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

FINANCIAL AND PERFORMANCE AUDITS

JUNE 30, 2025

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SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
MEASURE SMS BUILDING FUND
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INDEPENDENT AUDITORS' REPORT

Citizens' Oversight Committee and Governing Board Members
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 the Santa Monica-Malibu Unified School District's (the "District") Measure SMS 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 SMS 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 SMS 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 SMS 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 SMS 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 SMS Building Fund.

CWDL, Certified Public Accountants

San Diego, California
December 10, 2025

FINANCIAL SECTION

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

ASSETS		
Cash and investments	$	75,746,637
Accounts receivable		1,283,135
Total Assets	$	77,029,772
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	$	22,617,887
Total Liabilities		22,617,887
Fund Balance		
Restricted		54,411,885
Total Fund Balance		54,411,885
Total Liabilities and Fund Balance	$	77,029,772

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

REVENUES		
Interest income	$	4,854,328
Unrealized gain/(loss) on cash in county - current year		(1,928,080)
Unrealized gain/(loss) on cash in county - prior year reversal		6,919,886
Total Revenues		9,846,134
EXPENDITURES		
Current		
Salaries and benefits		1,199,634
Supplies and materials		64,236
Services		20,778,177
Capital outlay		
Building and improvements to buildings		86,789,150
Total Expenditures		108,831,197
Excess/(Deficiency) of Revenues Over/(Under) Expenditures		(98,985,063)
OTHER FINANCING SOURCES/(USES)		
Transfer out to other financing sources/(uses)		(398,099)
Net Other Financing Sources/(Uses)		(398,099)
NET CHANGE IN FUND BALANCE		(99,383,162)
Restricted Fund Balance, July 1, 2024		153,795,047
Restricted Fund Balance, June 30, 2025	$	54,411,885

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Santa Monica-Malibu Unified School District's (the "District") Measure SMS 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), who is not an accounting standard setting body, but does produce non-authoritative guidance. The District's Measure SMS 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 Measure SMS projects. This Fund was established to account for the expenditures of general obligation bonds issued under Measure SMS. These financial statements are not intended to present fairly the financial position and results of operations of the District in compliance with accounting principles generally accepted in the United States of America.

Fund Accounting

The operations of the Measure SMS 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.

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.

Basis of Accounting

The Measure SMS 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 change in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

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.

Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2025, the District had no concentration of credit risk.

Restricted Fund Balance

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.

Accounting Estimates

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

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.

NOTE 2 – CASH AND INVESTMENTS

Policies and Practices

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

Investment in County Treasury

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

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

NOTE 2 – CASH AND INVESTMENTS, continued

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the Los Angeles County Treasury Investment Pool. The District maintains a Measure SMS Building Fund investment of $75,746,637 (cost basis of $77,674,717 less fair market value loss adjustment of $1,928,080) with the Los Angeles County Treasury Investment Pool, with a weighted average maturity of 556 days.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the Los Angeles County Treasury Investment Pool are not required to be rated, nor have they been rated as of June 30, 2025.

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

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

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

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

As of June 30, 2025, the District’s investments of $75,746,637 in the Los Angeles County Treasury Investment Pool are uncategorized.

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2025, consisted of $1,283,135.

NOTE 5 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2025, consisted of $22,617,887.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Construction Commitments

As of June 30, 2025, the Measure SMS Building Fund had the following commitments with respect to unfinished projects:

Measure SMS Projects	Remaining Balance	Expected Date of Completion
Edison ES HVAC Improvements (SMS)	$ 983	June 2026
Edison ES Safety & Security Project (SMS)	14,000	June 2026
Franklin ES FF&E Project (SMS)	15,366	June 2026
Franklin ES Maker Space Building and Field / Front Fence Project (SMS)	387,239	June 2026
Franklin ES Safety & Security Project (SMS)	5,100	June 2026
Grant ES Early Education Modernization Project (SMS)	1,556,638	June 2026
Grant ES FF&E Project (SMS)	7,117	June 2026
Grant ES HVAC Project (SMS)	65,464	June 2026
JAMS FF&E Pilot Project (SMS)	86,828	June 2026
JAMS Library Renovation Project (SMS)	88,981	June 2026
JAMS Linear Courtyard (SMS)	6,079	June 2026
JAMS Marquee Replacement Project (SMS)	5,545	June 2026
JAMS Safety & Security Project (SMS)	4,765	June 2026
Lincoln MS Bldg G & K Modernization Project (SMS)	87,238	June 2026
Lincoln MS FF&E Pilot Project (SMS)	37,715	June 2026
Lincoln MS HVAC Project (SMS)	30,388	June 2026
Lincoln MS Safety & Security Project (SMS)	900	June 2026
McKinley ES FF&E Pilot Project (SMS)	38,385	June 2026
McKinley ES Library Modernization Project (SMS)	772	June 2026
McKinley ES Safety & Security Project (SMS)	900	June 2026
Obama HS Safety & Security Project (SMS)	560	June 2026
Obama HS WPF & HVAC Project - Phase II (SMS)	12,109	June 2026
Roosevelt ES FF&E Project (SMS)	25,278	June 2026
Roosevelt ES HVAC Project (SMS)	43,810	June 2026
Roosevelt ES Safety & Security Project (SMS)	3,300	June 2026
Samohi FF&E Project (SMS)	10,901	June 2026
Samohi House Office Project (SMS)	436,097	June 2026
Samohi Infant Toddler Center Project (SMS)	49,687	June 2026
Samohi Interim Repairs & Upgrades (SMS)	73,673	June 2026
Samohi Roofing Replacement Project (SMS)	4,900	June 2026
Samohi Safety & Security Project (SMS)	3,656	June 2026
Santa Monica Elementary & Middle Schools FF&E Project (SMS)	16,616	June 2026
Santa Monica Others Safety & Security Project (SMS)	50,417	June 2026
SMASH/Muir ES FF&E Project (SMS)	575,845	June 2026
SMASH/Muir ES Safety & Security Project (SMS)	114,322	June 2026
SMASH/Muir ES WFP & HVAC Project (SMS)	56,855	June 2026
Washington West FF&E Pilot Project (SMS)	13,798	June 2026
Washington West Safety & Security Project (SMS)	12,187	June 2026
Will Rogers ES FF&E Pilot Project (SMS)	52,319	June 2026
Will Rogers ES HVAC Project (SMS)	39,396	June 2026
Will Rogers ES Safety & Security Project (SMS)	2,550	June 2026
Balance carried forward	$ 4,038,679	

NOTE 6 – COMMITMENTS AND CONTINGENCIES, continued

Construction Commitments, continued

Measure SMS Projects	Remaining Balance	Expected Date of Completion
Balance brought forward	$ 4,038,679	
Grant ES Library Renovation Project (SMS)	10,828,030	December 2026
McKinley ES Administration and Early Elementary Building Project (SMS)	12,764,782	December 2026
Samohi Phase III - Exploration Building and Gymnasium (SMS)	4,817,958	December 2026
Samohi Phase III (SMS)	525,008	December 2026
SMASH/Muir Water Intrusion Repair Project (SMS)	25,729,729	December 2026
Will Rogers ES Early Elementary Building Project (SMS)	3,210,459	December 2026
Grant ES Classroom Building Project (SMS)	26,557,072	June 2027
JAMS STEM Building Project (SMS)	4,269,971	June 2027
Lincoln MS 500's Building Modernization Project (SMS)	15,842,388	June 2027
Obama Center-Early Childhood/Special Ed Modernization Project (SMS)	5,860	June 2027
Obama HS Modernization Project (SMS)	276,854	June 2027
Roosevelt ES TK/K Classrooms and Library Building Project (SMS)	32,027,323	June 2027
Samohi Barnum Hall Repairs & Upgrades (SMS)	804,163	June 2027
Samohi Student Services Building (Phase 4A) Project (SMS)	3,380,719	June 2028
JAMS Middle School Assessment Project (SMS)	17,277	June 2028
Lincoln MS Middle School Assessment Project (SMS)	38,009	June 2028
McKinley ES Elementary School Assessment (SMS)	27,881	June 2028
Measure SMS Centralized Cost (SMS)	513,506	June 2028
Roosevelt ES Elementary School Assessment (SMS)	54,674	June 2028
Will Rogers ES Elementary School Assessment (SMS)	99,033	June 2028
Grant ES Elementary School Assessment (SMS)	23,833	December 2028
Franklin ES Early Education Classrooms & Site Improvements Project (SMS)	1,892,288	December 2028
Franklin ES Elementary School Assessment (SMS)	44,274	December 2028
Samohi Administration Building Modernization Project (SMS)	2,476,969	June 2030
Samohi Campus Plan Review (SMS)	260,052	June 2030
	$ 150,526,791	

Litigation

The District is not currently a party to any legal proceedings related to the Measure SMS Building Fund as of June 30, 2025.

NOTE 7 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through December 10, 2025 the date on which the financial statements were available to be issued, noting none required for disclosure. 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*

Citizens' Oversight Committee and Governing Board Members
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 Measure SMS Building Fund, as of and for the fiscal year ended June 30, 2025 and the related notes to financial statements, which collectively comprise the Measure SMS Building Fund's basic 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 SMS Building Fund, and do not purport to, and do not, present fairly the financial position of the District as of June 30, 2025, the change in its financial position for the fiscal 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 Measure SMS Building Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Measure SMS Building Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Measure SMS Building Fund's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses 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 Measure SMS Building Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance for the Measure SMS 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 SMS 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.

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 SMS 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 the Measure SMS Building Fund General Obligation Bond 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 19 of this report which includes determining the District's compliance with the performance requirements for the Proposition 39 Measure SMS General Obligation Bonds 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 OF ISSUANCE

The general obligation bonds associated with the Measure SMS 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 19, 2018.

The District received authorization from an election held on November 6, 2018, to issue bonds of the District in an aggregate principal amount not to exceed $485,000,000 to finance specific construction and renovation projects approved by eligible voters within the District. The proposition required approval by at least 55% of the votes cast by eligible voters within the District (the 2018 Authorization). The bonds represent the first and second series of the authorized bonds to be issued under the 2018 Authorization.

PURPOSE OF ISSUANCE

To improve, repair, and modernize outdated Santa Monica classrooms. science labs, libraries, instructional technology and other school facilities; improve school safety/security systems; shall Santa Monica-Malibu Unified School District's School Facilities Improvement District No. 1 (Santa Monica Schools) issue $485 million of bonds at legal interest rates, averaging $27.4 million raised annually to repay issued bonds through final maturity, from levies estimated at four cents per $100 assessed value, with citizens' oversight, annual audits, and all funds benefitting Santa Monica schools.

AUTHORITY 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 *2024-25 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 Measure SMS Building Fund.
2. Determine whether expenditures charged to the Measure SMS Building Fund have been made in accordance with the bond project list approved by the voters through the approval of the Measure SMS Building Fund.
3. Determine whether salary transactions, charged to the Measure SMS Building Fund were in support of the Measure SMS Building Fund 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control. We did not audit the District 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 then ended June 30, 2025, for the Measure SMS 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 SMS 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 SMS 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 $59,928,571. This represents 55.07% of the total expenditures of $108,831,197

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 SMS 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 SMS 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 SMS Building Fund and that such expenditures were made for authorized Bond projects. Further, it was noted funds held in the Measure SMS Building Fund and expended by District were used for salaries only to the extent they perform administrative oversight work on construction projects as allowable per Opinion 04-110 issued on November 9, 2004, by the State of California Attorney General.

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

FINANCIAL AND QUESTIONED COSTS

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 SMS 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.