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SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
BUILDING FUND (MEASURE MM)

FINANCIAL AND PERFORMANCE AUDITS

JUNE 30, 2025

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SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
MEASURE MM BUILDING FUND
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JUNE 30, 2025

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Santa Monica-Malibu Unified School District's (the "District") Measure MM Building Fund and the related notes to financial statements as of and for the fiscal year then ended June 30, 2025, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure MM Building Fund of the District, as of June 30, 2025, and the changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the District's Measure MM Building Fund and do not purport to, and do not, present fairly the financial position of the District as of June 30, 2025, and the changes in financial position for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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 one year 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.

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 test of its compliance with certain provisions of laws, regulations, contracts and other matters for the Measure MM Building Fund. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance for the Measure MM Building Fund. 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 for the Measure MM Building Fund.

CWDL, Certified Public Accountants

San Diego, California
December 10, 2025

FINANCIAL SECTION

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
MEASURE MM BUILDING FUND
BALANCE SHEET
JUNE 30, 2025

LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	$ 6,000
Total Liabilities	6,000
Fund Balance	
Restricted	(6,000)
Total Fund Balance	(6,000)
Total Liabilities and Fund Balance	$ -

See accompanying notes to financial statements.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
MEASURE MM BUILDING FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

EXPENDITURES		
Services	$	6,000
Total Expenditures		6,000
Net Change in Fund Balance		(6,000)
Restricted Fund Balance, July 1, 2024		-
Restricted Fund Balance, June 30, 2025	$	(6,000)

See accompanying notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Santa Monica-Malibu Unified School District's (the "District") Measure MM Building Fund conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA). The District's Measure MM Building Fund accounts for financial transactions in accordance with the policies and procedures of the *California School Accounting Manual*.

Financial Reporting Entity

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

Fund Accounting

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

Basis of Accounting

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

Budgets and Budgetary Accounting

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Encumbrances

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

Fund Balance

As of June 30, 2025, the fund balance is classified as restricted. Restricted amounts can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Spending Order Policy

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

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 – ACCOUNTS PAYABLE

Accounts payable as of June 30, 2025, consisted of $6,000.

NOTE 3 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through December 10, 2025 the date on which the financial statements were available to be issued. The District concluded that no subsequent events have occurred that would require recognition or disclosure in the financial statements.

OTHER 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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America (GAAS) 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 Santa Monica-Malibu Unified School District's (the "District") Measure MM Building Fund as of and for the fiscal year then ended June 30, 2025, and the related notes to financial statements, and have issued our report thereon dated December 10, 2025.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure MM Building Fund, and do not purport to, and do not, present fairly the financial position of the District as of June 30, 2025, the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Report on Internal Control Over Financial Reporting

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

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 District's Measure MM Building Fund financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control 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 or on compliance for the Measure MM Building Fund. 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 for the Measure MM Building Fund. Accordingly, this communication is not suitable for any other purpose.

CWDL, Certified Public Accountants

San Diego, California
December 10, 2025

This section identifies the deficiencies, 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*.

There were no financial statement findings or questioned costs identified during 2024-25.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
MEASURE MM BUILDING FUND
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

There were no financial statement findings or questioned costs identified during 2023-24.

PERFORMANCE AUDIT

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INDEPENDENT AUDITORS' REPORT ON PROPOSITION 39 COMPLIANCE

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

We have conducted a performance audit of the Santa Monica-Malibu Unified School District's (the "District") Measure MM Building Fund for the fiscal year then ended June 30, 2025.

The results of our tests indicated that, in all significant respects, the District expended Measure MM Building Fund funds for the fiscal year then ended June 30, 2025 only for the specific projects developed by the District's Board of Education, and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIIIA of the California Constitution.

We conducted our performance audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Our audit was limited to the objectives listed on page 14 of this report which includes determining the District's compliance with the performance requirements for the Proposition 39 Measure MM Building Fund under the applicable provisions of Section 1(b)(3)(C) of Article XIIIA of the California Constitution. Management is responsible for the District's compliance with those requirements.

Solely to assist us in planning and performing our performance audit, we obtained an understanding of the internal controls of the District to determine if internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIIIA of the California Constitution. Accordingly, we do not express any assurance on the internal controls.

CWDL, Certified Public Accountants

San Diego, California
December 10, 2025

AUTHORITY FOR ISSUANCE

The general obligation bonds associated with the Measure MM Building Fund were issued pursuant to the Constitution and laws of the State of California (the "State"), including the provisions of Chapters 1 and 1.5 of Part 10 of the *California Education Code*, and other applicable provisions of law. The bonds are authorized to be issued by a resolution adopted by the Board of Supervisors of the County, pursuant to a request of the District made by a resolution adopted by the Board of Education of the District on July 24, 2024.

The District received authorization from an election held on November 5, 2024, to issue bonds of the District in an aggregate principal amount not to exceed $395,000,000 to finance specific construction and renovation projects approved by eligible voters within the District. The proposition required approval by at least 55% of the votes cast by eligible voters within the District (the 2024 Authorization). The bonds represent the fifth and final series of the authorized bonds to be issued under the 2024 Authorization.

PURPOSE OF ISSUANCE

To remove asbestos/lead/hazardous materials where needed; fix leaky roofs, plumbing, inadequate wiring, safety/security systems; upgrade classrooms, labs, libraries, instructional technology for competitive college and careers; shall School Facilities Improvement District No. 2 (Malibu Schools) of Santa Monica-Malibu Unified School District's measure be adopted authorizing $395,000,000 of bonds at legal interest rates, levying 4¢ per $100 assessed value (raising $22 million annually) while bonds are outstanding, with citizens' oversight, annual audits, and all funds for Malibu public schools only.

AUTHORITY FOR THE AUDIT

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

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIIIA, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.
2. The District must list the specific school facilities projects to be funded in the ballot measure and must certify that the governing board has evaluated safety, class size reduction and information technology needs in developing the project list.
3. Requires the District to appoint a citizen's oversight committee.
4. Requires the District to conduct an annual independent financial audit and performance audit in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.
5. Requires the District to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

OBJECTIVES

Our audit was limited to the objectives listed below which includes determining the compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIIIA, Section 1(b)(3)(C) of the California Constitution and Appendix A contained in the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* issued by the California Education Audit Appeals Panel. Management is responsible for the District compliance with those requirements.

1. Determine whether bond proceeds have been segregated and deposited in a separate Bond Fund.
2. Determine whether expenditures charged to the Measure MM Building Fund have been made in accordance with the bond project list approved by the voters through the approval of the Measure MM Building Fund.
3. Determine whether salary transactions, charged to the Measure MM Building Fund were in support of Measure MM and not for District general administration or operations.

SCOPE

The scope of our performance audit covered the period of July 1, 2024 to June 30, 2025. The population of expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2025, were not reviewed or included within the scope of our audit or in this report.

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

METHODOLOGY

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2025, for the Measure MM Building Fund. Within the fiscal year audited, we obtained the actual invoices, purchase orders, and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIIIA, Section 1(b)(3)(C) of the California Constitution and the Measure MM Building Fund as to the approved bond projects list. We performed the following procedures:

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

2. We selected a sample of expenditures using the following criteria:
   a) We considered all expenditures recorded in all object codes.
   b) We considered all expenditures recorded in all projects that were funded from July 1, 2024 through June 30, 2025 from the Measure MM Building Fund bond proceeds.
   c) We selected all expenditures that were individually significant expenditures. Individually significant expenditures were identified based on our assessment of materiality.
   d) For all items below the individually significant threshold identified in item 2c, judgmentally selected expenditures based on risk assessment and consideration of coverage of all object codes, including transfers out, and projects for period starting July 1, 2024 and ending June 30, 2025. The results can be projected to the intended population.

3. Our sample included transactions totaling $6,000. This represents 100.00% of the total expenditures of $6,000.

4. We reviewed the actual invoices and other supporting documentation to determine that:
   a) Expenditures were supported by invoices with evidence of proper approval and documentation of receipting goods or services.
   b) Expenditures were supported by proper bid documentation, as applicable.
   c) Expenditures were expended in accordance with voter-approved bond project list.
   d) Bond proceeds were not used for salaries of school administrators or other operating expenses of the District.

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

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

CONCLUSION

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

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

FINDINGS AND QUESTIONED COSTS

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
MEASURE MM BUILDING FUND
PERFORMANCE AUDIT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

This section identifies the deficiencies, 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*.

There were no performance audit findings identified during 2024-25.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
MEASURE MM BUILDING FUND
PERFORMANCE AUDIT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

There were no performance audit findings identified during 2023-24.