<b>\$ 82,861,809</b>	<b>\$ 1,568,078,442</b>	<b>\$ 38,037,313</b>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. The Special Reserve for Capital Outlay Projects Fund 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 Special Revenue Fund.

**General Obligation Bonds**

The outstanding general obligation bonded debts are as follows:

Description	Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Balance July 01, 2024	Adjustments (Note 17)	Adjusted Balance July 01, 2024	Additions	Deductions	Balance June 30, 2025	Due in One Year
2015 Refunding	12/10/2015	8/1/2034	3.25% - 5.00%	\$ 47,915,000	\$ 5,605,000	\$ -	\$ 5,605,000	\$ -	\$ 2,690,000	\$ 2,915,000	\$ 2,915,000
2016 Refunding, Series A	10/11/2016	7/1/2035	1.00% - 4.00%	28,190,000	21,475,000	-	21,475,000	-	250,000	21,225,000	100,000
2016 Refunding, Series B	10/11/2016	7/1/2032	3.00%	660,000	660,000	-	660,000	-	-	660,000	-
2016 Refunding, Series C	10/11/2016	7/1/2035	2.00% - 4.00%	52,140,000	51,785,000	-	51,785,000	-	2,110,000	49,675,000	2,415,000
Election of 2012, Series C	6/21/2017	7/1/2042	3.125% - 5.00%	60,000,000	34,050,000	-	34,050,000	-	-	34,050,000	-
Election of 2012, Series D	9/6/2018	8/1/2043	3.00% - 5.00%	120,000,000	6,000,000	-	6,000,000	-	2,870,000	3,130,000	3,130,000
Election of 2018, Series A (SFID 1)	10/2/2019	8/1/2049	2.00% - 4.00%	110,000,000	78,895,000	-	78,895,000	-	380,000	78,515,000	505,000
Election of 2018, Series A (SFID 2)	10/2/2019	8/1/2049	2.00% - 4.00%	35,000,000	23,765,000	-	23,765,000	-	110,000	23,655,000	150,000
Election of 2012, Series E	11/6/2019	8/1/2036	3.00% - 4.00%	115,000,000	103,830,000	-	103,830,000	-	4,935,000	98,895,000	5,645,000
2019 Refunding	11/6/2019	8/1/2043	1.59% - 3.11%	105,915,000	100,955,000	-	100,955,000	-	1,000,000	99,955,000	1,015,000
2020 Refunding	7/14/2020	7/1/2040	0.301% - 2.314%	74,720,000	71,465,000	-	71,465,000	-	1,155,000	70,310,000	1,165,000
Election of 2018, Series B (SFID 1)	7/1/2021	8/1/2050	0.012% - 4.00%	200,000,000	164,285,000	-	164,285,000	-	560,000	163,725,000	790,000
Election of 2018, Series B (SFID 2)	7/1/2021	8/1/2050	0.012% - 4.00%	80,000,000	66,260,000	-	66,260,000	-	1,235,000	65,025,000	345,000
2021 Refunding	9/1/2021	8/1/2038	0.0142% - 2.424%	122,170,000	117,535,000	-	117,535,000	-	5,920,000	111,615,000	3,535,000
Election of 2018, Series C (SFID 1)	10/26/2023	8/1/2042	5.00% - 5.56%	175,000,000	175,000,000	(14,540,000)	160,460,000	-	1,945,000	158,515,000	1,960,000
Election of 2018, Series C (SFID 2)	8/29/2024	8/1/2042	4.00% - 5.25%	80,000,000	-	-	-	80,000,000	11,160,000	68,840,000	2,865,000
Election of 2024, Series A (SFID 1)	6/26/2025	8/1/2054	4.25% - 5.00%	200,000,000	-	-	-	200,000,000	-	200,000,000	-
<b>Total General Obligation Bonds</b>				<b>\$ 1,606,710,000</b>	<b>\$ 1,021,565,000</b>	<b>\$ (14,540,000)</b>	<b>\$ 1,007,025,000</b>	<b>\$ 280,000,000</b>	<b>\$ 36,320,000</b>	<b>\$ 1,250,705,000</b>	<b>\$ 26,535,000</b>

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

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**NOTE 10 – LONG-TERM LIABILITIES, continued**

**General Obligation Bonds, continued**

**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, 2025, the principal balance outstanding was \$2,915,000.

**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, 2025, the principal balance outstanding on the Series A Bonds was \$21,225,000, 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, 2025, the principal balance outstanding was \$49,675,000.

**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, 2025, 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, 2025, the principal balance outstanding was \$3,130,000.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

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**NOTE 10 – LONG-TERM LIABILITIES, continued**

**General Obligation Bonds, continued**

**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, 2025, the principal balance outstanding was \$78,515,000.

**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 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, 2025, the principal balance outstanding was \$23,655,000.

**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, 2025, the principal balance outstanding was \$98,895,000.

**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, 2025, the principal balance outstanding was \$99,955,000.

**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, 2025, the principal balance outstanding was \$70,310,000.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

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**NOTE 10 – LONG-TERM LIABILITIES, continued**

**General Obligation Bonds, continued**

**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 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, 2025, the principal balance outstanding was \$163,725,000.

**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 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, 2025, the principal balance outstanding was \$65,025,000.

**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 2.424%. 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, 2025, the principal balance outstanding was \$111,615,000.

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

On October 26, 2023, the District issued the Election of 2018, Series C, 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 on August 1, 2042, with interest rates ranging from 5.00% to 5.56%. Proceeds from the sale of the bonds were 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. At June 30, 2025, the principal balance outstanding was \$158,515,000.

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

On August 29, 2024, the District issued the Election of 2018, Series C, General Obligation Bonds in the amount of \$80,000,000. The Election of 2018, Series C, Bonds SFID No. 2 were issued as current interest bonds and have a final maturity on August 1, 2042, with interest rates ranging from 4.00% to 5.25%. Proceeds from the sale of the bonds were used to improve, repair, and modernize school facilities in the District's School Facilities Improvement District No. 2 (Malibu schools) and to pay issuance costs of the bonds. At June 30, 2025, the principal balance outstanding was \$68,840,000.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 10 – LONG-TERM LIABILITIES, continued**

**General Obligation Bonds, continued**

**Election of 2024, Series A, School Facilities Improvement District (SFID) No. 1**

On June 26, 2025, the District issued the Election of 2024, Series A, General Obligation Bonds in the amount of \$200,000,000. The Election of 2024, Series A, Bonds SFID No. 1 were issued as current interest bonds and have a final maturity on August 1, 2054, with interest rates ranging from 4.25% to 5.00%. Proceeds from the sale of the bonds were used to repair, remove, upgrade and improve school facilities in the District's School Facilities Improvement District No. 1 (Santa Monica Schools), and to pay issuance costs of the bonds. At June 30, 2025, the principal balance outstanding was \$200,000,000.

**Debt Service Requirements to Maturity**

The general obligation bonds mature through 2055 as follows:

Year Ending	Principal	Interest	Total
June 30,			
2026	\$ 26,535,000	\$ 35,292,559	\$ 61,827,559
2027	39,735,000	44,922,811	84,657,811
2028	42,300,000	43,649,166	85,949,166
2029	37,055,000	42,395,341	79,450,341
2030	37,010,000	41,297,641	78,307,641
2031-2035	261,600,000	185,131,426	446,731,426
2036-2040	295,465,000	133,764,973	429,229,973
2041-2045	228,590,000	78,506,166	307,096,166
2046-2050	180,795,000	43,515,946	224,310,946
2051-2055	101,620,000	13,015,483	114,635,483
<b>Total</b>	<b>\$ 1,250,705,000</b>	<b>\$ 661,491,512</b>	<b>\$ 1,912,196,512</b>

**Certificates of Participation**

The certificates of participation are as follows:

Description	Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Balance July 01, 2024	Additions	Deductions	Balance June 30, 2025	Due in One Year
2001 Series C	11/15/2001	5/1/2025	3.50% - 5.20%	\$ 15,206,501	\$ 1,885,612	\$ 59,388	\$ 1,945,000	\$ -	\$ -
2020 COP	12/3/2020	5/1/2042	4.00%	25,720,000	23,575,000	-	535,000	23,040,000	600,000
2025 COP	2/6/2025	5/1/2042	5.00% - 6.00%	13,400,000	-	13,400,000	325,000	13,075,000	480,000
<b>Total Certificates of Participation</b>				<b>\$ 54,326,501</b>	<b>\$ 25,460,612</b>	<b>\$ 13,459,388</b>	<b>\$ 2,805,000</b>	<b>\$ 36,115,000</b>	<b>\$ 1,080,000</b>

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

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**NOTE 10 – LONG-TERM LIABILITIES, continued**

**Certificates of Participation, continued**

**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%. The certificates of participation were fully matured at June 30, 2025.

**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, 2025, the principal balance outstanding was \$23,040,000.

**2025 Certificates of Participation**

In February 2026, 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 2025 Certificates of Participation, consisting of \$13,400,000 current interest certificates with a premium on issue of \$57,649. 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, 2042, with an interest rates ranging from 5.00% to 6.00%. As of June 30, 2025, the principal balance outstanding was \$13,075,000.

**Debt Service Requirements to Maturity**

The certificates mature through 2042 as follows:

Year Ending	Principal	Interest	Total
June 30,			
2026	\$ 1,080,000	\$ 1,646,833	\$ 2,726,833
2027	1,170,000	1,598,833	2,768,833
2028	1,275,000	1,547,033	2,822,033
2029	1,420,000	1,490,733	2,910,733
2030	1,505,000	1,421,933	2,926,933
2031-2035	9,460,000	5,920,105	15,380,105
2036-2040	13,450,000	3,418,260	16,868,260
2041-2042	6,755,000	460,000	7,215,000
Total	\$ 36,115,000	\$ 17,503,730	\$ 53,618,730

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

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**NOTE 10 – LONG-TERM LIABILITIES, continued**

**Best 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 \$30,756. As of June 30, 2025, the financing arrangement has \$60,378 outstanding balance.

**Supplemental Early Retirement Plan**

The District offered an early retirement incentive program in February 2024. 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, 2024, 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 68 participants in the plan.

At June 30, 2025, future minimum payment on supplemental early retirement incentives were as follows:

Year Ending June 30,	Payments
2026	\$ 891,944
2027	891,944
2028	891,944
2029	891,944
Total	<u>\$ 3,567,776</u>

**Compensated Absences**

The liability for compensated absences reported in the government-wide financial statements consists of unused vacation and sick leave that is expected to be used in future periods or paid upon termination, in accordance with employee collective bargaining agreements and District policy.

At June 30, 2025, the liability recorded for compensated absences was \$17,698,298.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

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**NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

For the fiscal year ended June 30, 2025, the District reported net OPEB liability/(asset), deferred outflows of resources, deferred inflows of resources, and OPEB expense/(benefit) for the District Plan:

OPEB Plan	Net OPEB Liability/(Asset)	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense/(Benefit)
District Plan	\$ 41,294,392	\$ 6,244,888	\$ 24,821,728	\$ 15,241,899
MPP Program	408,821	-	-	(147,458)
<b>Total</b>	<b>\$ 41,703,213</b>	<b>\$ 6,244,888</b>	<b>\$ 24,821,728</b>	<b>\$ 15,094,441</b>

The details of each plan are as follows:

**District Plan**

**Plan Administration**

The District sponsors healthcare coverage under Self-Insured Schools of California (SISC). 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. Management of the trustee assets is vested with the California Employers' Retiree Benefit Trust.

**Plan Membership**

At July 1, 2023, the valuation date, the Plan membership consisted of the following:

	<u>Number of Participants</u>
Inactive employees receiving benefits	378
Participating active employees	<u>1,415</u>
Total	<u>1,793</u>

**Benefits Provided**

The District also offers health benefits to its retirees. The District contributes to the cost of health coverage for eligible retirees. Furthermore, the District makes supplemental contributions towards eligible retirees' premiums until age 65 according to provisions of the District's agreements with its various employee groups, as described below.

Certificated and Management employees with at least 10 years of full-time equivalent service and age 55 or over may retire with District-paid medical and dental benefits. The Classified employees with at least 10 years of full-time equivalent service and age 50 or over may retire with District-paid medical and dental benefits.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

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**NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued**

**District Plan, continued**

**Benefits Provided, continued**

The District contribution each year is set equal to the Anthem 80% G-PPO Full Network retiree-only premium plus the retiree-only premium for Delta Dental or Delta Care Dental. For retirees electing more costly plans, the District contribution is limited to the 80% G-PPO retiree-only premium. The supplemental District contributions end at age 65, at which point retirees may elect to continue SISC coverage for their further lifetime. The District contributes 40% of the monthly premium cost for Medicare plans.

**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, 2025, the District contributed \$394,137 to the Plan, all of which was used for current premiums.

**Net OPEB Liability/(Asset) of the District**

The District's net OPEB liability/(asset) of \$41,294,392, was measured as of June 30, 2025, and the total OPEB liability of \$50,170,829 used to calculate the net OPEB liability/(asset) was determined by an actuarial valuation as of July 1, 2023. The components of the net OPEB liability/(asset) of the District at June 30, 2025, were as follows:

Total OPEB liability	\$ 50,170,829
Plan fiduciary net position	<u>(8,876,437)</u>
Net OPEB liability/(asset)	<u>\$ 41,294,392</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 <u>17.69%</u>

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2025**

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**NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued**

**District Plan, continued**

**Actuarial Assumptions**

The total OPEB liability in the July 1, 2023 actuarial valuation was determined by applying updated procedures to the financial reporting actuarial valuation as of the July 1, 2023 and rolling forward the total OPEB liability to June 30, 2025. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Valuation date	July 1, 2023
Measurement date	June 30, 2025
Census data	The census was provided by the District
Actuarial cost methods	Entry age, Level Percent of Pay
Investment rate of return	6.25 percent, net of OPEB plan investment expense
Inflation rate	2.50%
Discount rate	5.42%
Payroll increase	3.00%
Healthcare cost trend rate	5.25% for 2025-2029, 5.00 percent for 2030-2039, 4.75 percent for 2040-2049, 4.50 percent for 2050-2069, and 4.00 percent for 2070 and later years; Medicare ages: 4.50 percent for 2025-2029 and 4.00 percent for 2030 and later years.
Preretirement mortality	Certificated - Mortality Rates for active employees from CalSTRS Experience Analysis (2015-2018). Classified - Preretirement Mortality Rates from CalPERS Experience Study (2000-2019).
Postretirement mortality	Certificated - Mortality Rates for retired members and beneficiaries from CalSTRS Experience Analysis (2015-2018). Classified - Post-retirement Mortality Rates for Healthy Recipients from CalPERS Experience Study (2000-2019).

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

Actuarial assumptions used in the July 1, 2023 valuation were based on a review of plan experience during the period July 1, 2021 to June 30, 2023.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued**

**District Plan, continued**

**Actuarial Assumptions, continued**

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global Ex-U.S. Equity	59%	4.800%
U.S. Fixed	25%	1.800%
Treasury Inflation Protected Securities (TIPS)	5%	1.600%
Real Estate	8%	3.700%
Commodities	3%	1.900%
Total	100%	

**Changes in the Net OPEB Liability/(Asset)**

	Increase/(Decrease)		
	Total OPEB Liability	Total Fiduciary Net Position	Net OPEB Liability/(Asset)
	(a)	(b)	(a) - (b)
Balance July 1, 2024 (Measurement Date)	\$ 52,870,610	\$ 7,906,702	\$ 44,963,908
Changes for the year:			
Service cost	2,375,583	-	2,375,583
Interest	2,361,696	-	2,361,696
Employer contributions	-	394,137	(394,137)
Changes of assumptions	(7,042,923)	-	(7,042,923)
Net investment income/(losses)	-	975,891	(975,891)
Administrative expense	-	(6,156)	6,156
Benefit payments	(394,137)	(394,137)	-
Net change	(2,699,781)	969,735	(3,669,516)
Balance June 30, 2025 (Measurement Date)	\$ 50,170,829	\$ 8,876,437	\$ 41,294,392

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

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**NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued**

**District Plan, continued**

**Sensitivity of the Net OPEB Liability/(Asset) to Change in the Discount Rate**

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

	1% Decrease (4.42%)	Current Discount Rate (5.42%)	1% Increase (6.42%)
Net OPEB liability/(asset)	\$ 47,450,896	\$ 41,294,392	\$ 36,135,471

**Sensitivity of the Net OPEB Liability/(Asset) to Change in the Healthcare Cost Trend Rate**

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

	1% Decrease (4.25%)	Healthcare Cost Trend Rate (5.25%)	1% Increase (6.25%)
Net OPEB liability/(asset)	\$ 33,313,524	\$ 41,294,392	\$ 50,202,967

**OPEB Expense/(Benefit), Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30,2025, the District recognized OPEB expense/(benefit) of \$15,241,899. At June 30,2025, 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 projected and actual earnings on plan investments	\$ 285,255	\$ 623,227
Differences between expected and actual experience	-	11,762,325
Change in assumptions	5,959,633	12,436,176
Total	\$ 6,244,888	\$ 24,821,728

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2025**

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**NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued**

**District Plan, continued**

**OPEB Expense/(Benefit), Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB, continued**

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

Year Ending June 30,	Deferred Outflows/(Inflows) of Resources
2026	\$ (1,610,843)
2027	(2,223,256)
2028	(2,883,380)
2029	(3,929,720)
2030	(2,290,964)
Thereafter	(5,638,677)
Total	<u>\$ (18,576,840)</u>

**Medicare Premium Payment (MPP) Program**

**Plan Description**

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2023, 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/-memberpublications>.

**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.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

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**NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued**

**Medicare Premium Payment (MPP) Program, continued**

**Benefits Provided, continued**

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/(Asset) and OPEB Expense/(Benefit)**

At June 30, 2025, the District reported a liability of \$408,821 for its proportionate share of the net OPEB liability/(asset) for the MPP Program. The net OPEB liability/(asset) was measured as of June 30, 2024, and the total OPEB liability/(asset) used to calculate the net OPEB liability/(asset) was determined by an actuarial valuation as of June 30, 2023. The District’s proportion of the net OPEB liability/(asset) 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, 2024 and June 30, 2023, respectively, was 0.153%, and 0.183%, resulting in a net decrease in the proportionate share of 0.030%.

For the year ended June 30, 2025, the District recognized OPEB expense/(benefit) of \$(147,458).

**Actuarial Methods and Assumptions**

The net OPEB liability/(asset) as of June 30, 2025, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2023, and rolling forward the net OPEB liability/(asset) to June 30, 2024, using the assumptions listed in the following table:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry Age Normal
Discount Rate	3.93%
Medicare Part A Premium	
Cost Trend Rate*	5.00%
Medicare Part B Premium	
Cost Trend Rate*	6.50%
Mortality Rate Table*	Derived Using CalSTRS’ Membership Data

\*The assumed increases in the Medicare Part A and Part B cost trend rates vary by year; however, the increases are approximately equivalent to a 5.0% and 6.5% increase each year for Medicare Part A and Part B premiums, respectively.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

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**NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued**

**Medicare Premium Payment (MPP) Program, continued**

**Discount Rate**

The discount rate used to measure the total OPEB liability as of June 30, 2024, is 3.93%. As the MPP Program is funded on a pay-as-you-go basis, the OPEB Plan’s fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.93%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2024, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased by 0.28% from 3.65% as of June 30, 2023.

**Sensitivity of the District’s Proportionate Share of the Net OPEB Liability/(Asset) to Change in the Discount Rate**

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

	1% Decrease (2.93%)	Current Discount Rate (3.93%)	1% Increase (4.93%)
Net OPEB liability/(asset)	\$ 441,108	\$ 408,821	\$ 380,431

**Sensitivity of the District’s Proportionate Share of the Net OPEB Liability/(Asset) to Changes in the Medicare Premium Cost Trend Rates**

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

	1% Decrease (4.00% Part A and 5.50% Part B)	Medicare Premium Cost Trend Rate (5.00% Part A and 6.50% Part B)	1% Increase (6.00% Part A and 7.50% Part B)
Net OPEB liability/(asset)	\$ 378,728	\$ 408,821	\$ 442,418

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**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 Governmental Funds
<b>Nonspendable</b>					
Revolving cash	\$ 20,023	\$ -	\$ -	\$ -	\$ 20,023
Inventory	-	-	-	79,259	79,259
Total nonspendable	20,023	-	-	79,259	99,282
<b>Restricted</b>					
Educational programs	16,410,101	-	-	1,849,497	18,259,598
Debt service	-	-	49,951,175	-	49,951,175
Capital projects	-	304,602,351	-	20,005,088	324,607,439
Child nutrition	349,679	-	-	801,625	1,151,304
Student activity funds	-	-	-	519,785	519,785
Other restrictions	4,611,605	-	-	-	4,611,605
Total restricted	21,371,385	304,602,351	49,951,175	23,175,995	399,100,906
<b>Assigned</b>					
Adult education program	-	-	-	261,466	261,466
Child development program	-	-	-	6,261,908	6,261,908
Deferred maintenance	-	-	-	1,531,682	1,531,682
Capital projects	-	-	-	42,629	42,629
Reserve to 2-months of expenses	38,308,554	-	-	-	38,308,554
Reserve - deficit spending in 25-26	9,634,956	-	-	-	9,634,956
Reserve - deficit spending in 26-27	3,907,740	-	-	-	3,907,740
Reserve - deficit spending in 27-28	3,481,414	-	-	-	3,481,414
Total assigned	55,332,664	-	-	8,097,685	63,430,349
<b>Unassigned</b>					
Reserve for economic uncertainties	7,197,365	-	-	-	7,197,365
Total unassigned	7,197,365	-	-	-	7,197,365
Total Fund Balance	\$ 83,921,437	\$ 304,602,351	\$ 49,951,175	\$ 31,352,939	\$ 469,827,902

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

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**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 ended June 30, 2025, 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 ended June 30, 2025, 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, 2025, 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	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 70,613,991	\$ 32,153,784	\$ 23,461,870	\$ 5,227,016
CalPERS	64,033,454	20,856,577	8,409,641	10,506,850
Total	\$ 134,647,445	\$ 53,010,361	\$ 31,871,511	\$ 15,733,866

The details of each plan are as follows:

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

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**NOTE 14 – EMPLOYEE RETIREMENT SYSTEMS, continued**

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

**Plan Description**

The District contributes to the State Teachers Retirement Plan (STRP) administered by the 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, 2023 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 percent of final compensation for each year of credited service.

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

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

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

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**NOTE 14 – EMPLOYEE RETIREMENT SYSTEMS, continued**

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

**Benefits Provided, continued**

The STRP provisions and benefits in effect at June 30, 2025, are summarized as follows:

	STRP Defined Benefit Plan	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.21%
Required employer contribution rate	19.10%	19.10%
Required state contribution rate	10.83%	10.83%

**Contributions**

The parameters for employer and state contribution rates for the DB Program are set by the California Legislature and the Governor and detailed in the Teachers’ Retirement Law. Current contribution rates were established by California Assembly Bill 1469 (CalSTRS Funding Plan), which was passed into law in June 2014 and established a schedule of contribution rate increases shared among members, employers and the state to bring CalSTRS toward full funding by 2046. The contribution rates for each plan for the year ended June 30, 2025, are presented above, and the District's total contributions were \$14,931,428.

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

At June 30, 2025, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 70,613,991
State's proportionate share of the net pension liability associated with the District	<u>32,398,439</u>
Total	<u>\$ 103,012,430</u>

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

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**NOTE 14 – EMPLOYEE RETIREMENT SYSTEMS, continued**

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

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

The net pension liability was measured as of June 30, 2024. 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, 2024 and June 30, 2023, respectively was 0.105 percent and 0.124 percent, resulting in a decrease in the proportionate share of 0.019 percent.

For the year ended June 30, 2025, the District recognized pension expense of \$5,227,016. In addition, the District recognized revenue and corresponding expense of \$2,956,804 for support provided by the State. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on plan investments	\$ -	\$ 288,499
Differences between expected and actual experience	7,988,251	3,089,863
Changes in assumptions	309,106	4,822,242
Net changes in proportionate share of net pension liability	8,924,999	15,261,266
District contributions subsequent to the measurement date	14,931,428	-
Total	<u>\$ 32,153,784</u>	<u>\$ 23,461,870</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Deferred Outflows/(Inflows) of Resources
2026	\$ (6,280,259)
2027	4,433,808
2028	(1,741,832)
2029	(3,007,348)
2030	702,473
Thereafter	(346,356)
Total	<u>\$ (6,239,514)</u>

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

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**NOTE 14 – EMPLOYEE RETIREMENT SYSTEMS, continued**

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

**Actuarial Methods and Assumptions**

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2023, and rolling forward the total pension liability to June 30, 2024. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The financial reporting actuarial valuation as of June 30, 2023 used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2023
Measurement date	June 30, 2024
Experience study	July 1, 2007, through June 30, 2022
Actuarial cost method	Entry age normal
Investment rate of return / discount rate	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%
Payroll growth	3.25%
Postretirement benefit increases	2.00%

CalSTRS uses a generational mortality assumption, which is based off generational mortality tables that reflect expected future improvements in mortality and includes a base table and a projection table. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection table reflects the expected annual reduction in mortality rates at each age. The current mortality assumption uses a base year of 2023, and projected improvement is based on the MP– 2021 Ultimate Projection Scale.

The long-term investment rate of return assumption was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class/strategy. Expected real rates of return are net of our 2.75% inflation assumption and are derived from best-estimate ranges of 20- to 30-year geometrically linked expected returns. These best-estimate ranges were developed using capital market assumptions from CalSTRS investment staff and investment consultants as inputs to the process.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

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**NOTE 14 – EMPLOYEE RETIREMENT SYSTEMS, continued**

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

**Actuarial Methods and Assumptions, continued**

The actuarial investment rate of return assumption was adopted by the board in January 2024 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. The assumed asset allocation and best estimates of the expected rates of return for each major asset class/strategy as of June 30, 2024, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Rate of Return*	Long-term Expected Real Rate of Return**
Public Equity	38%	8.00%	5.25%
Real Estate	15%	6.80%	4.05%
Private Equity	14%	9.50%	6.75%
Fixed Income	14%	5.20%	2.45%
Risk Mitigating Strategies	10%	5.00%	2.25%
Inflation Sensitive	7%	6.40%	3.65%
Cash/Liquidity	2%	2.80%	0.05%
Total	100%		

\*20- to 30-year geometric average.

\*\*Real rates of return are net of assumed 2.75% inflation.

**Discount Rate**

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

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2025**

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**NOTE 14 – EMPLOYEE RETIREMENT SYSTEMS, continued**

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

**Discount Rate, continued**

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:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Plan's net pension liability	\$ 125,599,183	\$ 70,613,991	\$ 24,699,073

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

**Plan Description**

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the 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, 2023 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 55 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 62 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.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

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**NOTE 14 – EMPLOYEE RETIREMENT SYSTEMS, continued**

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

**Benefits Provided, continued**

The CalPERS provisions and benefits in effect at June 30, 2025, are summarized as follows:

	<u>School Employer Pool (CalPERS)</u>	
	On or before	On or after
Hire date	December 31, 2012	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%	7.00%
Required employer contribution rate	27.05%	27.05%

**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 the 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, 2025, are presented above and the total District contributions were \$10,922,914.

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

As of June 30, 2025, the District reported net pension liability for its proportionate share of the CalPERS net pension liability totaling \$64,033,454. The net pension liability was measured as of June 30, 2024. 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, 2024 and June 30, 2023, respectively was 0.179% and 0.205%, resulting in a net decrease in the proportionate share of 0.026%.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

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**NOTE 14 – EMPLOYEE RETIREMENT SYSTEMS, continued**

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

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

For the year ended June 30, 2025, the District recognized pension expense of \$10,506,850. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on plan investments	\$ 2,487,331	\$ -
Differences between expected and actual experience	5,368,268	458,285
Changes in assumptions	1,415,356	-
Net changes in proportionate share of net pension liability	662,708	7,951,356
District contributions subsequent to the measurement date	10,922,914	-
Total	\$ 20,856,577	\$ 8,409,641

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

Year Ending June 30,	Deferred Outflows/(Inflows) of Resources
2026	\$ 1,018,784
2027	3,782,740
2028	(954,650)
2029	(2,322,852)
Total	\$ 1,524,022

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

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**NOTE 14 – EMPLOYEE RETIREMENT SYSTEMS, continued**

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

**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, 2023, and rolling forward the total pension liability to June 30, 2024. The financial reporting actuarial valuation as of June 30, 2023, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2023
Measurement date	June 30, 2024
Experience study	July 1, 1997, through June 30, 2015
Actuarial cost method	Entry age normal
Investment rate of return / discount rate	6.90%
Consumer price inflation	2.30%
Wage growth	Varies by entry age and service

The mortality table 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	Real Return Years 1 - 10**
Global Equity - Cap-weighted	30%	4.54%
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%
Total	100%	

\*An expected inflation of 2.30% used for this period.

\*\*Figures are based on the 2021-22 Asset Liability Management study.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2025**

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**NOTE 14 – EMPLOYEE RETIREMENT SYSTEMS, continued**

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

**Discount Rate**

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

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

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Plan's net pension liability	\$ 95,122,232	\$ 64,033,454	\$ 38,351,651

**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 \$6,541,827. 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. Accordingly, these amounts have been recorded in these financial statements.

**Pension Plan Fiduciary Net Position**

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

**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, 2025.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

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**NOTE 15 – COMMITMENTS AND CONTINGENCIES, continued**

**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, 2025.

**Construction Commitments**

As of June 30, 2025, the District had the following commitments with respect to the unfinished capital projects:

Project	Commitment Amount
District Indoor Air Quality Project (SMS & M)	\$ 748,697
ED Services 21st Century Classrooms (ES)	718,498
ED Services Infrastructure (ES)	16,988
Edison ES Safety & Security Project - PA/Clock Replacement Project (SMS)	48,839
Edison ES Safety & Security Project (SMS)	3,621
Franklin ES Early Education Classrooms & Site Improvements Project (SMS)	1,484,862
Franklin ES Elementary School Assessment (SMS)	43,669
Franklin ES Maker Space Building and Field / Front Fence Project (SMS)	64,665
Grant ES Classroom Building Project (SMS)	330,917
Grant ES Early Education Modernization Project (SMS)	3,596,211
Grant ES Elementary School Assessment (SMS)	62,442
Grant ES FF&E Project (SMS)	4,553
Grant ES HVAC Project (SMS)	(928,691)
Grant ES Library Renovation Project (SMS)	513,960
JAMS Library Renovation Project (SMS)	2,679,852
JAMS Performing Arts Complex (PAC) (ES)	163,133
JAMS Safety & Security Project (SMS)	4,606
JAMS STEM Building Project (QS)	655
JAMS STEM Building Project (SMS)	1,499,800
Lincoln CDS Playground Modernization Project (SMS)	31,311
Lincoln MS 500's Building Modernization Project (SMS)	684,668
Lincoln MS HVAC Project (SMS)	2,279
Malibu ES Elementary School Campus Assessment (M)	80,983
Malibu ES FF&E Project (M)	4,543
Malibu ES Safety & Security Project - PA/Clock Replacement Project (M)	37,443
Malibu ES Schools Alignment (M)	133,833
Malibu MHS Campus Plan (M)	197,112
Malibu MHS Campus Plan Phase 2 (M)	1,438,589
Malibu MHS New High School Project (M)	54,347,862
Malibu MHS Safety & Security Project (M)	9,338
McKinley ES Administration and Early Elementary Building Project (SMS)	13,848,092
McKinley ES Elementary School Assessment (SMS)	258,487
Balance Forward	<u>\$ 82,131,817</u>

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

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**NOTE 15 – COMMITMENTS AND CONTINGENCIES, continued**

**Construction Commitments, continued**

Balance Brought Forward	\$ 82,131,817
McKinley ES FF&E Pilot Project (SMS)	36,413
McKinley ES Safety & Security Project - PA/Clock Replacement Project (SMS)	58,292
McKinley ES WFPD & HVAC Project (ES)	1,618
Measure M Centralized Cost (M)	1,197,488
Measure SMS Centralized Cost (SMS)	3,020,471
Obama Center-Early Childhood/Special Ed Modernization Project (SMS)	57,400
Obama HS Modernization Project (SMS)	90,931
Roosevelt ES Elementary School Assessment (SMS)	99,389
Roosevelt ES Safety & Security Project - PA/Clock Replacement Project (SMS)	5,656
Roosevelt ES TK/K Classrooms and Library Building Project (SMS)	1,076,661
Samohi Campus Plan Review (SMS)	153,525
Samohi Discovery Bldg (ES)	422
Samohi Discovery Bldg (SMS)	5,187
Samohi Interim Repairs & Upgrades (SMS)	118,113
Samohi Phase III - Exploration Building and Gymnasium (SMS)	29,310,626
Samohi Phase III (SMS)	4,388,357
Samohi Safety & Security Project (SMS)	11,159
Samohi Student Services Building (Phase 4A) Project (SMS)	682,184
Santa Monica Others Centralized Cost (ES)	3,404
SMASH/Muir Water Intrusion Repair Project (SMS)	23,409,169
Washington West Safety & Security Project (SMS)	311,701
Webster ES Elementary School Campus Assessment (M)	80,983
Will Rogers ES Early Elementary Building Project (SMS)	14,720,085
Will Rogers ES Safety & Security Project (SMS)	37,857
Total	<u>\$ 161,008,908</u>

**NOTE 16 – PARTICIPATION IN PUBLIC 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, 2025, the District made payments of \$2,607,849, \$4,600,811, and \$20,675,169, to ASCIP, SLIM, SISC III and respectively for property and liability, workers' compensation, and employee medical benefits coverage, respectively.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

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**NOTE 17 – PRIOR PERIOD ADJUSTMENTS**

Beginning net position was restated as follows:

	Governmental Activities
Beginning Net Position - previously reported at June 30, 2024	\$ 144,060,508
Prior Period Adjustments:	
Change in accounting principle (GASB 101)	(15,625,909)
Correction to general obligation bonds	14,540,000
Total Prior Period Adjustments	(1,085,909)
Beginning Net Position - as restated at June 30, 2024	<u>\$ 142,974,599</u>

**Reclassification**

A reclassification was made on the amount of \$818,862 in the Foundation’s net assets. This was a categorization transfer from donor restrictions to without donor restrictions related to the fundraising events, annual funds, and board designated funds. For more details, refer to the Foundation’s separately issued financial statements.

**NOTE 18 – SUBSEQUENT EVENTS**

**Supplemental Employee Retirement Plan (SERP)**

The District has approved a Supplemental Employee Retirement Plan (SERP) for certain eligible employees of the District effective July 1, 2025 (Window 2). The District's contribution required to fund each eligible participant’s benefit shall equal 70% of the participant’s annual base salary for the participant’s last school year of employment for all eligible employees who are retiring in Window 2. The District is expected to pay five annual premium installments of \$861,078 and commission of \$36,596.

**Election of 2024, Series A, School Facilities Improvement District (SFID) No. 2**

On December 3, 2025, the District issued the Election of 2024, Series A General Obligation Bonds for School Facilities Improvement District No. 2 (Malibu Schools) in the amount of \$130,000,000. The bonds were issued as current interest bonds and have a final maturity on August 1, 2055, with interest ranging from 3.85% to 5.00%. The proceeds will be used to finance the renovation, construction, and improvement of school facilities within SFID No. 2 (Malibu Schools), and to pay issuance costs of the bonds.

**2026 Refunding General Obligation Bonds**

On November 13, 2025, the District priced the 2026 Refunding General Obligation Bonds, Series A, in the amount of \$41,510,000. The official closing or settlement will occur on or about April 2, 2026. The bonds are being issued as current interest bonds and have a final maturity on July 1, 2035, with interest rate of 5.00%. The proceeds will be used to refinance on advance basis certain maturities of the District’s outstanding Election of 2016, General Obligation Bonds, Series A and Series C, and to pay issuance costs of the bonds.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2025**

	Budgeted Amounts		Actual (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
<b>REVENUES</b>				
LCFF sources	\$ 124,387,384	\$ 130,334,710	\$ 130,628,845	\$ 294,135
Federal sources	5,580,795	7,763,814	5,724,899	(2,038,915)
Other state sources	8,962,195	10,737,055	16,840,701	6,103,646
Other local sources	71,261,320	74,520,912	78,137,449	3,616,537
Total Revenues	210,191,694	223,356,491	231,331,894	7,975,403
<b>EXPENDITURES</b>				
Certificated salaries	79,288,420	81,681,339	83,933,890	(2,252,551)
Classified salaries	44,466,043	42,239,543	41,701,546	537,997
Employee benefits	59,854,913	57,115,277	52,995,001	4,120,276
Books and supplies	9,200,225	13,303,973	6,130,993	7,172,980
Services and other operating expenditures	28,823,508	40,853,936	44,883,370	(4,029,434)
Capital outlay	683,344	1,240,970	575,879	665,091
Other outgo				
Excluding transfers of indirect costs	90,000	90,000	110,486	(20,486)
Transfers of indirect costs	(789,602)	(740,539)	(657,792)	(82,747)
Total Expenditures	221,616,851	235,784,499	229,673,373	6,111,126
Excess/(Deficiency) of Revenues Over Expenditures	(11,425,157)	(12,428,008)	1,658,521	14,086,529
<b>OTHER FINANCING SOURCES/(USES)</b>				
Other sources	-	-	4,459,720	4,459,720
Transfers out	(3,375,000)	(3,375,000)	(2,475,000)	900,000
Other Financing Sources/(Uses), Net	(3,375,000)	(3,375,000)	1,984,720	5,359,720
NET CHANGE IN FUND BALANCES	(14,800,157)	(15,803,008)	3,643,241	19,446,249
FUND BALANCES - BEGINNING	80,278,196	80,278,196	80,278,196	-
FUND BALANCES - ENDING	\$ 65,478,039	\$ 64,475,188	\$ 83,921,437	\$ 19,446,249

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY/(ASSET) AND RELATED RATIOS**  
**FOR THE YEAR ENDED JUNE 30, 2025**

	2025	2024	2023	2022
Total OPEB liability				
Service cost	\$ 2,375,583	\$ 2,359,866	\$ 2,624,929	\$ 3,419,011
Interest	2,361,696	2,168,155	2,223,725	1,689,516
Changes of benefit terms	-	615,238	-	-
Difference between expected and actual experience	-	(7,819,503)	-	(8,961,132)
Changes of assumptions	(7,042,923)	(2,733,334)	(1,108,838)	(6,412,655)
Benefit payments	(394,137)	(746,442)	(1,203,448)	(1,769,010)
Net change in total OPEB liability	(2,699,781)	(6,156,020)	2,536,368	(12,034,270)
Total OPEB liability, beginning of year	52,870,610	59,026,630	56,490,262	68,524,532
Total OPEB liability, end of year (a)	\$ 50,170,829	\$ 52,870,610	\$ 59,026,630	\$ 56,490,262
Plan fiduciary net position				
Employer contributions	\$ 394,137	\$ 746,442	\$ 1,203,448	\$ 1,769,010
Net investment income/(losses)	975,891	785,291	432,837	(1,032,776)
Administrative expense	(6,156)	(6,270)	(5,793)	(6,511)
Benefit payments	(394,137)	(746,442)	(1,203,448)	(1,769,010)
Change in plan fiduciary net position	969,735	779,021	427,044	(1,039,287)
Fiduciary trust net position, beginning of year	7,906,702	7,127,681	6,700,637	7,739,924
Fiduciary trust net position, end of year (b)	\$ 8,876,437	\$ 7,906,702	\$ 7,127,681	\$ 6,700,637
Net OPEB liability/(asset), ending (a) - (b)	\$ 41,294,392	\$ 44,963,908	\$ 51,898,949	\$ 49,789,625
Covered payroll <sup>1</sup>	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	17.69%	14.95%	12.08%	11.86%
Net OPEB liability/(asset) as a percentage of covered payroll <sup>1</sup>	N/A	N/A	N/A	N/A
Measurement Date	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022

<sup>1</sup> The OPEB Plan is not administered through a trust and 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 NET OPEB LIABILITY/(ASSET) AND RELATED RATIOS**  
**FOR THE YEAR ENDED JUNE 30, 2025**

	2021	2020	2019	2018
Total OPEB liability				
Service cost	\$ 3,020,133	\$ 2,370,918	\$ 2,077,187	\$ 2,016,686
Interest	1,912,637	2,050,071	2,100,375	1,974,060
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	-	(3,264,350)	-	-
Changes of assumptions	7,032,656	8,193,212	5,561,651	-
Benefit payments	(1,879,864)	(1,906,398)	(1,484,273)	(1,445,115)
Net change in total OPEB liability	10,085,562	7,443,453	8,254,940	2,545,631
Total OPEB liability, beginning of year	58,438,970	50,995,517	42,740,577	40,194,946
Total OPEB liability, end of year (a)	\$ 68,524,532	\$ 58,438,970	\$ 50,995,517	\$ 42,740,577
Plan fiduciary net position				
Employer contributions	\$ 1,879,864	\$ 1,906,398	\$ 1,484,273	\$ 2,445,115
Net investment income/(losses)	1,671,883	209,781	343,772	311,899
Administrative expense	(5,918)	(5,051)	(4,713)	(4,176)
Benefit payments	(1,879,864)	(1,906,398)	(1,484,273)	(1,445,115)
Change in plan fiduciary net position	1,665,965	204,730	339,059	1,307,723
Fiduciary trust net position, beginning of year	6,073,959	5,869,229	5,530,170	4,222,447
Fiduciary trust net position, end of year (b)	\$ 7,739,924	\$ 6,073,959	\$ 5,869,229	\$ 5,530,170
Net OPEB liability/(asset), ending (a) - (b)	\$ 60,784,608	\$ 52,365,011	\$ 45,126,288	\$ 37,210,407
Covered payroll <sup>1</sup>	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	11.30%	10.39%	11.51%	12.94%
Net OPEB liability/(asset) as a percentage of covered payroll <sup>1</sup>	N/A	N/A	N/A	N/A
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018

<sup>1</sup> The OPEB Plan is not administered through a trust and 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 CONTRIBUTIONS – OPEB  
FOR THE YEAR ENDED JUNE 30, 2025**

	2025	2024	2023	2022
Actuarially determined contribution	\$ 4,339,485	\$ 4,213,092	\$ 3,816,144	\$ 3,704,994
Contributions in relations to the actuarially determined contribution	394,137	746,442	1,203,448	1,769,010
Contribution deficiency/(excess)	\$ 3,945,348	\$ 3,466,650	\$ 2,612,696	\$ 1,935,984
Covered-employee payroll <sup>1</sup>	N/A	N/A	N/A	N/A
Contribution as a percentage of covered-employee payroll <sup>1</sup>	N/A	N/A	N/A	N/A

  

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

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

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

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY/(ASSET)**  
**MPP PROGRAM**  
**FOR THE YEAR ENDED JUNE 30, 2025**

	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022
District's proportion of the net OPEB liability	0.153%	0.183%	0.172%	0.176%
District's Proportionate Share of the Net OPEB Liability/(Asset)	\$ 408,821	\$ 556,279	\$ 567,926	\$ 702,519
District's Covered-Employee Payroll	N/A*	N/A*	N/A*	N/A*
Plan's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered-Employee Payroll	N/A*	N/A*	N/A*	N/A*
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total OPEB Liability	-1.02%	-0.96%	-0.94%	-0.80%
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021
	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
District's proportion of the net OPEB liability	0.213%	0.218%	0.223%	0.231%
District's Proportionate Share of the Net OPEB Liability/(Asset)	\$ 903,722	\$ 812,832	\$ 854,202	\$ 994,653
District's Covered-Employee Payroll	N/A*	N/A*	N/A*	N/A*
Plan's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered-Employee Payroll	N/A*	N/A*	N/A*	N/A*
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total OPEB Liability	-0.71%	-0.81%	-0.40%	0.01%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

\*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 PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**FOR THE YEAR ENDED JUNE 30, 2025**

	Reporting Fiscal Year (Measurement Date)				
	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)
CalSTRS					
District's proportion of the net pension liability	0.105%	0.124%	0.115%	0.117%	0.112%
District's proportionate share of the net pension liability	\$ 70,613,991	\$ 94,395,348	\$ 79,823,158	\$ 53,323,078	\$ 118,601,908
State's proportionate share of the net pension liability associated with the District	32,398,439	45,228,283	39,975,125	26,830,105	61,139,298
Total	\$ 103,012,430	\$ 139,623,631	\$ 119,798,283	\$ 80,153,183	\$ 179,741,206
District's covered-employee payroll	\$ 71,494,660	\$ 77,064,241	\$ 66,315,928	\$ 64,466,173	\$ 67,297,626
District's proportionate share of the net pension liability as percentage of covered-employee payroll	99%	122%	120%	83%	176%
Plan fiduciary net position as a percentage of the total pension liability	84%	81%	81%	87%	72%

	Reporting Fiscal Year (Measurement Date)				
	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)
CalPERS					
District's proportion of the net pension liability	0.179%	0.205%	0.209%	0.219%	0.210%
District's proportionate share of the net pension liability	\$ 64,033,454	\$ 74,353,142	\$ 71,778,657	\$ 44,565,033	\$ 64,457,667
District's covered-employee payroll	\$ 35,953,430	\$ 38,265,140	\$ 32,068,992	\$ 31,475,087	\$ 30,871,533
District's proportionate share of the net pension liability as percentage of covered-employee payroll	178%	194%	224%	142%	209%
Plan fiduciary net position as a percentage of the total pension liability	72%	70%	70%	81%	70%

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**FOR THE YEAR ENDED JUNE 30, 2025**

	Reporting Fiscal Year (Measurement Date)				
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)
CalSTRS					
District's proportion of the net pension liability	0.123%	0.124%	0.128%	0.124%	0.132%
District's proportionate share of the net pension liability	\$ 111,436,765	\$ 114,272,455	\$ 118,214,471	\$ 100,480,053	\$ 88,739,307
State's proportionate share of the net pension liability associated with the District	60,796,195	68,048,603	71,711,086	61,767,308	46,933,185
Total	\$ 172,232,960	\$ 182,321,058	\$ 189,925,557	\$ 162,247,361	\$ 135,672,492
District's covered-employee payroll	\$ 67,555,147	\$ 67,206,168	\$ 67,800,668	\$ 63,504,492	\$ 60,268,435
District's proportionate share of the net pension liability as percentage of covered-employee payroll	165%	170%	174%	158%	147%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%

	Reporting Fiscal Year (Measurement Date)				
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)
CalPERS					
District's proportion of the net pension liability	0.220%	0.232%	23.030%	0.231%	0.233%
District's proportionate share of the net pension liability	\$ 64,090,590	\$ 61,732,127	\$ 54,968,070	\$ 45,665,948	\$ 34,274,607
District's covered-employee payroll	\$ 30,586,469	\$ 30,836,411	\$ 29,392,792	\$ 27,759,137	\$ 25,758,729
District's proportionate share of the net pension liability as percentage of covered-employee payroll	210%	200%	187%	165%	133%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
SCHEDULE OF CONTRIBUTIONS – PENSIONS  
FOR THE YEAR ENDED JUNE 30, 2025**

CaSTRS	Reporting Fiscal Year				
	2025	2024	2023	2022	2021
Statutorily required contribution	\$ 14,931,428	\$ 13,655,480	\$ 14,719,270	\$ 11,220,655	\$ 10,411,287
District's contributions in relation to the statutorily required contribution	14,931,428	13,655,480	14,719,270	11,220,655	10,411,287
District's contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 78,175,016	\$ 71,494,660	\$ 77,064,241	\$ 66,315,928	\$ 64,466,173
District's contributions as a percentage of covered-employee payroll	19.10%	19.10%	19.10%	16.92%	16.15%
	Reporting Fiscal Year				
	2025	2024	2023	2022	2021
CalPERS					
Statutorily required contribution	\$ 10,922,914	\$ 9,592,375	\$ 9,707,866	\$ 7,347,006	\$ 6,515,343
District's contributions in relation to the statutorily required contribution	10,922,914	9,592,375	9,707,866	7,347,006	6,515,343
District's contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 40,380,458	\$ 35,953,430	\$ 38,265,140	\$ 32,068,992	\$ 31,475,087
District's contributions as a percentage of covered-employee payroll	27.05%	26.68%	25.37%	22.91%	20.70%

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
SCHEDULE OF CONTRIBUTIONS – PENSIONS  
FOR THE YEAR ENDED JUNE 30, 2025**

CaSTRS	Reporting Fiscal Year				
	2020	2019	2018	2017	2016
Statutorily required contribution	\$ 11,507,894	\$ 10,997,978	\$ 9,697,850	\$ 8,529,324	\$ 6,814,032
District's contributions in relation to the statutorily required contribution	11,507,894	10,997,978	9,697,850	8,529,324	6,814,032
District's contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 67,297,626	\$ 67,555,147	\$ 67,206,168	\$ 67,800,668	\$ 63,504,492
District's contributions as a percentage of covered-employee payroll	17.10%	16.28%	14.43%	12.58%	10.73%

  

CalPERS	Reporting Fiscal Year				
	2020	2019	2018	2017	2016
Statutorily required contribution	\$ 6,088,175	\$ 5,524,528	\$ 4,789,203	\$ 4,082,071	\$ 3,288,625
District's contributions in relation to the statutorily required contribution	6,088,175	5,524,528	4,789,203	4,082,071	3,288,625
District's contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 30,871,533	\$ 30,586,469	\$ 30,836,411	\$ 29,392,792	\$ 27,759,137
District's contributions as a percentage of covered-employee payroll	19.72%	18.06%	15.53%	13.89%	11.85%

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2024**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**General Fund – 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 Net OPEB Liability/(Asset) and Related Ratios**

This schedule presents information on the District's changes in the net OPEB liability/(asset), including beginning and ending balances, the plan's fiduciary net position, and the net OPEB liability/(asset). 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 changed from 4.29% to 5.42% and the healthcare cost trend rate changed from 5.50% to 5.25% since the previous valuation.

**Schedule of Contributions – 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, 10 years of information will be presented.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 JUNE 30, 2024**

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**NOTE 1 – PURPOSE OF SCHEDULES, continued**

**Schedule of the Proportionate Share of the Net OPEB Liability/(Asset) – MPP Program**

This schedule presents information on the District’s proportionate share of the net OPEB Liability/(asset) – 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 discount rate changed from 3.65% to 3.93%, the Medicare Part A premium cost trend rate changed from 4.50% to 5.00%, and the Medicare Part B premium cost trend rate changed from 5.40% to 6.50% since the previous valuation.

**Schedule of the Proportionate Share of the Net Pension Liability**

This schedule presents ten years of 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.

**Changes in Benefit Terms:** There were no changes in benefit terms since the previous valuation for CalSTRS. The required employer contribution rate changed from 26.68% to 27.05% since previous valuation for CalPERS.

**Changes of Assumptions:** Additional factors were considered in the actuarial valuation for CalSTRS namely the payroll growth rate and long-term expected rate of return based on 20- to 30-year geometric average. There were no changes in economic assumptions since previous valuation for CalPERS.

**Schedule of Contributions – Pensions**

This schedule presents ten years of information on the District’s required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution.

**NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended June 30, 2025, the District incurred an excess of expenditures over appropriations (budget) in General Fund presented in the Budgetary Comparison Schedule by major object code as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Certificated salaries	\$ 81,681,339	\$ 83,933,890	\$ 2,252,551
Services and other operating expenditures	\$ 40,853,936	\$ 44,883,370	\$ 4,029,434
Other outgo			
Excluding transfers of indirect costs	\$ 90,000	\$ 110,486	\$ 20,486

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## **SUPPLEMENTARY INFORMATION**

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**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE  
 JUNE 30, 2025**

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**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		
Name	Office	Term Expires
Jennifer Smith	President	2028
Laurie Lieberman	Vice President	2026
Maria Leon-Vazquez	Member	2028
Jon Kean	Member	2028
Alicia Mignano	Member	2026
Stacy Rouse	Member	2026
Dr. Richard Tahvildaran-Jesswein	Member	2026

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ADMINISTRATION

Dr. Antonio Shelton  
*Superintendent*

Dr. Douglas Meza  
*Deputy Superintendent, Human Resources*

Mr. Gerardo Cruz  
*Assistant Superintendent  
 Fiscal and Business Services*

Dr. Stacy Williamson  
*Assistant Superintendent  
 Educational Services*

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2025**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Entity	
		Identifying Number	Federal Expenditures
<b>U.S. Department of Agriculture:</b>			
<i>Passed Through California Department of Education</i>			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13523	\$ 1,297,651
School Breakfast Program	10.553	13525	221,727
School Breakfast Needy	10.553	13526	124,333
National School Lunch Program Noncash Commodities	10.555	13391	231,165
Total Child Nutrition Cluster			<u>1,874,876</u>
<i>Passed Through California Department of Social Services</i>			
Child Nutrition: CACFP Claims - Centers and Family Day Care	10.558	13393	63,002
<b>Total U.S. Department of Agriculture</b>			<u>1,937,878</u>
<b>U.S. Department of Education:</b>			
<i>Passed Through Tri-Cities Special Education Local Plan Area</i>			
Special Education IDEA Cluster:			
IDEA Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	2,075,444
IDEA Local Assistance, Part B, Sec 611, Early Intervening Services	84.027	10119	300,370
IDEA Mental Health Allocation Plan, Part B, Sec 611	84.027A	15197	102,515
IDEA Preschool Grants, Part B, Sec 619	84.173	13430	52,562
IDEA Part B, Sec 619, Preschool Grants Early Intervening Services	84.173	10131	7,623
IDEA Preschool Staff Development, Part B, Sec 619	84.173A	13431	333
Total Special Education IDEA Cluster			<u>2,538,847</u>
<i>Passed Through California Department of Education</i>			
Education Stabilization Funds:			
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425	15559	561,174
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve Emergency Needs	84.425U	15620	294,650
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Learning Loss	84.425U	15621	855,354
ARP Homeless Children and Youth II (ARP HCY II)	84.425	15566	20,284
Total Education Stabilization Funds			<u>1,731,462</u>
Adult Education Cluster:			
Adult Basic Education & ELA	84.002A	14508	52,824
Adult Secondary Education	84.002	13978	14,262
Total Adult Education Cluster			<u>67,086</u>
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	1,462,355
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	59,577
Title III, English Learner Student Program	84.365	14346	72,442
Title II, Part A, Supporting Effective Instruction	84.367	14341	337,743
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	83,647
<b>Total U.S. Department of Education</b>			<u>6,353,159</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 8,291,037</u>

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE YEAR ENDED JUNE 30, 2025**

	Second Period Report	Audit Adjustments	Revised Second Period Report	Annual Report	Audit Adjustments	Revised Annual Report
	Certification No. B8FE9019		Certification No. *	Certification No. 3FD74A38		Certification No. *
<b>Regular ADA</b>						
Transitional Kindergarten through Third	2,237.30	(0.11)	2,237.19	2,247.14	(0.08)	2,247.06
Fourth through Sixth	1,757.36	(0.03)	1,757.33	1,759.55	(0.02)	1,759.53
Seventh and Eighth	1,266.64	(0.27)	1,266.37	1,268.78	(0.20)	1,268.58
Ninth through Twelfth	2,757.35	(0.44)	2,756.91	2,762.30	(0.33)	2,761.97
Total Regular ADA	8,018.65	(0.85)	8,017.80	8,037.77	(0.63)	8,037.14
<b>Extended Year Special Education</b>						
Transitional Kindergarten through Third	7.85	-	7.85	7.85	-	7.85
Fourth through Sixth	2.52	-	2.52	2.52	-	2.52
Seventh and Eighth	3.69	-	3.69	3.69	-	3.69
Ninth through Twelfth	6.78	-	6.78	6.78	-	6.78
Total Extended Year Special Education	20.84	-	20.84	20.84	-	20.84
<b>Special Education, Nonpublic, Nonsectarian Schools</b>						
Transitional Kindergarten through Third	0.23	-	0.23	0.43	-	0.43
Fourth through Sixth	0.46	-	0.46	0.57	-	0.57
Seventh and Eighth	1.60	-	1.60	1.61	-	1.61
Ninth through Twelfth	5.65	-	5.65	5.57	-	5.57
Total Special Education, Nonpublic, Nonsectarian Schools	7.94	-	7.94	8.18	-	8.18
<b>Extended Year Special Education - Nonpublic</b>						
Transitional Kindergarten through Third	-	-	-	-	-	-
Fourth through Sixth	-	-	-	-	-	-
Seventh and Eighth	0.02	-	0.02	0.02	-	0.02
Ninth through Twelfth	0.92	-	0.92	0.92	-	0.92
Total Extended Year Special Education - Nonpublic	0.94	-	0.94	0.94	-	0.94
<b>ADA Totals</b>	<b>8,048.37</b>	<b>(0.85)</b>	<b>8,047.52</b>	<b>8,067.73</b>	<b>(0.63)</b>	<b>8,067.10</b>

\* The District has not revised P-2 or annual to include the audit findings reported.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2025**

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Grade Level	Minutes Requirement	Actual Minutes	Number of Days							Status
			J-13A*				Traditional Calendar			
			Pending Minutes	Total Adjusted Minutes	Actual Day Offered	J-13A* Pending Days	Total Adjusted Days	Multitrack Calendar		
Kindergarten	36,000	37,995	4,755	42,750	160	20	180	N/A	Non-Compliant	
Grade 1	50,400	45,335	5,675	51,010	160	20	180	N/A	Non-Compliant	
Grade 2	50,400	45,335	5,675	51,010	160	20	180	N/A	Non-Compliant	
Grade 3	50,400	47,120	5,900	53,020	160	20	180	N/A	Non-Compliant	
Grade 4	54,000	48,310	6,050	54,360	160	20	180	N/A	Non-Compliant	
Grade 5	54,000	48,310	6,050	54,360	160	20	180	N/A	Non-Compliant	
Grade 6	54,000	48,725	5,660	54,385	161	19	180	N/A	Non-Compliant	
Grade 7	54,000	48,725	5,660	54,385	161	19	180	N/A	Non-Compliant	
Grade 8	54,000	48,725	5,660	54,385	161	19	180	N/A	Non-Compliant	
Grade 9	64,800	58,367	6,942	65,309	161	19	180	N/A	Non-Compliant	
Grade 10	64,800	58,367	6,942	65,309	161	19	180	N/A	Non-Compliant	
Grade 11	64,800	58,367	6,942	65,309	161	19	180	N/A	Non-Compliant	
Grade 12	64,800	58,367	6,942	65,309	161	19	180	N/A	Non-Compliant	

\* The District has submitted a Form J-13A request to the California Department of Education for approval of instructional time credit related to emergency conditions. As of the date of this report, the request remains pending. The application seeks approval for approximately 111 instructional days and 78,853 instructional minutes that may be credited upon approval.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2025**

	2026 (Budget)	2025	2024	2023
General Fund - Budgetary Basis				
Revenues and Other Financing Sources	\$ 217,567,995	\$ 235,791,614	\$ 228,939,968	\$ 216,891,916
Expenditures and Other Financing Uses	231,017,807	232,148,373	201,514,531	219,201,305
Net Change in Fund Balances	(13,449,812)	3,643,241	27,425,437	(2,309,389)
Ending Fund Balances	\$ 70,471,625	\$ 83,921,437	\$ 80,278,196	\$ 52,852,759
Available Reserves*	\$ 6,930,535	\$ 7,197,365	\$ 8,674,342	\$ 27,069,038
Available Reserves as a Percentage of Outgo	3.0%	3.1%	4.3%	12.3%
Long-term Debt	\$ 1,530,041,129	\$ 1,568,078,442	\$ 1,333,566,605	\$ 1,179,116,070
Average Daily District Attendance at P-2	7,875	8,049	8,121	8,232

The General Fund balance has increased by \$31,068,678 over the past two years. The fiscal year 2025-26 budget projects a decrease of \$13,449,812, or 16.03%. For a district this size, the State recommends available reserves of at least 3 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years and anticipates incurring an operating deficit during the 2025-26 fiscal year. Total long-term liabilities have increased by \$388,962,372 over the past two years.

Average daily attendance has decreased by 183 over the past two years. Additional decline of 174 ADA is anticipated during fiscal year 2025-26.

\* Available reserves are the unrestricted amounts in the Reserve for Economic Uncertainties account in the General Fund.

**SANTA MONICA-MALBU UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

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There were no differences between the fund balances reported in the Annual Financial and Budget Report and the audited financial statements in the General Fund and other funds. Therefore, no reconciliation is required.

**SANTA MONICA-MALBU UNIFIED SCHOOL DISTRICT  
SCHEDULE OF CHARTER SCHOOLS  
FOR THE YEAR ENDED JUNE 30, 2025**

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There were no charter schools in the District during the fiscal year ended June 30, 2025.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NON-MAJOR SPECIAL REVENUE FUNDS COMBINING BALANCE SHEET**  
**JUNE 30, 2025**

	Student Activity Special Revenue Fund	Adult Education Fund	Child Development Fund	Cafeteria Special Revenue Fund	Deferred Maintenance Fund	Total Non-Major Special Revenue Funds
<b>ASSETS</b>						
Cash and equivalents	\$ 521,166	\$ 1,293,074	\$ 8,702,759	\$ 130,340	\$ 1,741,653	\$ 12,388,992
Accounts receivable	-	50,249	88,907	805,515	17,915	962,586
Inventory	-	-	-	79,259	-	79,259
Total Assets	\$ 521,166	\$ 1,343,323	\$ 8,791,666	\$ 1,015,114	\$ 1,759,568	\$ 13,430,837
<b>LIABILITIES</b>						
Accrued liabilities	\$ 1,381	\$ 36,847	\$ 1,210,949	\$ 134,230	\$ 227,886	\$ 1,611,293
Unearned revenue	-	-	514,322	-	-	514,322
Total Liabilities	1,381	36,847	1,725,271	134,230	227,886	2,125,615
<b>FUND BALANCES</b>						
Nonspendable	-	-	-	79,259	-	79,259
Restricted	519,785	1,045,010	804,487	801,625	-	3,170,907
Assigned	-	261,466	6,261,908	-	1,531,682	8,055,056
Total Fund Balances	519,785	1,306,476	7,066,395	880,884	1,531,682	11,305,222
Total Liabilities and Fund Balances	\$ 521,166	\$ 1,343,323	\$ 8,791,666	\$ 1,015,114	\$ 1,759,568	\$ 13,430,837

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
NON-MAJOR SPECIAL REVENUE FUNDS COMBINING STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2025**

	Student Activity Special Revenue Fund	Adult Education Fund	Child Development Fund	Cafeteria Special Revenue Fund	Deferred Maintenance Fund	Total Non-Major Special Revenue Funds
<b>REVENUES</b>						
Federal sources	\$ -	\$ 67,086	\$ 63,002	\$ 1,874,876	\$ -	\$ 2,004,964
Other state sources	-	872,205	2,870,401	3,283,888	-	7,026,494
Other local sources	2,204,339	62,580	3,699,605	170,504	72,377	6,209,405
Total Revenues	2,204,339	1,001,871	6,633,008	5,329,268	72,377	15,240,863
<b>EXPENDITURES</b>						
Current						
Instruction	-	277,793	4,287,380	-	-	4,565,173
Instruction-related services						
Instructional supervision and administration	-	-	594,860	-	-	594,860
School site administration	-	520,156	745,665	-	-	1,265,821
Pupil services						
Food services	-	-	191,867	5,470,464	-	5,662,331
All other pupil services	-	64,129	66,727	-	-	130,856
General administration						
All other general administration	-	40,433	435,793	181,567	-	657,793
Plant services	-	33,895	86,992	-	1,977,503	2,098,390
Facilities acquisition and maintenance	-	-	-	-	20,412	20,412
Ancillary services	2,062,904	-	-	-	-	2,062,904
Total Expenditures	2,062,904	936,406	6,409,284	5,652,031	1,997,915	17,058,540
Excess/(Deficiency) of Revenues Over Expenditures	141,435	65,465	223,724	(322,763)	(1,925,538)	(1,817,677)
<b>OTHER FINANCING SOURCES/(USES)</b>						
Transfers in	-	-	475,000	-	2,000,000	2,475,000
Other Financing Sources/(Uses), Net	-	-	475,000	-	2,000,000	2,475,000
NET CHANGES IN FUND BALANCES	141,435	65,465	698,724	(322,763)	74,462	657,323
FUND BALANCES - BEGINNING	378,350	1,241,011	6,367,671	1,203,647	1,457,220	10,647,899
FUND BALANCES - ENDING	\$ 519,785	\$ 1,306,476	\$ 7,066,395	\$ 880,884	\$ 1,531,682	\$ 11,305,222

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NON-MAJOR CAPITAL PROJECTS FUNDS COMBINING BALANCE SHEET**  
**JUNE 30, 2025**

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	Capital Facilities Fund	County School Facilities Fund	Special Reserve for Capital Outlay Projects Fund	Total Non-Major Capital Projects Funds
<b>ASSETS</b>				
Cash and equivalents	\$ 5,534,927	\$ 191,863	\$ 14,159,634	\$ 19,886,424
Accounts receivable	585,408	64,625	75,401	725,434
Total Assets	\$ 6,120,335	\$ 256,488	\$ 14,235,035	\$ 20,611,858
<b>LIABILITIES</b>				
Accrued liabilities	\$ 103,744	\$ -	\$ 460,397	\$ 564,141
Total Liabilities	103,744	-	460,397	564,141
<b>FUND BALANCES</b>				
Restricted	6,016,591	256,488	13,732,009	20,005,088
Assigned	-	-	42,629	42,629
Total Fund Balances	6,016,591	256,488	13,774,638	20,047,717
Total Liabilities and Fund Balances	\$ 6,120,335	\$ 256,488	\$ 14,235,035	\$ 20,611,858

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
NON-MAJOR CAPITAL PROJECTS FUNDS COMBINING STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2025**

	Capital Facilities Fund	County School Facilities Fund	Special Reserve for Capital Outlay Projects Fund	Total Non-Major Capital Projects Funds
<b>REVENUES</b>				
Other state sources	\$ -	\$ 1,831,058	\$ -	\$ 1,831,058
Other local sources	928,516	413,394	6,927,421	8,269,331
Total Revenues	928,516	2,244,452	6,927,421	10,100,389
<b>EXPENDITURES</b>				
Current				
Plant services	1,135,398	-	1,262,920	2,398,318
Facilities acquisition and maintenance	72,657	6,948,056	14,542,685	21,563,398
Other outgo	-	-	306,540	306,540
Debt service				
Principal	-	-	2,805,000	2,805,000
Interest and other	-	-	1,116,316	1,116,316
Total Expenditures	1,208,055	6,948,056	20,033,461	28,189,572
Excess/(Deficiency) of Revenues Over Expenditures	(279,539)	(4,703,604)	(13,106,040)	(18,089,183)
<b>OTHER FINANCING SOURCES/(USES)</b>				
Other sources	-	-	13,517,037	13,517,037
Other Financing Sources/(Uses), Net	-	-	13,517,037	13,517,037
NET CHANGES IN FUND BALANCES	(279,539)	(4,703,604)	410,997	(4,572,146)
FUND BALANCES - BEGINNING	6,296,130	4,960,092	13,363,641	24,619,863
FUND BALANCES - ENDING	\$ 6,016,591	\$ 256,488	\$ 13,774,638	\$ 20,047,717

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NON-MAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET**  
**JUNE 30, 2025**

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	Total Non-Major Special Revenue Funds	Total Non-Major Capital Projects Funds	Total Non-Major Governmental Funds
<b>ASSETS</b>			
Cash and equivalents	\$ 12,388,992	\$ 19,886,424	\$ 32,275,416
Accounts receivable	962,586	725,434	1,688,020
Inventory	79,259	-	79,259
Total Assets	<u>\$ 13,430,837</u>	<u>\$ 20,611,858</u>	<u>\$ 34,042,695</u>
<b>LIABILITIES</b>			
Accrued liabilities	\$ 1,611,293	\$ 564,141	\$ 2,175,434
Unearned revenue	514,322	-	514,322
Total Liabilities	<u>2,125,615</u>	<u>564,141</u>	<u>2,689,756</u>
<b>FUND BALANCES</b>			
Nonspendable	79,259	-	79,259
Restricted	3,170,907	20,005,088	23,175,995
Assigned	8,055,056	42,629	8,097,685
Total Fund Balances	<u>11,305,222</u>	<u>20,047,717</u>	<u>31,352,939</u>
Total Liabilities and Fund Balances	<u>\$ 13,430,837</u>	<u>\$ 20,611,858</u>	<u>\$ 34,042,695</u>

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2025**

	Total Non-Major Special Revenue Funds	Total Non-Major Capital Projects Funds	Total Non-Major Governmental Funds
<b>REVENUES</b>			
Federal sources	\$ 2,004,964	\$ -	\$ 2,004,964
Other state sources	7,026,494	1,831,058	8,857,552
Other local sources	6,209,405	8,269,331	14,478,736
Total Revenues	15,240,863	10,100,389	25,341,252
<b>EXPENDITURES</b>			
Current			
Instruction	4,565,173	-	4,565,173
Instruction-related services			
Instructional supervision and administration	594,860	-	594,860
School site administration	1,265,821	-	1,265,821
Pupil services			
Food services	5,662,331	-	5,662,331
All other pupil services	130,856	-	130,856
General administration			
All other general administration	657,793	-	657,793
Plant services	2,098,390	2,398,318	4,496,708
Facilities acquisition and maintenance	20,412	21,563,398	21,583,810
Ancillary services	2,062,904	-	2,062,904
Other outgo	-	306,540	306,540
Debt service			
Principal	-	2,805,000	2,805,000
Interest and other	-	1,116,316	1,116,316
Total Expenditures	17,058,540	28,189,572	45,248,112
Excess/(Deficiency) of Revenues			
Over Expenditures	(1,817,677)	(18,089,183)	(19,906,860)
<b>OTHER FINANCING SOURCES/(USES)</b>			
Transfers in	2,475,000	-	2,475,000
Other sources	-	13,517,037	13,517,037
Other Financing Sources/(Uses), Net	2,475,000	13,517,037	15,992,037
<b>NET CHANGES IN FUND BALANCES</b>	657,323	(4,572,146)	(3,914,823)
<b>FUND BALANCES - BEGINNING</b>	10,647,899	24,619,863	35,267,762
<b>FUND BALANCES - ENDING</b>	\$ 11,305,222	\$ 20,047,717	\$ 31,352,939

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NOTE TO SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2025**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**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 Expenditures of Federal Awards**

**Basis of Presentation:** The accompanying Schedule of Expenditures of Federal Awards (the schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2025. 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, 2025, the fair market value of food commodities in inventory was insignificant.

**Schedule of Average Daily Attendance**

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

**Schedule of Instructional Time**

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46207.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT**  
**NOTE TO SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2025**

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**NOTE 1 – PURPOSE OF SCHEDULES, continued**

**Schedule of Financial Trends and Analysis**

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

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

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the unaudited actual financial report to the audited financial statements.

**Schedule of Charter Schools**

This schedule lists all Charter Schools chartered by the District and displays information for each Charter School on whether or not the Charter School is included in the District audit.

**Combining Statements – Non-Major Governmental Funds**

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

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## **OTHER INDEPENDENT AUDITORS' REPORTS**

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**INDEPENDENT AUDITORS' 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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Santa Monica-Malibu Unified School District (the "District"), as of and for the year ended June 30, 2025, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 10, 2025.

**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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as finding #2025-001, that we considered to be significant deficiencies.

## 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*.

## The 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 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.

 CWDL, Certified Public Accountants

San Diego, California  
December 10, 2025



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND  
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 described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2025. The District's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

***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; 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 Auditors' 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.

### ***Auditors' 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 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 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 Auditors' 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 or significant deficiencies, 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.

*CWDL, Certified Public Accountants*

San Diego, California  
December 10, 2025



## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE FOR STATE PROGRAMS

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

### Report on Compliance

#### **Opinion on State Compliance**

We have audited Santa Monica-Malibu Unified School District's (the "District") compliance with the requirements specified in the *2024-25 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, 2025.

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, 2025.

#### **Basis for Opinion**

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, and the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditors' 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.

#### **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 compliance with the requirements described in the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

**Auditors’ 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 *2024-25 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 *2024-25 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 *2023-24 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 programs:

<b>PROGRAM NAME</b>	<b>PROCEDURES PERFORMED</b>
Local Education Agencies Other than Charter Schools:	
A. Attendance	Yes
B. Teacher Certification and Misassignments	Yes
C. RESERVED	Not Applicable
D. Independent Study	Yes
E. Continuation Education	No
F. Instructional Time	Yes
G. Instructional Materials	Yes
H. Ratios of Administrative Employees to Teachers	Yes
I. Classroom Teacher Salaries	Yes
J. Early Retirement Incentive	Not Applicable
K. Gann Limit Calculation	Yes

<b>PROGRAM NAME</b>	<b>PROCEDURES PERFORMED</b>
L. School Accountability Report Card	Yes
M. Juvenile Court Schools	Not Applicable
N. Middle or Early College High Schools or Programs	Not Applicable
O. K-3 Grade Span Adjustment	Yes
P. RESERVED	Not Applicable
Q. Apprenticeship: Related and Supplemental Instruction	Not Applicable
R. Comprehensive School Safety Plan	Yes
S. District of Choice	Not Applicable
TT. Home to School Transportation Reimbursement	Yes
School Districts, County Offices of Education, and Charter Schools:	
T. Proposition 28 Arts and Music in Schools	Yes
U. After/Before School Education and Safety Program	Not Applicable
V. Proper Expenditure of Education Protection Account Funds	Yes
W. Unduplicated Local Control Funding Formula Pupil Counts	Yes
X. Local Control and Accountability Plan	Yes
Y. Independent Study-Course Based	Not Applicable
Z. Immunizations	Not Applicable
AZ. Educator Effectiveness	Not Applicable
BZ. Expanded Learning Opportunities Grant (ELO-G)	Not Applicable
CZ. Career Technical Education Incentive Grant	Yes
DZ. Expanded Learning Opportunities Program	Yes
EZ. Transitional Kindergarten	Yes
FZ. Kindergarten Continuance	Yes
Charter Schools:	
AA. Attendance	Not Applicable
BB. Mode of Instruction	Not Applicable
CC. Nonclassroom-Based Instruction/Independent Study	Not Applicable
DD. Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
EE. Annual Instructional Minutes - Classroom Based	Not Applicable
FF. Charter School Facility Grant Program	Not Applicable

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

We did not perform Continuation Education procedures because the District elected not to claim Average Daily Attendance for the program.

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 State Award Findings and Questioned Costs as findings #2025-002 to #2025-006. Our opinion on each state program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our audit, described in the accompanying Schedule of State Award Findings and Questioned Costs as corrective action plan. 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

*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 a compliance requirement 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention from those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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, we did identify certain deficiencies in internal control, described in the accompanying schedule of State Award Findings and Questioned Costs as findings #2025-002 to #2025-006, that we considered 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.

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 *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.



San Diego, California  
December 10, 2025

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## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2025**

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FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Non-compliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	<u>No</u>
Identification of major programs:	

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>10.553, 10.555</u>	<u>Child Nutrition Cluster</u>
<u>84.010</u>	<u>Title I, Part A, Basic Grants Low-Income and Neglected</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>No</u>

STATE AWARDS

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

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
 FINANCIAL STATEMENT FINDINGS  
 FOR THE YEAR ENDED JUNE 30, 2025**

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

FIVE DIGIT CODE	AB3627 FINDING TYPES
20000	Inventory of Equipment
30000	Internal Control
60000	Miscellaneous

**FINDING #2025-001: HIRING PROCESS (30000)**

**Criteria**

Per the U.S. Citizenship and Immigration Services (USCIS), Form I-9 must be completed for each employee hired after November 6, 1986. Section 2 of the form must be completed by the employer within three business days of the employee’s first day of employment. The form must include the employee’s hire or start date to be considered compliant.

**Condition**

During the review of personnel files as part of payroll control testing, it was found that 16 out of 25 Form I-9 documents were incomplete or missing information in Section 2, specifically the employee’s start date under the Employer Review and Verification section. Additionally, in the new hire testing, 2 of 12 forms lacked both the date next to the employee’s signature and the employee’s first day of work, while 1 form was missing the employee’s signature and date entirely. The omission of this critical information renders the forms incomplete and noncompliant with federal requirements.

**Effect**

Incomplete Form I-9 documentation may subject the District to potential penalties or fines in the event of an audit by federal immigration authorities. It also exposes the District to increased compliance risk and may impact audit outcomes or grant eligibility.

**Cause**

Based on our review, the issue appears to be due to a lack of consistent internal controls and oversight regarding the proper completion and review of employment eligibility forms.

**Questioned Costs**

Not applicable.

**Repeat Finding**

This is not a repeat finding.

**Recommendation**

We recommend that the District implement stronger internal controls to ensure that all Form I-9 documents are reviewed for completeness upon hire, including the required hire/start date in Section 2. Training should be provided to Human Resources personnel responsible for onboarding to ensure proper completion of I-9s in accordance with federal regulations.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2025**

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**FINDING #2025-001: HIRING PROCESS (30000), continued**

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

The District acknowledges and concurs with the audit finding related to incomplete and noncompliant Form I-9 employment eligibility records. Specifically, multiple forms were missing required information in Section 2 and/or lacked employee signatures and dates. This deficiency exposes the District to potential federal penalties and increased compliance risk.

In response to this finding, the Human Resources Department will immediately begin using an I-9 Completion Checklist that includes the name, date, and signature of the HR Specialist that is processing the new employee. The name, date, and signature of the HR Specialist will help with accountability.

Additionally, all staff responsible for onboarding will receive mandatory annual training on USCIS Form I-9 requirements, including proper completion timelines, documentation standards, and retention requirements. A structured internal monitoring and quarterly audit process will also be established to ensure sustained compliance.

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

Dr. Douglas Meza, Assistant Superintendent of Human Resources  
Melissa Winters, Director of Human Resources

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2025**

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This section presents significant deficiencies, material weaknesses, and instances of noncompliance identified during the audit of the financial statements. These matters are reported in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as applicable. Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

<u>FIVE DIGIT CODE</u>	<u>AB3627 FINDING TYPES</u>
50000	Federal Compliance

**There were no federal award findings or questioned costs for the year ended June 30, 2025.**

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2025**

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This section identifies significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

FIVE DIGIT CODE	AB3627 FINDING TYPES
10000	Attendance
40000	State Compliance
42000	Charter School Facilities Program
43000	Apprenticeship: Related and Supplemental Instruction
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

**FINDING #2025-002: INDEPENDENT STUDY (40000)**

**Criteria**

The District is responsible for ensuring that independent study contracts contain the required elements set forth in *Education Code* Section 51747(g). The local educational agency shall maintain documentation of hours or fraction of an hour of both pupil work products and the time that the pupil engaged in asynchronous instruction in accordance with *Education Code* Section 51747.5(b)(2)(A)(ii).

**Condition**

The District’s short-term independent study contracts contain obsolete language and are missing the following elements required by *Education Code* Section 51747(g):

- A statement of the policies adopted pursuant to subdivisions (a) and (b) regarding the maximum length of time allowed between the assignment and the completion of a pupil’s assigned work, the level of satisfactory educational progress.
- A statement of the number of course credits or, for the elementary grades, other measures of academic accomplishment appropriate to the agreement, to be earned by the pupil upon completion.
- A statement detailing the academic and other supports that will be provided to address the needs of pupils who are not performing at grade level, or need support in other areas, such as English learners, individuals with exceptional needs in order to be consistent with the pupil’s individualized education program or plan pursuant to Section 504 of the Federal Rehabilitation Act of 1973 (29 U.S.C. Sec. 794), pupils in foster care or experiencing homelessness, and pupils requiring mental health supports.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2025**

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**FINDING #2025-002: INDEPENDENT STUDY (40000), continued**

**Condition, continued**

In addition, we noted that independent study attendance was not being supported by documentation of hours or fraction of an hour of both pupil work products and the time that the pupil engaged in asynchronous and synchronous instruction. We also noted a contract with work completed outside of contract dates. Some contracts calculate credit days to include school holidays and weekends so days of credit are overstated on the contract compared to the correct attendance records. Lastly, we noted long-term independent study agreements were signed after the commencement of independent study.

**Effect**

There may be a discrepancy in the District's adherence to *Education Code* Section 51747 which pertains to contractual compliance and attendance accounting over independent study.

**Cause**

The District has experienced staff turnover that oversees independent study and the District was unaware of the requirement of documentation of hours or fraction of hour to support pupils work product is valued of a minimum school day.

**Questioned Costs**

Grade Level	ADA	Derived Value of ADA	Questioned Costs
TK-3	0.11	\$ 11,761.52	\$ 1,294
4-6	0.03	\$ 10,814.69	324
7-8	0.27	\$ 11,134.55	3,006
9-12	0.44	\$ 13,240.74	5,826
Total			<u>\$ 10,450</u>

**Repeat Finding**

This is a repeat finding.

**Recommendation**

It is recommended for the District to revise its Independent Study Master Agreement contracts for compliance and consistency of educational programs. The short-term & traditional long-term contracts have the same required elements, and a single template can be utilized for both programs. The District shall implement a process to document hours or fraction of hour to support pupils work product is valued of a minimum school day.

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

The District acknowledges and concurs with the audit finding related to insufficient documentation of hours or fraction of an hour of both pupil work products and the time that the pupil engaged in asynchronous and synchronous instruction.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2025**

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**FINDING #2025-002: INDEPENDENT STUDY (40000), continued**

**Corrective Action Plan and Views of Responsible Officials, continued**

To comply with *Education Code* Section 51747, changes to the documentation were made in the Spring 2025 for students participating in traditional independent study with long-term independent study written agreements and has been implemented by the long-term ISP teachers. The short-term verification forms used by supervising teachers to document student work completion for apportionment have been revised from a percentage formula using terms "Fully Completed", "Partially Completed" or "Incomplete" to a time value formula using Work Value - Assigned (Total Number of Hours/Minutes) and Work Value - Completed (Total Number of Hours/Minutes). The Student Services Department has scheduled training for site staff to ensure the calculation is completed based on a time-value determination and documented in hours or fraction of hours of pupil work products. In addition, long-term independent study agreements and a program handbook have been developed to address compliance issues.

Additionally, District forms for short-term and long-term independent study agreements were revised to ensure all required elements are included in both agreements, as well as language to ensure only instructional days are included when calculating credit days, only work completed during the contract dates is included, and agreements are signed prior to the start of long-term independent study. These changes will be reinforced in planned trainings with site staff throughout the year.

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

Dr. Francisco Dussan, Director of Student Services  
Dr. Ashley Benjamin, Director of Curriculum and Instruction

**FINDING #2025-003: COMPREHENSIVE SCHOOL SAFETY PLAN (40000)**

**Criteria**

*California Education Code* Section 32286 requires that each school site develop and annually review, update, and adopt its Comprehensive School Safety Plan (CSSP) no later than March 1 of each year.

**Condition**

In our review of the CSSP's, we noted 2 of 4 sites sampled (John Adams Middle and Santa Monica High) had missing evidence that the CSSP was reviewed, updated, and adopted. While 1 of 4 sites sampled (Franklin Elementary) was adopted March 27, 2025, which is after March 1.

**Effect**

Failure to approve school safety plans by the required deadline may result in noncompliance with state law, reduced preparedness for emergency situations, and a potential risk to student and staff safety.

**Cause**

Unknown.

**Questioned Costs**

None noted.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2025**

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**FINDING #2025-003: COMPREHENSIVE SCHOOL SAFETY PLAN (40000), continued**

**Repeat Finding**

This is not a repeat finding.

**Recommendation**

It is recommended the District implement stronger internal controls and tracking mechanisms to ensure that all school sites complete, review, and submit their CSSPs in a timely manner. The District should establish an internal deadline well before March 1 to allow for review and approval processes. Additionally, we recommend providing annual training to school site administrators and district personnel on CSSP requirements and deadlines.

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

The District acknowledges and concurs with the audit finding related to the untimely review, update, and adoption of Comprehensive School Safety Plans (CSSPs) at select school sites. *California Education Code* Section 32286 requires that each school site develop, review, update, and adopt its CSSP no later than March 1 of each year. Evidence of compliance was missing or delayed at multiple locations, creating potential legal and safety risks.

In response to this finding, the District has established firm internal deadlines in advance of the statutory March 1 requirement, strengthened oversight and tracking mechanisms, and provided annual training to site and district administrators responsible for CSSP development and approval.

The District will also implement a centralized monitoring system to ensure that each site convenes its safety committee, completes its annual review, and submits documentation of adoption on time. These measures will significantly improve compliance, increase emergency preparedness, and ensure ongoing accountability at both the site and district levels.

The District views this finding as an opportunity to strengthen its systems and reinforce its commitment to student and staff safety. Full implementation of this corrective action plan will ensure alignment with state law and best practices moving forward.

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

Dr. Douglas Meza, Assistant Superintendent of Human Resources  
Dr. Francisco Dussan, Director of Student Services

**FINDING #2025-004: CLASSROOM TEACHER SALARIES (61000)**

**Criteria**

*California Education Code* Section 41372 requires a minimum percentage of expenditures be charged for classroom teacher salaries. For unified school districts, this percentage is 55%. *Education Code* Section 41374 provides the District an exemption to this requirement if individual class sessions are maintained below 28 pupils.

**Condition**

During the audit of the Classroom Teacher Salaries, it was noted the District did not meet the minimum "Percentage of Current Cost of Education Expended for Classroom Compensation" and was not exempt under the provisions of *Education Code* Section 41374.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2025**

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**FINDING #2025-004: CLASSROOM TEACHER SALARIES (61000), continued**

**Effect**

The noncompliance resulted in the District being deficient by \$11,550,624, or 5.83% of the current expense of education as calculated by the Form CEA.

**Cause**

Classroom teacher salaries, as a percentage of the applicable total spending, were less than the State requirement.

**Questioned Costs**

Current expense of education	\$	198,123,917
Total classroom salaries and benefits	\$	97,421,581
Percentage spent by the District		49.17%
Minimum percentage required		55.00%
Deficiency amount	\$	11,550,624

**Repeat Finding**

This is a repeat finding.

**Recommendation**

The District can establish specific procedures to ensure that the minimum percentage requirement is met or maintain class sizes at or below 28 students in order to qualify for the exemption provisions outlined in *Education Code* Section 41374. However, if the District is unable to keep class sizes below 28 and applying this education code during a fiscal year would cause significant financial or operational hardship, the Governing Board may formally request an exemption. This request should be submitted in writing to the County Superintendent of Schools.

To ensure compliance and avoid potential issues, it is recommended that the District proactively collaborate with the Los Angeles County Office of Education to secure an exemption ahead of time, allowing for a smoother process if class size targets cannot be maintained. Proactively seeking exemption would enable the District to manage its resources effectively without facing penalties or disruptions during the school year.

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

The District concurs with the finding.

As per *Education Code* Section 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:

Gerardo Cruz, Assistant Superintendent of Business & Fiscal Services  
Manuel Cuté Ramos, Director of Fiscal & Business Services  
Andrew Lacson, Assistant Director of Fiscal Services

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2025**

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**FINDING #2025-005: SCHOOL ACCOUNTABILITY REPORT CARD (72000)**

**Criteria**

*California Education Code* and regulatory requirements mandate that School Accountability Report Card (SARC) must accurately reflect school conditions, including facility maintenance, teacher credentials, and instructional materials availability, including but not limited to:

- Facilities Inspection Tool (FIT) Forms should provide an objective assessment of school facility conditions to ensure compliance with health and safety standards (*Education Code 33126(b)(8)*).

**Condition**

During our SARC State Compliance testing, we have identified inconsistencies in the reported data between the SARC and the FIT Form.

School Site: Franklin Elementary		
System Inspected	SARC Rates	FIT Form Rates
Electrical	Fair	Poor
Safety	Fair	Poor

**Effect**

Non-compliance risks, as regulatory reporting requirements may not be fully met.

**Cause**

The inconsistencies may be caused by data discrepancies between reporting systems, leading to misalignment of information, possible timing differences in report updates , and/or manual reporting errors.

**Questioned Costs**

None noted.

**Repeat Finding**

This is not a repeat finding.

**Recommendation**

It is recommended the District Establish a centralized data verification process before finalizing SARC and FIT Forms. to ensure consistency across reports. In addition, the District should consider implementing cross-referencing protocols which require review and reconciliation of all three reports before submission.

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

The District concurs with the finding.

The District has implemented a data verification process that includes validation meetings across the Education Services Department as well as the Facilities Division to ensure what was submitted on the fit form is what ends up on the SARC. The District is confident that this newly implemented cross reference protocol will provide the necessary confirmation that all three reports are reconciled prior to submission.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2025**

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**FINDING #2025-005: SCHOOL ACCOUNTABILITY REPORT CARD (72000), continued**

**Corrective Action Plan and Views of Responsible Officials, continued**

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

Dr. Stacy Williamson, Assistant Superintendent of Education Services  
Dr. Alyssa O’Grady, Director of Assessment, Research, & Evaluation  
Carey Upton, Chief Operations Officer

**FINDING #2025-006: INSTRUCTIONAL TIME (40000)**

**Criteria**

Pursuant to *California Education Code* Section 46208, each school district, as a condition of apportionment pursuant to *Education Code* Section 42238.02, as implemented by Section 42238.03, shall offer 180 days or more of instruction per school year. Additionally, *Education Code* Sections 46200–46208 and Title 5, *California Code of Regulations* Section 11960 require that districts provide a minimum number of annual instructional minutes for each grade level.

When emergency conditions prevent compliance with the required number of instructional days or minutes, a district may submit Form J-13A (Request for Allowance of Attendance Due to Emergency Conditions) to the California Department of Education (CDE) to request a waiver. Approval from the CDE allows the district to remain in compliance for apportionment and instructional time requirements.

**Condition**

During our review of instructional time, we noted that the District submitted a Form J-13A (Request for Allowance of Attendance Due to Emergency Conditions) in response to the wildfire incidents in California, during which the Governor declared a state of emergency.

Due to wildfire-related safety hazards, the District closed all affected elementary, middle, and high schools for several instructional days between November 2024 and March 2025. As a result, the District did not meet the annual instructional day and minute requirements for those schools during the affected period.

To address the shortfall, the District submitted the J-13A request to the CDE to obtain approval to exclude the closure days from its instructional time and attendance calculations. The District has provided all necessary supporting documentation, including the Governor’s emergency declaration, Superintendent’s certification, and Governing Board minutes ratifying the closures and authorizing submission of the J-13A request.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**FINDING #2025-006: INSTRUCTIONAL TIME (40000), continued**

**Effect**

For Instructional Days

For a school district that has met its Local Control Funding Formula (LCFF) target and that offers fewer than the required 180 instructional days, the Superintendent shall withhold from the district's LCFF apportionment, pursuant to Section 42238.02, as implemented by Section 42238.03, for the average daily attendance (ADA) of each affected grade level, the sum of 0.0056 multiplied by that apportionment for each day less than required, 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	Penalty Factor per Day	Affected LCFF Apportionment	Instructional Days Penalty
K-3	2,237.30	\$ 11,761.52	180	5	0.56%	\$ 26,314,049	\$ 736,793
4-6	1,757.36	\$ 10,814.69	180	5	0.56%	19,005,304	532,149
7-8	1,266.64	\$ 11,134.55	180	5	0.56%	14,103,466	394,897
9-12	2,757.35	\$ 13,240.74	180	5	0.56%	36,509,354	1,022,262
Total						<u>\$ 95,932,173</u>	<u>\$ 2,686,101</u>

For Instructional Minutes

For a school district that offers fewer than the required number of annual instructional minutes under *Education Code* Sections 46200–46208, the Superintendent may reduce the district's LCFF apportionment, as provided in Sections 42238.02 and 42238.03, an amount equal to the percentage deficiency in instructional time multiplied by the apportionment for the average daily attendance (ADA) of each affected grade level.

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	Instructional Minutes Penalty
1-2	989.92	\$ 11,761.52	50,400	5,065	10.05%	\$ 11,642,964	\$ 1,170,118
3	515.18	\$ 11,761.52	50,400	3,280	6.51%	6,059,300	394,460
4-5	1,110.02	\$ 10,814.69	54,000	5,690	10.54%	12,004,522	1,265,277
6	647.34	\$ 10,814.69	54,000	5,275	9.77%	7,000,781	683,976
7-8	1,266.64	\$ 11,134.55	54,000	5,275	9.77%	14,103,466	1,377,909
9-12	2,757.35	\$ 13,240.74	64,800	6,433	9.93%	36,509,354	3,625,379
Total						<u>\$ 87,320,388</u>	<u>\$ 8,517,119</u>

However, since the District's local property tax collections exceed its calculated LCFF entitlement, making it a community-funded (basic aid) district, these reductions may not result in a loss of state funding. The impact remains limited to compliance reporting, pending CDE approval of the J-13A.

**Cause**

The instructional day and minute adjustments were necessitated by the wildfire emergency, which made it impossible for the District to provide instruction safely. The District properly submitted the J-13A request to the CDE and temporarily excluded the closure days from its instructional time calculations in accordance with CDE guidance, which states that "schools should exclude any day on which no instruction occurred due to emergency closure, regardless of approval status, since such days are not considered instructional". The pending approval of the J-13A is due to the CDE's normal review and verification process, which may be extended due to the volume of statewide emergency submissions.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**FINDING #2025-006: INSTRUCTIONAL TIME (40000), continued**

**Questioned Costs**

Grade Level	ADA by Grade Level	Derived Value of ADA for Grade Level	Number of Required Days	Number of Days Short	Penalty Factor per Day	Affected LCFF Apportionment	Instructional Days Penalty
K-3	2,237.30	\$ 11,761.52	180	5	0.56%	\$ 26,314,049	\$ 736,793
4-6	1,757.36	\$ 10,814.69	180	5	0.56%	19,005,304	532,149
7-8	1,266.64	\$ 11,134.55	180	5	0.56%	14,103,466	394,897
9-12	2,757.35	\$ 13,240.74	180	5	0.56%	36,509,354	1,022,262
Total						\$ 95,932,173	\$ 2,686,101

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	Instructional Minutes Penalty
1-2	989.92	\$ 11,761.52	50,400	5,065	10.05%	\$ 11,642,964	\$ 1,170,118
3	515.18	\$ 11,761.52	50,400	3,280	6.51%	6,059,300	394,460
4-5	1,110.02	\$ 10,814.69	54,000	5,690	10.54%	12,004,522	1,265,277
6	647.34	\$ 10,814.69	54,000	5,275	9.77%	7,000,781	683,976
7-8	1,266.64	\$ 11,134.55	54,000	5,275	9.77%	14,103,466	1,377,909
9-12	2,757.35	\$ 13,240.74	64,800	6,433	9.93%	36,509,354	3,625,379
Total						\$ 87,320,388	\$ 8,517,119

The District's local property tax collections exceed its calculated LCFF entitlement, making it a community-funded (basic aid) district, these reductions may not result in a loss of state funding. The impact remains limited to compliance reporting, pending CDE approval of the J-13A.

**Repeat Finding**

This is a repeat finding.

**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 several 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:

- Isaac Burgess, Executive Director of Secondary Education & Malibu Pathway
- Manuel Cuté Ramos, Director of Fiscal & Business Services
- Andrew Lacson, Assistant Director of Fiscal Services
- Rex Aclan, Accountant

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2025**

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This section presents findings and questioned costs identified in prior year audit related to financial statements, federal awards and state awards.

**FINDING #2024-001: INTERNAL CONTROL (MATERIAL WEAKNESS) (300000)**

**Criteria**

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 lease receivable, and through discussion with management, it was determined that prior year deferred inflow of resources related to lease receivables was being amortized by the reduction of the lease receivable rather than using a straight-line method. As a result, the beginning fund balance of the General Fund was restated to correct this error in the amount of \$919,979, and a current adjustment was made for the amount of \$1,350,591.

We also noted that due from grantor government receivables was understated by \$2,673,323, largely due to prior year correction of state categorical funding which appeared to recorded twice. In addition, we noted the District did not adjust inventory balances based physical count and valuation sheets. This resulted in an adjustment of \$153,429.

The Retiree Benefit Fund, Fund 71, should be used only to account for an LEA's irrevocable contributions to a postemployment benefit plan for which a formal trust or an arrangement that is equivalent to a formal trust exists. Amounts earmarked for postemployment benefits but not contributed irrevocably to a trust or to an arrangement that is equivalent to a formal trust should be accounted for in the general fund or a special reserve fund. We noted amounts netting to \$3,489,220 were not contributed directly into the District's irrevocable trust as of June 30, 2024.

**Context**

The conditions were identified as a result of our audit of the financial statement balances as of June 30, 2024. 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 an increase in beginning fund balance of \$919,979.

The net effect of the current-year adjustments was a combined increase in the fund balance of \$7,513,134 for the General Fund, and a decrease of \$153,429 for the Cafeteria Special Revenue Fund.

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.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2025**

---

**FINDING #2024-001: INTERNAL CONTROL (MATERIAL WEAKNESS) (300000), continued**

**Cause**

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 valuation of inventory, for accrual of receivables, and amortization related to deferred inflows of resources for lease receivables.

**Questioned Costs**

There were no questioned costs associated with the finding.

**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. The District should review its closing checklist to ensure proper reconciliations and adjustments are made to confirm account balances are accurate.

**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, prior year receivable accruals, and GASB Statement No. 87 on lease receivable, the 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  
Andrew Lacson, Assistant Director of Fiscal Services

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2025**

---

**FINDING #2024-001: INTERNAL CONTROL (MATERIAL WEAKNESS) (300000), continued**

**Current Status**

Implemented.

**FINDING #2024-002: CLASSROOM TEACHER SALARIES (61000)**

**Criteria**

*California Education Code* Section 41372 requires a minimum percentage of expenditures be charged for classroom teacher salaries. For elementary school districts, this percentage is 55%. *Education Code* Section 41374 provides the District an exemption to this requirement if individual class sessions are maintained below 28 pupils.

**Condition**

During the audit of the Classroom Teacher Salaries, it was noted the District did not meet the minimum "Percentage of Current Cost of Education Expended for Classroom Compensation" and was not exempt under the provisions of *Education Code* Section 41374.

**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 \$6,502,287, or 3.80% of the current expense of education as calculated by the Form CEA.

**Cause**

Classroom teacher salaries, as a percentage of the applicable total spending, were less than the State requirement.

**Questioned Costs**

Current expense of education	\$	171,227,097
Total classroom salaries and benefits	\$	87,672,617
Percentage spent by the District		51.20%
Minimum percentage required		55.00%
Deficiency amount	\$	6,502,287

**Recommendation**

The District can establish specific procedures to ensure that the minimum percentage requirement is met or maintain class sizes at or below 28 students in order to qualify for the exemption provisions outlined in *Education Code* Section 41374. However, if the District is unable to keep class sizes below 28 and applying this education code during a fiscal year would cause significant financial or operational hardship, the Governing Board may formally request an exemption. This request should be submitted in writing to the County Superintendent of Schools.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2025**

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**FINDING #2024-002: CLASSROOM TEACHER SALARIES (61000), continued**

**Recommendation, continued**

To ensure compliance and avoid potential issues, it is recommended that the District proactively collaborate with the Los Angeles County Office of Education to secure an exemption ahead of time, allowing for a smoother process if class size targets cannot be maintained. Proactively seeking exemption would enable the District to manage its resources effectively without facing penalties or disruptions during the school year.

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

The District concurs with the finding.

As per *Education Code* Section 41372, the District was not able to spend the minimum percentage of its budget on classroom teacher and instructional aides' salaries as required for Fiscal Year 2023-24 due to the demands of local, state, and federal governments. The District is in the process of applying for a waiver from the Los Angeles County Office of Education (LACOE) 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.

In order to continue educating students, the District was required to provide one-to-one devices to all students which caused the District to spend a significant amount of funds on technology as was intended by the several sources of State and Federal funds. Additionally, as the District continued to implement its learning recovery plan during the 2023-2024 fiscal year, the District was expected and required as a condition of funding to spend funds on Personal Protective Equipment (PPE) such as masks and gowns, sanitation supplies, specialized air conditioning filters, extra custodial support, plexiglass, and other necessary items to meet county and state compliance requirements.

The District missed the minimum percentage of classroom related compensation required by 3.80% or \$6,502,287. While the District's current ending fund balance holds a significant surplus to pay for future negotiated salary increases, deficit spending is projected in the next two fiscal years of negative (\$12,047,790) and negative (\$8,845,035) in the 2024-25 and 2025-26 respectively as of the 2023-24 Unaudited Actuals. In addition, in the prior fiscal year of 2022-23 the District concluded and was still guided by a Fiscal Stabilization Plan as required by Business Advisory Services (BAS) from LACOE that requires a reduction in expenditures for the current and future years.

Receiving a penalty of \$6,502,287 would drastically exacerbate the District's 2024-25 current significant deficit at a time when the District has concluded its Fiscal Stabilization Plan and increasing its Basic Aid reserves as recommended.

Considering the negative fiscal impact, a penalty would have on the District's budget, the unique and unprecedented Covid-19 pandemic that resulted in a temporary change in proportional spending, and LACOE's failure to focus their legislative efforts on lobbying to change the CEA requirement as the second largest county of education in the nation, the District has requested that LACOE approve this waiver. The District also request that LACOE offer technical assistance training on how Districts can properly utilize the "Reductions (Overrides) 4b" column of Form CEA – this request remains unanswered by LACOE.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2025**

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**FINDING #2024-002: CLASSROOM TEACHER SALARIES (61000), continued**

**Corrective Action Plan and Views of Responsible Officials, continued**

For additional context and information on Form CEA waiver approvals, the District received the approved CEA waiver application from fiscal year 2022-23 on September 25, 2024, one year after it was sent to the county office for approval on September 22, 2023. The waiver approval process is unreasonably slow by LACOE officials whom only have to execute the requested approval. District management has reached out to LACOE officials to request a more expedited processing time, to which they refused to address its efficiency pit falls.

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

- Dr. Debra Duardo, Superintendent – Los Angeles County Office of Education
- Karen Kimmel, Chief Financial Officer – Los Angeles County Office of Education
- Melody Canady, Assistant Superintendent of Business & Fiscal Services
- Gerardo Cruz, Director of Fiscal & Business Services
- Andrew Lacson, Assistant Director of Fiscal Services

**Current Status**

See finding #2025-004.

**FINDING #2024-003: INSTRUCTIONAL TIME (40000)**

**Criteria**

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

**Condition**

Due to student and staff safety concerns as a result of an on site major electrical power outage; district officials and consultants decided to not conduct in-person learning on September 5, 2023 at Santa Monica High School.

**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 *Education Code* 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	P-2 ADA	Derived Value per ADA	Required Days	Days Short	Percentage of Days Not Offered	Affected LCFF Apportionment	Instructional Day Penalty
9-12	2,770.20	\$ 13,054.29	180	1	0.56%	\$ 36,163,994	\$ 202,513

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2025**

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**FINDING #2024-003: INSTRUCTIONAL TIME (40000), continued**

**Effect, continued**

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 due to its community funded status.

**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.

**Questioned Costs**

There are no questioned costs associated with the finding.

**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 fifteen months since this waiver request was submitted and the District awaits the response from California Department of Education (CDE). 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  
Andrew Lacson, Assistant Director of Fiscal Services

**Current Status**

See finding #2025-006.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2025**

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**FINDING #2024-004: INDEPENDENT STUDY (40000)**

**Criteria**

The District is responsible for independent study contracts containing the required elements set forth in *Education Code* Section 51747(g). In addition, short-term shall be consistent with *Education Code* Section 51747(h)(2)(i), which provides that some independent study requirements shall not apply to pupils who participate in independent study for fewer than 15 cumulative instructional days in a school year. Once the pupil has participated in independent study for 15 days in a school year, it is no longer short-term. Moreover, per *Education Code* Section 51747.5(b)(1), the District may claim apportionment credit for independent study only to the extent of the time value of pupil work products, as personally judged in each instance by a certificated teacher employed by the local educational agency, or the combined time value of pupil work product and pupil participation in synchronous instruction.

**Condition**

In our review of the long-term independent study agreements, we noted the required elements to be presented in the master agreement per *Education Code* Section 51747(g) not present or not completed within in the written agreement. The contracts tested were missing one or more of the following elements:

- Manner, time, frequency, and place for submitting a pupils assignment for reporting progress and for communicating with a pupil's parent or guardian regarding
- Beginning and ending dates
- Number of course credits
- Signatures affixed within the prescribed timeframe
- Listing of assignments, objectives and resources

Additionally, we noted that attendance credit is being determined by the participation of synchronous instruction. The District has not formally implemented, evaluated, or measured time value of work as a way to determine attendance credit.

Lastly, we observed a short-term independent study contract what exceed the 14 days threshold. A pupil was noted with 72 days of apportionment days for short-term independent study.

**Effect**

A local educational agency shall not be eligible to receive apportionments for independent study by pupils, regardless of age, unless it has adopted written policies, and has implemented those policies, pursuant to rules and regulations adopted by the Superintendent.

**Cause**

A lack of comprehensive training programs meant that employees were not sufficiently prepared to implement the procedure. Training sessions, if held, were often infrequent, incomplete, or did not delve deeply enough into the operational details of the procedure. In addition, turnover within the organization led to the loss of experienced employees who had a deeper understanding of the procedure and its application. These staff members often held institutional knowledge, which is crucial for ensuring that procedures are followed consistently and effectively.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2025**

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**FINDING #2024-004: INDEPENDENT STUDY (40000), continued**

**Questions Costs**

Grade Level	ADA	Derived Value of ADA	Questioned Costs
TK-3	0.07	\$ 11,597.11	\$ 812
4-6	0.68	\$ 10,663.07	7,251
7-8	0.20	\$ 10,978.65	2,196
9-12	0.23	\$ 13,054.29	3,002
Total			\$ 13,261

However, since the District’s local property tax collections exceed its calculated LCFF revenue, the shortage of ADA will result in no loss of funding for the District due to its community funded status.

**Recommendation**

We recommend for the District to review its independent study master agreement contracts for compliance and consistency of *Education Code* Section 51747(g). Then, develop a system of checks & balances to ensure master agreements are completed in its entirety. Adobe Acrobat Sign should be used consistently for all signature parties to demonstrate the document was properly signed. Also, we encourage the District to have all sites participating in short-term independent study to run cumulative totals for each student to ensure they don't report more than 15 days of attendance for Fiscal Year 2024-25. Lastly, it is recommended for District to develop a systematic practice to incorporate time value of work in combination with the pupil’s participation in synchronous instruction for attendance apportionment.

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

The District concurs with the finding.

The District’s Board of Education has acted by Board Approval to align its Independent Study Board Policy with that of *Education Code* Section 51747 (g) as well as the California School Boards Association sample policy that addresses the deficiencies noted. The primary cause of this finding was not having an updated Board Policy and Administrative Regulation that informed both decision making outcomes as well as proceduralized the correct process for administering the Independent Study Program (ISP).

The District has reviewed the Independent Study Program master agreement contracts for compliance and consistency with *Education Code* Section 51747 (g).

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

- Dr. Stacy Williamson, Assistant Superintendent of Education Services
- Isaac Burgess, Executive Director of Malibu Pathway & Secondary Schools
- Cynthia McGregor, Principal of Olympic High School & Independent Study Administrator

**Current Status**

See finding #2025-002.