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SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

AUDIT REPORT

Fiscal Year Ended June 30, 2024

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
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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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Santa Monica-Malibu Unified School District (the "District") as of and for the year ended June 30, 2024, 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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the District as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Adoption of New Accounting Standard

As discussed in Notes 1 and 17 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections* for the year ended June 30, 2024. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 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 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.

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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 04, 2024 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 04, 2024

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024

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, 2024, with comparative information for the fiscal year ended June 30, 2023. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District (including capital assets, right-of-use leased assets, and right-of-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 of Santa Monica-Malibu Unified School District.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024

REPORTING THE DISTRICT AS A WHOLE

Government-Wide Financial Statements

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

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

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

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

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

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

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

FINANCIAL HIGHLIGHTS

Total net position for the primary government was \$144,060,508 at June 30, 2024. This was an increase of \$14,944,411 or 12% compared to the prior fiscal year's net position.

Overall revenues for the primary government were \$327,850,064 which created a surplus over expenses of \$14,024,432. Prior period adjustment was recorded to correct the beginning balance of deferred inflows of resources related to leases, see Note 17 for additional information.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$144,060,508 for the fiscal year ended June 30, 2024. Of this amount, \$288,675,561 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		
	2024	2023	Net Change
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets	\$ 416,267,399	\$ 377,437,497	\$ 38,829,902
Non-current assets	1,107,068,295	992,732,628	114,335,667
Deferred outflows of resources	73,697,979	76,432,226	(2,734,247)
Total Assets and Deferred Outflows of Resources	1,597,033,673	1,446,602,351	150,431,322
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current liabilities	122,564,167	104,169,362	18,394,805
Non-current liabilities	1,287,034,689	1,137,602,559	149,432,130
Deferred inflows of resources	43,374,309	75,714,333	(32,340,024)
Total Liabilities and Deferred Inflows of Resources	1,452,973,165	1,317,486,254	135,486,911
NET POSITION			
Net investment in capital assets	166,517,990	209,180,502	(42,662,512)
Restricted	288,675,561	84,183,790	204,491,771
Unrestricted (deficit)	(311,133,043)	(164,248,195)	(146,884,848)
Total Net Position	\$ 144,060,508	\$ 129,116,097	\$ 14,944,411

The \$(311,133,043) in unrestricted net position/(deficit) of governmental activities represents the accumulated results of all past years' operations and is inclusive of the net pension and net OPEB liabilities, related deferred inflows and outflows of resources and the cumulative effect as a result of GASB 68 and 75, which is a reduction to the District's net position. Unrestricted net position/(deficit) 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 increased by 89% compared to prior year balance of \$(164,248,195).

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024

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 16. 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		
	2024	2023	Net Change
REVENUES			
Program revenues			
Charges for services	\$ 5,335,396	\$ 5,046,444	\$ 288,952
Operating grants and contributions	56,811,159	56,804,663	6,496
Capital grants and contributions	5,135,321	2,482,737	2,652,584
General revenues			
Property taxes, levied for general, debt service and other specific purposes	197,239,360	195,014,835	2,224,525
Federal and state aid not restricted for specific purposes	12,633,450	12,831,813	(198,363)
Interest and investment earnings and miscellaneous	50,695,378	35,577,194	15,118,184
Total Revenues	327,850,064	307,757,686	20,092,378
EXPENSES			
Instruction	105,083,153	122,660,894	(17,577,741)
Instruction-related services	21,593,554	23,055,278	(1,461,724)
Pupil services	22,505,107	22,845,350	(340,243)
General administration	10,535,293	16,134,593	(5,599,300)
Plant services	26,795,362	25,916,805	878,557
Ancillary services	3,277,458	3,313,526	(36,068)
Community services	2,862,235	3,067,125	(204,890)
Enterprise services	-	997,201	(997,201)
Interest on long-term debts	42,782,636	25,187,803	17,594,833
Depreciation (unallocated)	44,318,589	34,417,523	9,901,066
Amortization (unallocated)	840,234	781,651	58,583
Other outgo	33,232,011	117,036	33,114,975
Total Expenses	313,825,632	278,494,785	35,330,847
Changes in Net Position	14,024,432	29,262,901	(15,238,469)
Net Position - Beginning	129,116,097	99,853,196	29,262,901
Prior Period Adjustment (Note 17)	919,979	-	919,979
Net Position - Ending	\$ 144,060,508	\$ 129,116,097	\$ 14,944,411

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024

THE DISTRICT AS A WHOLE, continued

Governmental Activities

As reported in the *Statement of Activities* on page 16, the cost of all of our governmental activities this year was \$313,825,632. The amount that our taxpayers ultimately financed for these activities through local taxes was \$197,239,360. Some of our costs were paid by those who benefited from the programs which amounted to \$5,335,396 and by other governments and organizations who subsidized certain programs with grants and contributions which amounted to \$61,946,480. We paid for the remaining "public benefit" portion of our governmental activities with \$63,328,828 in Federal and State funds, and with other revenues, like interest, investment earnings and miscellaneous revenues.

In Table below, we have presented the total cost and 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 debts, 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			
	Total Cost of Services		Net Cost of Services	
	2024	2023	2024	2023
Instruction	\$ 105,083,153	\$ 122,660,894	\$ 85,273,072	\$ 82,279,213
Instruction-related services	21,593,554	23,055,278	18,890,544	20,005,405
Pupil services	22,505,107	22,845,350	14,283,916	14,340,929
General administration	10,535,293	16,134,593	9,512,705	15,247,068
Plant services	26,795,362	25,916,805	4,607,876	23,755,304
Ancillary services	3,277,458	3,313,526	1,430,757	1,660,621
Community services	2,862,235	3,067,125	2,596,060	896,435
Enterprise services	-	997,201	-	997,201
Interest on long-term debts	42,782,636	25,187,803	42,782,636	25,187,803
Depreciation (unallocated)	44,318,589	34,417,523	44,318,589	34,417,523
Amortization (unallocated)	840,234	781,651	840,234	781,651
Other outgo	33,232,011	117,036	22,007,367	(5,408,212)
Total	\$ 313,825,632	\$ 278,494,785	\$ 246,543,756	\$ 214,160,941

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024

THE DISTRICT'S FUNDS

As the District completed this fiscal year, our governmental funds reported a combined fund balance of \$354,743,312 which has increased by \$60,298,810 or 20% from last fiscal year, see table below.

	Governmental Funds - Balances and Activity			
	July 1, 2023	Revenues and Other	Expenditures and	June 30, 2024
	(As Restated)	Financing Sources	Other Financing Uses	
General Fund (As Restated - Note 17)	\$ 52,852,759	\$ 228,939,968	\$ 201,514,531	\$ 80,278,196
Building Fund	165,474,729	185,440,694	158,683,641	192,231,782
Bond Interest and Redemption Fund	51,639,837	75,138,388	79,812,653	46,965,572
Student Activity Fund	288,287	1,878,183	1,788,120	378,350
Adult Education Fund	1,114,951	1,041,883	915,823	1,241,011
Child Development Fund	3,742,410	8,557,515	5,932,254	6,367,671
Cafeteria Fund	1,012,568	5,306,468	5,115,389	1,203,647
Deferred Maintenance Fund	890,830	1,514,240	947,850	1,457,220
Capital Facilities Fund	5,767,447	1,395,691	867,008	6,296,130
County School Facilities Fund	21,339	4,938,753	-	4,960,092
Special Reserve Fund for Capital Outlay Projects	11,734,954	6,582,627	4,953,940	13,363,641
Total	\$ 294,540,111	\$ 520,734,410	\$ 460,531,209	\$ 354,743,312

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 \$354,743,312, which is significantly more than last fiscal year's restated ending fund balance of \$294,540,111. 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 \$175,000,000, 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 \$27,421,046 more in revenues and other financing sources than expenditures and other financing uses for the fiscal year ended June 30, 2024. 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 2023-24. There were more revenues due to the following: a decrease of \$400,466 of the Local General Fund Contribution to Special Education which is an increase in revenue; a decrease of \$531,927 of the Local General Fund Contribution to Routine Restricted Maintenance Account (RRMA) which is a increase in revenue; increased Unrestricted Lottery Funds of \$295,513; increased Measure R Funds of \$945,748; increased Secured & Unsecured Property Tax as well as increased RDA (Community Redevelopment Funds) property tax of \$7,724,355 from the Local Control Funding Formula (LCFF); decreased Measure GSH & Y revenue in the amount of \$146,712; increased Home To School Transportation Reimbursement Grant of \$354,341; decreased Education Protection Account (EPA) funds of \$215,720; increased true-up in the City of Santa Monica Join Use Agreement of \$211,039; increased lease and rental income related to Hilton gross sales agreement revenue of \$411,143; increased Interest Earned for cash held in the Los Angeles County Treasury of \$1,581,329 due to market conditions.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024

FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS, continued

Additionally, there were less expenditures due to the following: Unspent Site Stretch Grant of \$22,709; Unspent Site Formula Allocations of \$189,988; Unspent Supplies & Textbooks of \$1,458,113; Unspent Salaries & Benefits as a result of Restricted General Fund COVID-19 Funds used, vacancies, and leave time over-use in the amount of \$7,800,447; and Unspent Other Operating Costs (legal, travel, consultants, utilities, repairs) of \$4,241,766; Lastly, it is important to note that the District spent all required Local Control Accountability Plan (LCAP) Supplemental Grant funds per the LCFF calculation in the amount of \$5,543,434 on the District's targeted populations. The actual funds spent was in excess of the required amount by \$222 for a total expenditure of \$5,543,656.

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 70).

CAPITAL ASSETS, RIGHT-OF-USE ASSETS, AND LONG-TERM LIABILITIES

Capital Assets and Right-of-Use Assets

At June 30, 2024, the District had \$1,075,089,267 in a broad range of capital assets and right-of-use assets (net of depreciation and amortization), including land and construction in progress, land improvements, buildings and improvements, furniture and equipment, right-of-use leased assets, and right-of-use subscription-based IT assets. This amount represents a net increase (including additions, deductions, depreciation and amortization) of \$82,938,000, or 8%, from last year as shown in table below.

	Governmental Activities		
	2024	2023	Net Change
CAPITAL ASSETS AND RIGHT-OF-USE ASSETS			
Land	\$ 15,122,223	\$ 15,122,223	\$ -
Construction in progress	291,970,316	337,955,634	(45,985,318)
Land improvements, net	85,352,838	94,502,291	(9,149,453)
Buildings and improvements, net	650,731,879	519,669,650	131,062,229
Furniture and equipment, net	30,737,948	22,887,172	7,850,776
Right-of-use leased assets, net	-	474,923	(474,923)
Right-of-use subscription-based IT assets, net	1,174,063	1,539,374	(365,311)
Total Capital Assets and Right-of-Use Assets, Net	\$ 1,075,089,267	\$ 992,151,267	\$ 82,938,000

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

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024

CAPITAL ASSETS, RIGHT-OF-USE ASSETS, AND LONG-TERM LIABILITIES, continued

Long-Term Debts

At the end of this year, the District had \$1,119,297,928 in long-term debts, not including pension and OPEB liabilities, versus \$975,047,380 from last year, an increase of \$144,250,548, or 15%. The increase is largely attributed to issuance of additional general obligation bonds as compared to prior year. See Note 10 for additional information. Long-term debts consisted of:

	Governmental Activities		
	2024	2023	Net Change
LONG-TERM DEBTS			
General obligation bonds	\$ 1,021,565,000	\$ 883,535,103	\$ 138,029,897
Certificates of participation	25,460,612	28,069,031	(2,608,419)
Unamortized debt premiums/(discounts)	71,194,068	60,748,784	10,445,284
Lease liabilities	-	483,092	(483,092)
BEST system upgrade - financing arrangement	176,725	287,432	(110,707)
Supplemental early retirement liability	-	1,002,395	(1,002,395)
Compensated absences	901,523	921,543	(20,020)
Total Long-term Debts	\$ 1,119,297,928	\$ 975,047,380	\$ 144,250,548

The District's credit rating remains the same as previously report in the August 2, 2024 assessment. Moody's Investors Service rates the District's general obligation bonds at Aa1 and the certificates of participation at Aa3.

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

At year-end, the District has net other post-employment benefit (OPEB) liabilities of \$45,520,187, versus \$52,466,875 last year, a decrease of \$6,946,688 or 13%. See Note 11 for additional information about net other post-employment benefits.

In addition, at year-end, the District has an aggregate net pension liability of \$168,748,490, versus \$151,601,815 last year, an increase of \$17,146,675, or 11%. See Note 14 for additional information about pension liabilities.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2024-2025 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 2024-2025 for the eighth 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 2023-24 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 received 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 2023-24, the District received approximately \$1.1 million from this agreement.

In 2024-25, the District will be increasing its projected revenue budget of Development Agenda (RDA) funds by an additional \$4 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 it's 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 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, 2024**

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.

FINANCIAL SECTION

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2024

	Primary Government	Component Unit
	Governmental Activities	Santa Monica Education Foundation
ASSETS		
Current Assets:		
Cash and investments	\$ 397,533,677	\$ 13,778,049
Accounts receivable	17,765,784	116,136
Prepaid expenses	202,300	11,415
Inventory	81,316	-
Other current assets	82,457	-
Lease receivables, current portion	601,865	-
Total Current Assets	416,267,399	13,905,600
Non-Current Assets:		
Lease receivables, non-current portion	31,979,028	-
Capital assets not being depreciated	307,092,539	-
Capital assets being depreciated, net	766,822,665	-
Right-of-use assets, net	1,174,063	-
Total Non-Current Assets	1,107,068,295	-
TOTAL ASSETS	1,523,335,694	13,905,600
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to debt refunding	19,143,168	-
Deferred outflows related to OPEB	3,063,435	-
Deferred outflows related to pensions	51,491,376	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	73,697,979	-
LIABILITIES		
Current Liabilities:		
Accrued liabilities	60,073,849	729,073
Unearned revenue	2,198,964	24,955
Unmatured interest	13,759,438	-
Long-term debts, current portion	46,531,916	-
Total Current Liabilities	122,564,167	754,028
Non-Current Liabilities:		
Net pension liability	168,748,490	-
Net OPEB liability	45,520,187	-
Long-term debts, non-current portion	1,072,766,012	-
Total Non-Current Liabilities	1,287,034,689	-
TOTAL LIABILITIES	1,409,598,856	754,028
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to leases	31,230,302	-
Deferred inflows related to debt refunding	3,043,190	-
Deferred inflows related to OPEB	2,728,860	-
Deferred inflows related to pensions	6,371,957	-
TOTAL DEFERRED INFLOWS OF RESOURCES	43,374,309	-
NET POSITION		
Net investment in capital assets	166,517,990	-
Restricted:		
Educational programs	19,338,574	-
Debt service	46,965,572	-
Capital projects	216,851,645	-
Child nutrition	1,487,301	-
Student activity funds	378,350	-
Other restrictions	3,654,119	11,125,092
Unrestricted (deficit)	(311,133,043)	2,026,480
TOTAL NET POSITION	\$ 144,060,508	\$ 13,151,572

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, 2024

Function/Programs	Expenses	Program Revenues			Net (Expense)/Revenues and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Governmental Activities	Santa Monica Education Foundation
Governmental Activities						
Instruction	\$ 105,083,153	\$ 693,816	\$ 13,980,944	\$ 5,135,321	\$ (85,273,072)	\$ -
Instruction-related services						
Instructional supervision and administration	8,201,423	198,737	1,164,899	-	(6,837,787)	-
Instructional library, media, and technology	1,583,796	133	81,103	-	(1,502,560)	-
School site administration	11,808,335	260,457	997,681	-	(10,550,197)	-
Pupil services						
Home-to-school transportation	2,476,047	-	37,914	-	(2,438,133)	-
Food services	5,076,305	392,234	5,004,585	-	320,514	-
All other pupil services	14,952,755	25,982	2,760,476	-	(12,166,297)	-
General administration						
Centralized data processing	1,861,135	-	-	-	(1,861,135)	-
All other general administration	8,674,158	133,493	889,095	-	(7,651,570)	-
Plant services	26,795,362	2,397,867	19,789,619	-	(4,607,876)	-
Ancillary services	3,277,458	1,785	1,844,916	-	(1,430,757)	-
Community services	2,862,235	28,423	237,752	-	(2,596,060)	-
Interest on long-term debts	42,782,636	-	-	-	(42,782,636)	-
Other outgo	33,232,011	1,202,469	10,022,175	-	(22,007,367)	-
Depreciation (unallocated)	44,318,589	-	-	-	(44,318,589)	-
Amortization (unallocated)	840,234	-	-	-	(840,234)	-
Total Governmental Activities	\$ 313,825,632	\$ 5,335,396	\$ 56,811,159	\$ 5,135,321	(246,543,756)	-
Component Unit						
Program services	\$ 3,283,556	\$ -	\$ 3,734,779	\$ -	-	451,223
Management and general	929,397	-	-	-	-	(929,397)
Fundraising	69,738	-	-	-	-	(69,738)
Total Component unit	\$ 4,282,691	\$ -	\$ 3,734,779	\$ -	-	(547,912)
General Revenues						
Taxes and subventions						
Property taxes, levied for general purposes					117,427,721	-
Property taxes, levied for debt service					58,547,864	-
Property taxes, levied for other specific purposes					21,263,775	-
Federal and state aid not restricted for specific purposes					12,633,450	-
Interest and investment earnings					4,882,655	1,348,138
Miscellaneous					45,812,723	-
Subtotal, General Revenues					260,568,188	1,348,138
Changes in Net Position					14,024,432	800,226
Net Position - Beginning					129,116,097	12,351,346
Prior Period Adjustment (Note 17)					919,979	-
Net Position - Ending					\$ 144,060,508	\$ 13,151,572

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

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2024

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 92,416,334	\$ 220,504,965	\$ 46,965,572	\$ 37,646,806	\$ 397,533,677
Accounts receivable	13,634,072	2,826,944	-	1,304,768	17,765,784
Inventory	-	-	-	81,316	81,316
Prepaid expense	202,300	-	-	-	202,300
Other current assets	82,457	-	-	-	82,457
Lease receivables	32,580,893	-	-	-	32,580,893
Total Assets	\$ 138,916,056	\$ 223,331,909	\$ 46,965,572	\$ 39,032,890	\$ 448,246,427
LIABILITIES					
Accrued liabilities	\$ 25,437,986	\$ 31,100,127	\$ -	\$ 3,535,736	\$ 60,073,849
Unearned revenue	1,969,572	-	-	229,392	2,198,964
Total Liabilities	27,407,558	31,100,127	-	3,765,128	62,272,813
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows related to leases	31,230,302	-	-	-	31,230,302
Total Deferred Inflows of Resources	31,230,302	-	-	-	31,230,302
FUND BALANCES					
Nonspendable	222,323	-	-	81,316	303,639
Restricted	21,384,481	192,231,782	46,965,572	28,093,726	288,675,561
Committed	-	-	-	1,706,447	1,706,447
Assigned	49,997,050	-	-	5,386,273	55,383,323
Unassigned	8,674,342	-	-	-	8,674,342
Total Fund Balances	80,278,196	192,231,782	46,965,572	35,267,762	354,743,312
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 138,916,056	\$ 223,331,909	\$ 46,965,572	\$ 39,032,890	\$ 448,246,427

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2024

Total Fund Balance - Governmental Funds \$ 354,743,312

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

Capital assets and right-of-use assets:

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

Capital assets not being depreciated and being depreciated, gross	\$ 1,370,315,621		
Right-of-use assets, gross	2,826,945		
Accumulated depreciation	(296,400,417)		
Accumulated amortization	(1,652,882)		
		1,075,089,267	

Unmatured interest on long-term debts:

In governmental funds, interest on long-term debts 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:

(13,759,438)

Long-term liabilities:

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

General obligation bonds	1,021,565,000		
Certificates of participation	25,460,612		
Unamortized debt premiums/(discounts), net	71,194,068		
BEST system upgrade - financing arrangement	176,725		
Net pension liability	168,748,490		
Net OPEB liability	45,520,187		
Compensated absences	901,523		
		(1,333,566,605)	

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:

Deferred outflows related to debt refunding	19,143,168		
Deferred inflows related to debt refunding	(3,043,190)		
		16,099,978	

Deferred outflows and inflows of resources relating to pensions:

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

Deferred outflows related to pensions	51,491,376		
Deferred inflows related to pensions	(6,371,957)		
		45,119,419	

Deferred outflows and inflows of resources related to 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 statement of net position, deferred outflows and inflows of resources relating to pensions are reported:

Deferred outflows related to OPEB	3,063,435		
Deferred inflows related to OPEB	(2,728,860)		
		334,575	

Total Net Position - Governmental Activities			\$ 144,060,508
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The notes to financial statements are an integral part of this statement.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2024

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
LCFF sources	\$ 127,496,000	\$ -	\$ -	\$ -	\$ 127,496,000
Federal sources	5,465,311	-	-	1,875,898	7,341,209
Other state sources	15,005,149	-	59,582	12,701,994	27,766,725
Other local sources	80,973,508	10,440,694	75,078,806	14,037,468	180,530,476
Total Revenues	228,939,968	10,440,694	75,138,388	28,615,360	343,134,410
EXPENDITURES					
Current					
Instruction	115,179,052	-	-	4,128,754	119,307,806
Instruction-related services					
Instructional supervision and administration	8,455,333	-	-	513,451	8,968,784
Instructional library, media, and technology	1,723,378	-	-	-	1,723,378
School site administration	11,868,067	-	-	1,185,529	13,053,596
Pupil services					
Home-to-school transportation	2,600,775	-	-	-	2,600,775
Food services	47,194	-	-	5,184,794	5,231,988
All other pupil services	16,349,177	-	-	123,724	16,472,901
General administration					
Centralized data processing	1,872,088	-	-	-	1,872,088
All other general administration	8,549,980	-	-	693,568	9,243,548
Plant services	23,216,227	1,147,913	-	3,307,461	27,671,601
Facilities acquisition and maintenance	819,744	157,535,728	-	2,867,471	161,222,943
Ancillary services	1,582,418	-	-	1,788,120	3,370,538
Community services	3,031,420	-	-	-	3,031,420
Transfers to other agencies	110,450	-	-	-	110,450
Debt service					
Principal	3,492,320	-	47,052,688	-	50,545,008
Interest and other	16,908	-	32,759,965	727,512	33,504,385
Total Expenditures	198,914,531	158,683,641	79,812,653	20,520,384	457,931,209
Excess/(Deficiency) of Revenues					
Over Expenditures	30,025,437	(148,242,947)	(4,674,265)	8,094,976	(114,796,799)
OTHER FINANCING SOURCES/(USES)					
Transfers in	-	-	-	2,600,000	2,600,000
Other sources	-	175,000,000	-	-	175,000,000
Transfers out	(2,600,000)	-	-	-	(2,600,000)
Other Financing Sources/(Uses), Net	(2,600,000)	175,000,000	-	2,600,000	175,000,000
CHANGES IN FUND BALANCES	27,425,437	26,757,053	(4,674,265)	10,694,976	60,203,201
Fund Balances - Beginning	51,932,780	165,474,729	51,639,837	24,572,786	293,620,132
Prior Period Adjustment (Note 17)	919,979	-	-	-	919,979
Fund Balances - Ending	\$ 80,278,196	\$ 192,231,782	\$ 46,965,572	\$ 35,267,762	\$ 354,743,312

**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, 2024**

Total Changes in Fund Balances - Governmental Funds	\$	60,203,201
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Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay:

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

Expenditures for capital outlay	\$	128,101,382	
Depreciation expense (capital assets)		(44,318,589)	
Amortization expense (right-of-use leased assets)		(474,923)	
Amortization expense (right-of-use subscription-based IT assets)		(365,311)	82,942,559

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:

40,498,799

Debt proceeds:

In governmental funds, proceeds of long-term debt are reported as Other Financing sources. In the government-wide statements, proceeds of long-term debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from long-term debt were:

(189,622,988)

Deferred charges related to debt refunding:

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

Deferred outflows related to debt refunding (CFD amortization)	(1,159,879)	
Deferred inflows related to debt refunding (CFD amortization)	416,670	(743,209)

Gain or loss from the disposal of capital assets:

In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:

(4,559)

Unmatured interest on long-term debts:

In governmental funds, interest on long-term debts 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:

(2,340,059)

Accreted interest on long-term debt:

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

(326,478)

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, 2024

Compensated absences:

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

20,020

Pensions:

In government funds, pension costs are recognized when employer contributions are made. In the 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:

7,866,410

Postemployment benefits other than pensions (OPEB):

In governmental funds, OPEB expenses are recognized when employer contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:

10,350,637

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:

1,002,395

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:

	Premium amortization	\$	4,179,675	
	Discount amortization		(1,971)	4,177,704
Change in Net Position of Governmental Activities			\$	<u>14,024,432</u>

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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, 2024

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 Financial statements. Separately issued financial statements are also prepared for the Foundation.

Basis of Presentation - Fund Accounting

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

Governmental Funds

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

Major Governmental Funds

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

The District's Fund 71, Retiree Benefit Fund, does not meet the definition of an OPEB trust fund, as monies held in Fund 71 are not currently held in an irrevocable trust. As a result, these funds are consolidated into the General Fund for financial reporting purposes and the General Fund reflects an increase in fund balance of \$49,997,050.

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, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, 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 Fund** - The Student Activity Fund is used to account separately for the operating activities of the associated student body accounts that are not fiduciary in nature, including student clubs, general operations, athletics, and other student body activities.
- **Adult Education Fund** - The Adult Education Fund is used to account separately for Federal, State, and local revenues that are restricted or committed for adult education programs and is to be expended for adult education purposes only.
- **Child Development Fund** - The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.
- **Cafeteria Fund** - The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code Sections 38090-38093*) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code Sections 38091 and 38100*).
- **Deferred Maintenance Fund** - The Deferred Maintenance Fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (*Education Code Section 17582*).

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, 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 Fund for Capital Outlay Projects** - The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code Section 42840*).

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements

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

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

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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, 2024

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 Investments

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, 2024 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, 2024

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-of-Use Assets and Depreciation and Amortization

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

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

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 25 to 50 years; improvements, 5 to 50 years; 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, 2024.

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

The District records the value of right-of-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-of-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, 2024

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.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Accrued Liabilities and Long-Term Liabilities

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

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

Debt Issuance Costs, Premiums, and Discounts

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

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

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Deferred Outflows/Inflows of Resources

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

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the District Plan and the MPP's fiduciary net position have been determined on the same basis as they are reported by the District Plan and the MPP. For this purpose, the District Plan and the MPP 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.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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, 2024, 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, 2024

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 represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings and related deferred outflows and inflows of resources that are attributable to the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$288,675,561 of net position restricted by enabling legislation.

Interfund Activity

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

Estimates

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

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 Governmental Accounting Standards Board (GASB) Pronouncements were adopted by the District during the year ended June 30, 2024:

GASB Statement No. 100 – In June 2022, GASB issued GASB Statement No. 100, *Accounting Changes and Error Corrections*, which focuses on accounting changes and error corrections, providing clarity and guidance on how these should be handled in financial statements. It aims to improve the consistency and transparency of reporting such changes. This statement is effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The quantitative impact is summarized in Note 17.

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. 101 – In June 2022, GASB issued GASB Statement No. 101, *Compensated Absences*, which addresses compensated absences, revising the recognition and measurement of liabilities related to employee leave benefits. It aims to standardize how these liabilities are reported across different governmental entities. This statement is effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

GASB Statement No. 102 – In December 2023, GASB issued GASB Statement No. 102, *Certain Risk Disclosures*, which pertains to the disclosure of non-current liabilities, including guidance on how these liabilities should be presented in financial statements to enhance the relevance and comparability of the information. This statement is effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter.

GASB Statement No. 103 – In April 2024, GASB issued GASB Statement No. 103, *Financial Reporting Model Improvements*, which introduces changes to the presentation model for business-type activities (BTAs). It revises the required sections and subtotals in financial statements, particularly affecting the presentation of operating and nonoperating activities. One significant change is the separate identification of noncapital subsidies within nonoperating activities. This statement is effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2 – CASH AND INVESTMENTS

Summary of Cash and Investments

Cash and investments as of June 30, 2024, are classified in the accompanying financial statements and consisted of the following:

	Primary Government	Component Unit	
	Governmental Activities	Santa Monica Education Foundation	Total
Cash on hand and in bank	\$ 1,422,896	\$ 986,891	\$ 2,409,787
Cash in revolving	20,023	-	20,023
Investments in County Treasury	396,090,758	-	396,090,758
Investments - others	-	12,791,158	12,791,158
Total	\$ 397,533,677	\$ 13,778,049	\$ 411,311,726

Policies and Practices

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

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

Investments – Investments consist of assets allocated to cash and sweep accounts, fixed income and equities investments. The investments are stated at fair value, which is estimated based on quoted market prices at year-end.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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 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 \$396,090,758 (cost basis of \$411,864,530 less fair market value loss adjustment of \$15,773,772) with the Los Angeles County Treasury Investment Pool that has an average weighted maturity of 668 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 investment in the Los Angeles County Treasury Investment Pool is not required to be rated, nor has it been rated as of June 30, 2024.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2 – CASH AND INVESTMENTS, continued

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, 2024, the District's bank balance of \$798,882 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, 2024

NOTE 3 – FAIR VALUE MEASUREMENTS, continued

The District's fair value measurements are as follows at June 30, 2024:

Investment Type	Amount	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Governmental Activities				
Los Angeles County Treasury Investment Pool	\$ 396,090,758	\$ -	\$ -	\$ 396,090,758
Total Governmental Activities	396,090,758	-	-	396,090,758
Santa Monica Education Foundation				
Bond funds	5,449,782	5,449,782	-	-
Mutual funds	6,873,592	6,873,592	-	-
Other domestic stock funds	467,784	467,784	-	-
Total Santa Monica Education Foundation	12,791,158	12,791,158	-	-
Total	\$ 408,881,916	\$ 12,791,158	\$ -	\$ 396,090,758

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

NOTE 4 – ACCOUNTS RECEIVABLE

Receivables at June 30, 2024, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government				
Categorical aid	\$ 2,868,835	\$ -	\$ 92,089	\$ 2,960,924
State Government				
Categorical aid	1,465,158	-	714,685	2,179,843
Lottery	559,350	-	-	559,350
LCFF	446,010	-	-	446,010
Local Government				
Interest	367,376	2,826,944	281,331	3,475,651
Other local sources	7,927,343	-	216,663	8,144,006
Total	\$ 13,634,072	\$ 2,826,944	\$ 1,304,768	\$ 17,765,784

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 5 – CAPITAL ASSETS AND RIGHT-OF-USE ASSETS

Capital assets and right-of-use assets activity for the fiscal year ended June 30, 2024, was as follows:

	Balance July 1, 2023	Reclassification	Additions	Deductions	Balance June 30, 2024
Governmental Activities					
Capital Assets not Being Depreciated					
Land	\$ 15,122,223	\$ -	\$ -	\$ -	\$ 15,122,223
Construction in progress	337,955,634	-	125,698,461	171,683,779	291,970,316
Total Capital Assets not Being Depreciated	353,077,857	-	125,698,461	171,683,779	307,092,539
Capital Assets Being Depreciated					
Land improvements	122,085,597	(4,346,987)	1,482,006	-	119,220,616
Buildings and improvements	719,604,241	4,346,987	161,644,920	-	885,596,148
Furniture and equipment	47,478,462	-	10,959,774	31,918	58,406,318
Total Capital Assets Being Depreciated	889,168,300	-	174,086,700	31,918	1,063,223,082
Capital Assets, Gross	1,242,246,157	-	299,785,161	171,715,697	1,370,315,621
Less Accumulated Depreciation					
Land improvements	27,583,306	811,693	5,472,779	-	33,867,778
Buildings and improvements	199,934,591	(811,693)	35,741,371	-	234,864,269
Furniture and equipment	24,591,290	-	3,104,439	27,359	27,668,370
Total Accumulated Depreciation	252,109,187	-	44,318,589	27,359	296,400,417
Capital Assets, Net	990,136,970	-	255,466,572	171,688,338	1,073,915,204
Right-of-Use Assets					
Leased assets - buildings and improvements	949,847	-	-	-	949,847
Subscription-based IT assets	1,877,098	-	-	-	1,877,098
Total Right-of-Use Assets, Gross	2,826,945	-	-	-	2,826,945
Less Accumulated Amortization					
Leased assets - buildings and improvements	474,924	-	474,923	-	949,847
Subscription-based IT assets	337,724	-	365,311	-	703,035
Total Accumulated Amortization	812,648	-	840,234	-	1,652,882
Right-of-Use Assets, Net	2,014,297	-	(840,234)	-	1,174,063
Total Governmental Activities Capital Assets and Right-of-Use Assets, Net	\$ 992,151,267	\$ -	\$ 254,626,338	\$ 171,688,338	\$ 1,075,089,267

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, 2024

NOTE 6 – LEASE RECEIVABLES

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

Description	Balance July 1, 2023	Addition	Deductions	Balance June 30, 2024	Due in One Year
Santa Monica College	\$ 20,079,323	\$ -	\$ 301,156	\$ 19,778,167	\$ 311,697
Santa Monica Hotel Group	13,082,931	-	280,205	12,802,726	290,168
Total	\$ 33,162,254	\$ -	\$ 581,361	\$ 32,580,893	\$ 601,865

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 \$301,156 in lease revenue and \$702,776 in interest revenue related to this agreement. At June 30, 2024, the District recorded \$19,778,167 in lease receivables. The District used an interest rate of 3.5%, based on the rates available to finance real estate over the same time period.

Santa Monica Hotel Group

The District leases land in the City of Santa Monica to a hotel operating group. The current lease is in place until the year 2051. The agreement allows for adjustments to the lease payments every five years, with increases based on the consumer price index. During the fiscal year, the District recognized \$280,205 in lease revenue and \$453,436 in interest revenue related to this agreement. At June 30, 2024, the District recorded \$12,802,726 in lease receivables. 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 lease receivables are as follows:

Fiscal Year	Principal	Interest	Total
2025	\$ 601,865	\$ 1,135,706	\$ 1,737,571
2026	623,095	1,114,476	1,737,571
2027	645,074	1,092,497	1,737,571
2028	667,828	1,069,743	1,737,571
2029	691,384	1,046,187	1,737,571
Thereafter	29,351,647	15,902,445	45,254,092
Total	\$ 32,580,893	\$ 21,361,054	\$ 53,941,947

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 7 – INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2024, consisted of the following:

Interfund Transfer Out	Interfund Transfer In	
	Non-Major Governmental Funds	Total
General Fund	\$ 2,600,000	\$ 2,600,000
Total	\$ 2,600,000	\$ 2,600,000

Transfer from General Fund to the Child Development Fund for program contributions.	\$ 1,100,000
Transfer from General Fund to the Deferred Maintenance Fund is for to support maintenance projects.	1,500,000
Total	<u>\$ 2,600,000</u>

NOTE 8 – ACCRUED LIABILITIES AND UNMATURED INTEREST

Accrued liabilities and unmatured interest at June 30, 2024, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds	Government- Wide	Total Governmental Activities
Payroll and related	\$ 7,148,891	\$ 2,189	\$ 310,665	\$ 7,461,745	\$ -	\$ 7,461,745
Vendors payable	17,608,353	31,097,938	3,038,852	51,745,143	-	51,745,143
Due to grantor government	680,742	-	186,219	866,961	-	866,961
Unmatured interest	-	-	-	-	13,759,438	13,759,438
Total	<u>\$ 25,437,986</u>	<u>\$ 31,100,127</u>	<u>\$ 3,535,736</u>	<u>\$ 60,073,849</u>	<u>\$ 13,759,438</u>	<u>\$ 73,833,287</u>

NOTE 9 – UNEARNED REVENUES

Unearned revenue at June 30, 2024, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal source	\$ 84,388	\$ -	\$ 84,388
Other state sources	1,885,184	61,872	1,947,056
Other local sources	-	167,520	167,520
Total	<u>\$ 1,969,572</u>	<u>\$ 229,392</u>	<u>\$ 2,198,964</u>

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 10 – LONG-TERM DEBTS

Summary

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

	Balance			Balance		Due in
	July 1, 2023	Additions	Deductions	June 30, 2024		One Year
General obligation bonds	\$ 883,535,103	\$ 175,169,897	\$ 37,140,000	\$ 1,021,565,000	\$	39,700,000
Certificates of participation	28,069,031	156,581	2,765,000	25,460,612		2,480,000
Unamortized debt premiums	60,765,016	14,622,988	4,179,675	71,208,329		4,237,352
Unamortized debt discounts	(16,232)	-	(1,971)	(14,261)		(1,783)
Lease liabilities	483,092	-	483,092	-		-
BEST system upgrade - financing arrangement	287,432	-	110,707	176,725		116,347
Supplemental early retirement liability	1,002,395	-	1,002,395	-		-
Compensated absences	921,543	-	20,020	901,523		-
Total	\$ 975,047,380	\$ 189,949,466	\$ 45,698,918	\$ 1,119,297,928	\$	46,531,916

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

General Obligation Bonds

The outstanding general obligation bonded debts are as follows:

Description	Issuance Date	Maturity Date	Interest Rate	Original Issue	Balance July 1, 2023	Additions	Deductions	Balance June 30, 2024	Due in One Year
Election of 1998, Series 1999	06/17/1999	08/01/2023	3.20% - 5.50%	\$ 38,000,034	\$ 6,170,103	\$ 169,897	\$ 6,340,000	\$ -	\$ -
2013 Refunding	02/07/2013	08/01/2032	2.00% - 5.00%	45,425,000	2,265,000	-	2,265,000	-	-
Election of 2006, Series D	04/03/2013	07/01/2037	0.17% - 5.00%	82,995,327	1,115,000	-	1,115,000	-	-
2015 Refunding	12/10/2015	08/01/2034	3.25% - 5.00%	47,915,000	8,080,000	-	2,475,000	5,605,000	2,690,000
2016 Refunding, Series A	10/11/2016	07/01/2035	1.00% - 4.00%	28,190,000	23,515,000	-	2,040,000	21,475,000	250,000
2016 Refunding, Series B	10/11/2016	07/01/2032	3.00%	660,000	660,000	-	-	660,000	-
2016 Refunding, Series C	10/11/2016	07/01/2035	2.00% - 4.00%	52,140,000	51,905,000	-	120,000	51,785,000	2,110,000
Election of 2012, Series C	06/21/2017	07/01/2042	3.125% - 5.00%	60,000,000	34,050,000	-	-	34,050,000	-
Election of 2012, Series D	09/06/2018	08/01/2043	3.00% - 5.00%	120,000,000	8,650,000	-	2,650,000	6,000,000	2,870,000
Election of 2018, Series A (SFID 1)	10/02/2019	08/01/2049	2.00% - 4.00%	110,000,000	79,160,000	-	265,000	78,895,000	380,000
Election of 2018, Series A (SFID 2)	10/02/2019	08/01/2049	2.00% - 4.00%	35,000,000	23,840,000	-	75,000	23,765,000	110,000
Election of 2012, Series E	11/06/2019	08/01/2036	3.00% - 4.00%	115,000,000	108,100,000	-	4,270,000	103,830,000	4,935,000
2019 Refunding	11/06/2019	08/01/2043	1.59% - 3.114%	105,915,000	101,935,000	-	980,000	100,955,000	1,000,000
2020 Refunding	07/14/2020	07/01/2040	0.301% - 2.314%	74,720,000	72,610,000	-	1,145,000	71,465,000	1,155,000
Election of 2018, Series B (SFID 1)	07/01/2021	08/01/2050	0.012% - 4.00%	200,000,000	172,540,000	-	8,255,000	164,285,000	560,000
Election of 2018, Series B (SFID 2)	07/01/2021	08/01/2050	0.012% - 4.00%	80,000,000	69,260,000	-	3,000,000	66,260,000	1,235,000
2021 Refunding	09/01/2021	08/01/2038	0.0142% - 2.424%	122,170,000	119,680,000	-	2,145,000	117,535,000	5,920,000
Election of 2018, Series C (SFID 1)	10/26/2023	08/01/2042	5.00% - 5.56%	175,000,000	-	175,000,000	-	175,000,000	16,485,000
Total				\$ 1,493,130,361	\$ 883,535,103	\$ 175,169,897	\$ 37,140,000	\$ 1,021,565,000	\$ 39,700,000

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 10 – LONG-TERM DEBTS, continued

General Obligation Bonds, continued

Election of 1998, Series 1999

On June 17, 1999, the District issued the Election of 1998 General Obligation Bonds in the amount of \$38,000,034. The General Obligation 1998 Bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting by \$40,379,966, and an aggregate principal debt service balance of \$78,380,000. The bonds have a final maturity on August 1, 2023, with interest rates ranging from 3.20% to 5.50%. Proceeds from the sale of the bonds were used for construction and renovation of school facilities and to pay the costs of issuance of the Bonds. The bonds were fully redeemed at June 30, 2024.

2013 General Obligation Refunding Bonds

On February 7, 2013, the District issued the 2013 General Obligation Refunding Bonds in the amount of \$45,425,000. The 2013 General Obligation Refunding Bonds were issued as current interest bonds and have a final maturity on August 1, 2032, with interest rates ranging from 2.00% to 5.00%. Proceeds from the sale of the bonds were used to advance refund the 2006, Series A, General Obligation Bonds and to pay the costs of issuance of the Bonds. In 2021, \$9,715,000 of the 2013 General Obligation Refunding Bonds were refunded. The bonds were fully redeemed at June 30, 2024.

Election of 2006, Series D

On April 3, 2013, the District issued the Election of 2006, Series D, General Obligation Bonds in the amount of \$82,995,327. The Election of 2006, Series D, Bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting by \$29,174,672, and an aggregate principal debt service balance of \$112,170,000. The bonds have a final maturity to occur on July 1, 2037, with interest rates ranging from 0.17% to 5.00%. Proceeds from the sale of the bonds were used to finance the repair, upgrading, acquisition, construction, and equipping of District sites and facilities, and to pay the costs of issuance of the Bonds. In 2019, \$52,805,000 of the Election of 2006, Series D, current interest bonds were refunded. In 2021 \$3,030,000 of the Election of 2006, Series D, current interest bonds were refunded. The bonds were fully redeemed at June 30, 2024.

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, 2024, the principal balance outstanding was \$5,605,000.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 10 – LONG-TERM DEBTS, continued

General Obligation Bonds, continued

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, 2024, the principal balance outstanding on the Series A Bonds was \$21,475,000, 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, 2024, the principal balance outstanding was \$51,785,000.

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, 2024, 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, 2024, the principal balance outstanding was \$6,000,000.

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

On October 2, 2019, the District issued the Election of 2018, Series A, SFID No. 1 General Obligation Bonds in the amount of \$110,000,000. The Election of 2018, Series A, Bonds, SFID No. 1 were issued as current interest bonds and have a final maturity on August 1, 2049, with interest rates ranging from 2.00% to 4.00%. Proceeds from the sale of the bonds were used to improve, repair, and modernize school facilities in the District School Facilities Improvement District No. 1 (Santa Monica schools) and to pay issuance costs of the bonds. At June 30, 2024, the principal balance outstanding was \$78,895,000.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 10 – LONG-TERM DEBTS, continued

General Obligation Bonds, continued

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, 2024, the principal balance outstanding was \$23,765,000.

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, 2024, the principal balance outstanding was \$103,830,000.

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, 2024, the principal balance outstanding was \$100,955,000.

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, 2024, the principal balance outstanding was \$71,465,000.

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

On July 1, 2021, the District issued the Election of 2018, Series B, General Obligation Bonds in the amount of \$200,000,000. The Election of 2018, Series B, Bonds, SFID No. 1 were issued as current interest bonds and have a final maturity on August 1, 2050, with interest rates ranging from 0.012% to 4.00%. Proceeds from the sale of the bonds 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, 2024, the principal balance outstanding was \$164,285,000.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 10 – LONG-TERM DEBTS, continued

General Obligation Bonds, continued

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, 2024, the principal balance outstanding was \$66,260,000.

2021 Refunding General Obligation Bonds

On September 1, 2021, the District issued the 2021 Refunding General Obligation Bonds in the amount of \$122,170,000. The 2021 Refunding Bonds were issued as current interest bonds and have a final maturity on August 1, 2038, with interest rates ranging from 0.0142% to 2.424%. 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, 2024, the principal balance outstanding was \$117,535,000.

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 \$80,000,000. 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, 2024, the principal balance outstanding was \$175,000,000.

Debt Service Requirements to Maturity

The bonds mature through 2051 as follows:

Fiscal Year	Principal	Interest	Total
2025	\$ 39,700,000	\$ 31,599,604	\$ 71,299,604
2026	23,670,000	32,637,702	56,307,702
2027	28,905,000	31,831,623	60,736,623
2028	35,205,000	31,099,478	66,304,478
2029	35,450,000	30,200,403	65,650,403
2030-2034	228,315,000	133,385,524	361,700,524
2035-2039	266,440,000	90,351,348	356,791,348
2040-2044	198,485,000	45,739,595	244,224,595
2045-2049	114,040,000	18,656,350	132,696,350
2050-2051	51,355,000	2,520,915	53,875,915
Total	\$ 1,021,565,000	\$ 448,022,542	\$ 1,469,587,542

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 10 – LONG-TERM DEBTS, continued

Certificates of Participation

The certificates of participation are as follows:

Description	Issuance Date	Maturity Date	Interest Rate	Original Issue	Balance July 1, 2023	Additions	Deductions	Balance June 30, 2024	Due in One Year
2001 Series C	11/15/2001	05/01/2025	3.50% - 5.20%	\$ 15,206,501	\$ 3,669,031	\$ 156,581	\$ 1,940,000	\$ 1,885,612	\$ 1,945,000
2020 COP	12/03/2020	05/01/2042	4.00%	25,720,000	24,400,000	-	825,000	23,575,000	535,000
Total				\$ 40,926,501	\$ 28,069,031	\$ 156,581	\$ 2,765,000	\$ 25,460,612	\$ 2,480,000

Certificates of Participation, 2001 Series C

In November 2001, the Los Angeles County Schools Regionalized Business Services Corporation entered into a sublease in which the Corporation leased to the District certain real property and buildings and improvements thereon. The Corporation issued the Certificates of Participation, 2001 Series C, consisting of \$10,740,000 current interest certificates and \$4,466,501 capital appreciation certificates, with the value of the capital appreciation certificates accreting by \$8,248,499, and an aggregate principal debt service balance of \$23,455,000. The proceeds of the issue were used to purchase real property in the District. The certificates have a final maturity to occur on May 1, 2025, with interest rates ranging from 3.50% to 5.20%. As of June 30, 2024, the principal balance outstanding was \$1,885,612.

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, 2024, the principal balance outstanding was \$23,575,000.

Debt Service Requirements to Maturity

The certificates mature through 2042 as follows:

Fiscal Year	Principal	Interest	Accreted Interest	Total
2025	\$ 1,103,969	\$ 943,000	\$ 1,376,031	\$ 3,423,000
2026	600,000	921,600	-	1,521,600
2027	670,000	897,600	-	1,567,600
2028	745,000	870,800	-	1,615,800
2029	820,000	841,000	-	1,661,000
2030-2034	5,445,000	3,643,400	-	9,088,400
2035-2039	8,190,000	2,346,800	-	10,536,800
2040-2042	6,570,000	538,000	-	7,108,000
Accreted Interest	1,316,643	435,400	(1,316,643)	435,400
Total	\$ 25,460,612	\$ 11,437,600	\$ 59,388	\$ 36,957,600

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 10 – LONG-TERM DEBTS, continued

Leases

The District has leased a portion of the Pico Classroom Complex from Santa Monica City College for two years, beginning fiscal year 2022-23. Under the terms of the lease, the District pays \$500,000 annually, which amounted to total principal and interest of \$1,000,000. The annual interest applied to the lease is 3.5%. During the fiscal year, the District recorded \$16,908 in interest expense and \$474,923 in amortization expense for the right-of-use leased asset. At June 30, 2024, the lease expired and therefore no right-of-use leased asset and lease liability was recognized.

Best System Upgrade – Financing Arrangement

The Los Angeles County Office of Education offered financing for the cost of required software upgrades to the Best System. The District chose to make twelve quarterly payments of \$15,031. As of June 30, 2024, the financing arrangement has \$176,725 outstanding balance.

Supplemental Early Retirement Plan

The District offered an early retirement incentive program in 2019. Employees who were eligible to retire from CalSTRS or CalPERS and were at least 55 years old with at least five years of service to the District by June 30, 2019, were eligible to participate in the plan. The District contributed 80% of each participant's annual salary for the participant's last fiscal year of employment. There are 86 participants in the plan. At June 30, 2024, all participants fully redeemed the supplemental early retirement incentives.

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2024, amounted to \$901,523.

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

For the fiscal year ended June 30, 2024, 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	\$ 44,963,908	\$ 3,063,435	\$ 2,728,860	\$ (22,189,691)
Medicare Premium Payment (MPP) Program	556,279	-	-	(11,647)
Total	\$ 45,520,187	\$ 3,063,435	\$ 2,728,860	\$ (22,201,338)

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

District Plan

Plan Administration

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

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

Plan Membership

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

	Number of Participants
Inactive employees receiving benefits	378
Participating active employees	1,415
Total	1,793

Benefits Provided

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

Contributions

The contribution requirements of the Plan members and the District are established and may be amended by the District, the Santa Monica-Malibu Classroom Teachers Association (SMMCTA), the Service Employees International Union Local 99 (SEIU), and unrepresented groups. The District contributions are based on pay-as-you-go financing requirements, which include the statutory minimum required monthly premium, plus an administrative fee, on behalf of each retiree. In addition, the District makes supplemental contributions towards eligible retirees’ premiums until age 65 according to the provisions of the District’s agreement with its various employee groups. Any additional contributions are based on availability of funds. For the measurement period of June 30, 2024, the District contributed \$746,442 to the Plan, all of which was used for current premiums.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

District Plan, continued

Net OPEB Liability/(Asset) of the District

The District's net OPEB liability/(asset) of \$44,963,908, was measured as of June 30, 2024, and the total OPEB liability of \$52,870,610 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, 2024, were as follows:

Total OPEB liability	\$ 52,870,610
Plan fiduciary net position	(7,906,702)
Net OPEB liability/(asset)	<u>\$ 44,963,908</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>14.95%</u>

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, 2024. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Valuation date	July 1, 2023
Measurement date	June 30, 2024
Census data	The census was provided by the District
Actuarial cost methods	Entry age, Level Percent of Pay
Investment rate of return	6.25%, net of OPEB plan investment expense
Inflation rate	2.50%
Discount rate	4.29%
Healthcare cost trend rate	5.50% for 2024; 4.00% - 5.25% thereafter
Payroll increase	3.00%
Pre-retirement mortality	Certificated - Mortality Rates for active employees from CalSTRS Experience Analysis (2015-2018). Classified - Pre-retirement Mortality Rates from CalPERS Experience Study (2000-2019).
Post-retirement 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).

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

District Plan, continued

Actuarial Assumptions, continued

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

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

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

The actuarial assumptions used in the July 1, 2023 valuation were based on the results of an actual experience study for the period July 1, 2021, to June 30, 2023.

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, 2023	\$ 59,026,630	\$ 7,127,681	\$ 51,898,949
Changes for the year:			
Service cost	2,359,866	-	2,359,866
Interest	2,168,155	-	2,168,155
Employer contributions	-	746,442	(746,442)
Changes of benefit terms	615,238	-	615,238
Difference between expected and actual experience	(7,819,503)	-	(7,819,503)
Changes of assumptions	(2,733,334)	-	(2,733,334)
Net investment income	-	785,291	(785,291)
Administrative expense	-	(6,270)	6,270
Expected benefit payments	(746,442)	(746,442)	-
Total changes for the year, net	(6,156,020)	779,021	(6,935,041)
Balance June 30, 2024	\$ 52,870,610	\$ 7,906,702	\$ 44,963,908

Changes of assumptions reflect a change in the investment rate of return from 5.00% in 2023 to 6.25% in 2024, a change in the inflation rate from 3.00% in 2023 to 2.50% in 2024, a change in the discount rate from 3.94% in 2023 to 4.29% in 2024 and a change in healthcare cost trend rate from 5.25% in 2023 to 5.50% in 2024.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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 (3.29%)	Current Discount Rate (4.29%)	1% Increase (5.29%)
Net OPEB liability/(asset)	\$ 52,237,168	\$ 44,963,908	\$ 38,933,602

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 (4.50%)	Healthcare Cost Trend Rate (5.50%)	1% Increase (6.50%)
Net OPEB liability/(asset)	\$ 36,218,785	\$ 44,963,908	\$ 54,945,603

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

For the year ended June 30,2024, the District recognized OPEB expense/(benefit) of \$(22,189,691). At June 30,2024, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 136,298	\$ 197,794
Change in assumptions	2,927,137	2,531,066
Total	\$ 3,063,435	\$ 2,728,860

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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
2025	\$ 254,789
2026	254,789
2027	302,280
2028	249,563
2029	209,108
Thereafter	(935,954)
Total	<u>\$ 334,575</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, 2022, annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:
<http://www.calstrs.com/member-publications>.

Benefits Provided

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

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

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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, 2024, the District reported a liability of \$556,279 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, 2023, and the total OPEB liability/(asset) used to calculate the net OPEB liability/(asset) was determined by an actuarial valuation as of June 30, 2022. 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, 2023 and June 30, 2022, respectively, was 0.1833%, and 0.1724%, resulting in a net increase in the proportionate share of 0.0109%.

For the year ended June 30, 2024, the District recognized OPEB expense/(benefit) of \$(11,647).

Actuarial Methods and Assumptions

The June 30, 2023 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2022, and rolling forward the total OPEB liability to June 30, 2023, using the assumptions listed in the following table:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry Age Normal
Discount Rate	3.65%
Medicare Part A Premium	
Cost Trend Rate*	4.50%
Medicare Part B Premium	
Cost Trend Rate*	5.40%
Mortality Rate Table*	Derived Using CalSTRS' Membership Data
*The assumed increase in the Medicare Part A and Part B Cost Trend Rates vary by year; however, the increases are approximately equivalent to a 4.5% and 5.4% increase each year for Medicare Part A and Part B, respectively.	

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

Medicare Premium Payment (MPP) Program, continued

Actuarial Methods and Assumptions, continued

For the valuation as of June 30, 2022, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

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

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2023, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2023, is 3.65%. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.65%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2023, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 0.11% from 3.54% as of June 30, 2022.

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 (2.65%)	Current Discount Rate (3.65%)	1% Increase (4.65%)
Net OPEB Liability/(Asset)	\$ 604,561	\$ 556,279	\$ 514,297

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

Medicare Premium Payment (MPP) Program, continued

Sensitivity of the District's Proportionate Share of the Net OPEB Liability/(Asset) to Changes in the Medicare 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:

	Medicare Cost		
	1% Decrease (3.50% Part A and 4.40% Part B)	Trend Rates (4.50% Part A and 5.40% Part B)	1% Increase (5.50% Part A and 6.40% Part B)
Net OPEB Liability/(Asset)	\$ 511,831	\$ 556,279	\$ 606,458

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
Nonspendable					
Cash in revolving	\$ 20,023	\$ -	\$ -	\$ -	\$ 20,023
Inventory	-	-	-	81,316	81,316
Prepaid expenses	202,300	-	-	-	202,300
Total nonspendable	222,323	-	-	81,316	303,639
Restricted					
Legally restricted programs	17,365,392	-	-	1,973,182	19,338,574
Debt service	-	-	46,965,572	-	46,965,572
Capital projects	-	192,231,782	-	24,619,863	216,851,645
Child nutrition	364,970	-	-	1,122,331	1,487,301
Student activity funds	-	-	-	378,350	378,350
Other restrictions	3,654,119	-	-	-	3,654,119
Total restricted	21,384,481	192,231,782	46,965,572	28,093,726	288,675,561
Committed					
Adult education	-	-	-	249,227	249,227
Deferred maintenance	-	-	-	1,457,220	1,457,220
Total committed	-	-	-	1,706,447	1,706,447
Assigned					
Reserve for deficit spending MYP	23,771,610	-	-	-	23,771,610
Reserve for 2 months of expenditures	26,225,440	-	-	-	26,225,440
Child development	-	-	-	5,386,273	5,386,273
Total assigned	49,997,050	-	-	5,386,273	55,383,323
Unassigned					
Reserve for economic uncertainties	8,674,342	-	-	-	8,674,342
Total unassigned	8,674,342	-	-	-	8,674,342
Total	\$ 80,278,196	\$ 192,231,782	\$ 46,965,572	\$ 35,267,762	\$ 354,743,312

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 13 – RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2024, 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 2024, 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, 2024, 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	\$ 94,395,348	\$ 27,818,249	\$ 5,049,390	\$ 5,553,740
CalPERS	74,353,142	23,673,127	1,322,567	9,827,705
Total	\$ 168,748,490	\$ 51,491,376	\$ 6,371,957	\$ 15,381,445

The details of each plan are as follows.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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, 2022, 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.

The STRP provisions and benefits in effect at June 30, 2024, are summarized as follows:

	STRP Defined Benefit Plan	
	On or before December 31, 2012	On or after January 1, 2013
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%	10.205%
Required employer contribution rate	19.10%	19.10%
Required state contribution rate	10.828%	10.828%

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 14 – EMPLOYEE RETIREMENT SYSTEMS, continued

California State Teachers’ Retirement System (CalSTRS), continued

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers’ Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2024, are presented above and the District’s total contributions were \$13,655,480.

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

At June 30, 2024, 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	\$	94,395,348
State's proportionate share of the net pension liability associated with the District		45,228,283
Total	\$	<u>139,623,631</u>

The net pension liability was measured as of June 30, 2023. 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, 2023 and June 30, 2022, respectively was 0.1239% and 0.1149%, resulting in a net increase in the proportionate share of 0.009%.

For the year ended June 30, 2024, the District recognized pension expense of \$5,553,740. In addition, the District recognized pension expense and revenue of \$656,799 for support provided by the State. At June 30, 2024, 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	\$ 399,340	\$ -
Differences between expected and actual experience	7,418,448	5,049,390
Changes in assumptions	546,585	-
Net changes in proportionate share of net pension liability	5,798,396	-
District contributions subsequent to the measurement date	13,655,480	-
Total	<u>\$ 27,818,249</u>	<u>\$ 5,049,390</u>

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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 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
2025	\$ (1,511,584)
2026	(3,177,327)
2027	9,452,913
2028	2,172,782
2029	940,187
Thereafter	1,236,408
Total	<u>\$ 9,113,379</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2022, and rolling forward the total pension liability to June 30, 2023. The financial reporting actuarial valuation as of June 30, 2022, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2022
Measurement date	June 30, 2023
Experience study	July 1, 2015, through June 30, 2018
Actuarial cost method	Entry Age Normal
Investment rate of return	7.10%
Discount rate	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 14 – EMPLOYEE RETIREMENT SYSTEMS, continued

California State Teachers’ Retirement System (CalSTRS), continued

Actuarial Methods and Assumptions, continued

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 (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS investment staff and investment consultants as inputs to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS’ independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2023, are summarized in the following table:

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

*20-year average. Real rates of return of 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, 2024

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	\$ 158,340,664	\$ 94,395,348	\$ 41,281,310

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, 2022 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 55 (or 62 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, 2024

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, 2024, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
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	26.68%	26.68%

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, 2024, are presented above and the total District contributions were \$9,592,375.

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

As of June 30, 2024, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$74,353,142. The net pension liability was measured as of June 30, 2023. 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, 2023 and June 30, 2022, respectively was 0.2054% and 0.2086%, resulting in a net decrease in the proportionate share of 0.0032%.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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, 2024, the District recognized pension expense of \$9,827,705. At June 30, 2024, 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	\$ 7,941,977	\$ -
Differences between expected and actual experience	2,713,356	1,141,955
Changes in assumptions	3,425,419	-
Net changes in proportionate share of net pension liability	-	180,612
District contributions subsequent to the measurement date	9,592,375	-
Total	<u>\$ 23,673,127</u>	<u>\$ 1,322,567</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
2025	\$ 3,606,239
2026	2,890,665
2027	6,059,272
2028	202,009
Total	<u>\$ 12,758,185</u>

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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, 2022, and rolling forward the total pension liability to June 30, 2023. The financial reporting actuarial valuation as of June 30, 2022, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2022
Measurement date	June 30, 2023
Experience study	July 1, 1997, through June 30, 2015
Actuarial cost method	Entry Age Normal
Investment rate of return	6.90%
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%
	<u>100%</u>	

*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, 2024

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	\$ 107,495,424	\$ 74,353,142	\$ 46,961,800

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 for the fiscal year ended June 30, 2024, which amounted to \$7,234,203. 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.

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, 2024.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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, 2024.

Construction Commitments

As of June 30, 2024, the District had the following commitments with respect to the unfinished capital projects:

Project	Commitment Amount
District Indoor Air Quality Project (SMS & M)	\$ 819,463
ED Services 21st Century Classrooms (ES)	28,095
ED Services Infrastructure (ES)	60,347
ED Services Leadership & Capacity-Building (ES)	96,522
ED Services SBAC & Initial 1-1 Devices (ES)	26,163
Edison ES HVAC Improvements (SMS)	983
Edison ES Safety & Security Project (SMS)	14,000
Franklin ES Early Education Classrooms & Site Improvements F	3,529,381
Franklin ES Elementary School Assessment (SMS)	164,345
Franklin ES FF&E Project (SMS)	15,366
Franklin ES Maker Space Building and Field / Front Fence Proje	387,239
Franklin ES Roofing Replacement Project (ES)	10,800
Franklin ES Safety & Security Project (SMS)	5,100
Grant ES Classroom Building Project (SMS)	1,226,008
Grant ES Early Education Modernization Project (SMS)	82,299
Grant ES Elementary School Assessment (SMS)	78,191
Grant ES FF&E Project (SMS)	7,117
Grant ES HVAC Project (SMS)	65,464
Grant ES Library Renovation Project (SMS)	284,702
JAMS FF&E Pilot Project (SMS)	86,828
JAMS Library Renovation Project (SMS)	1,510,880
JAMS Linear Courtyard (SMS)	6,079
JAMS Marquee Replacement Project (SMS)	5,545
JAMS Middle School Assessment Project (SMS)	17,277
JAMS Performing Arts Complex (PAC) (ES)	101,937
JAMS Roofing Replacement Project (ES)	9,991
JAMS Safety & Security Project (SMS)	9,371
JAMS STEM Building Project (SMS)	2,122,323
Lincoln MS 500's Building Modernization Project (SMS)	764,425
Lincoln MS Bldg G & K Modernization Project (SMS)	87,238
Lincoln MS FF&E Pilot Project (SMS)	37,715
Lincoln MS HVAC Project (SMS)	32,667
Lincoln MS Middle School Assessment Project (SMS)	38,009
Lincoln MS Roofing Replacement Project (ES)	25,550
Lincoln MS Safety & Security Project (SMS)	900
Malibu ES Elementary School Campus Assessment (M)	139,625
Malibu ES FF&E Project (M)	5,483
Malibu ES Safety & Security Projects (M)	4,200
Malibu ES Schools Alignment (M)	268,754
Malibu ES WFPD & HVAC Project (M)	15,301
Malibu MHS Campus Plan - Interim Measures (M)	84,333
Malibu MHS Campus Plan (M)	186,706
Malibu MHS Campus Plan Phase 2 (M)	5,018,314
Subtotal	<u>\$ 17,481,036</u>

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 15 – COMMITMENTS AND CONTINGENCIES, continued

Construction Commitments, continued

Project	Commitment Amount
Balance Forward	\$ 17,481,036
Malibu MHS FF&E Project (M)	13,205
Malibu MHS HVAC & Electrical Project (M)	56,693
Malibu MHS New High School Project (M)	57,302,338
Malibu MHS Safety & Security Project (M)	30,910
Malibu MHS WFPD Project - BLDG D,F,G,H,I,J,K (M)	678,044
McKinley ES Administration and Early Elementary Building Proj	30,615,500
McKinley ES Elementary School Assessment (SMS)	268,956
McKinley ES FF&E Pilot Project (SMS)	38,385
McKinley ES Library Modernization Project (SMS)	772
McKinley ES Safety & Security Project (SMS)	900
McKinley ES WFPD & HVAC Project (ES)	19,834
Measure M Centralized Cost (M)	2,129,604
Measure SMS Centralized Cost (SMS)	3,788,954
Obama HS Safety & Security Project (SMS)	560
Obama HS WFPD & HVAC Project (ES)	7,818
Obama HS WPF & HVAC Project - Phase II (SMS)	12,109
Roosevelt ES Elementary School Assessment (SMS)	153,086
Roosevelt ES FF&E Project (SMS)	25,278
Roosevelt ES HVAC Project (SMS)	43,810
Roosevelt ES Roofing Replacement Project (ES)	27,537
Roosevelt ES Safety & Security Project (SMS)	3,300
Roosevelt ES TK/K Classrooms and Library Building Project (SM)	2,774,422
Samohi Administration Building Modernization Project (SMS)	2,476,969
Samohi Campus Plan Review (SMS)	382,055
Samohi Discovery Bldg (ES)	152,379
Samohi Discovery Bldg (SMS)	1,587
Samohi FF&E Project (SMS)	10,901
Samohi Interim Repairs & Upgrades (SMS)	74,746
Samohi Phase III - Exploration Building and Gymnasium (SMS)	15,622,286
Samohi Phase III (SMS)	4,232,324
Samohi Roofing Replacement Project (SMS)	4,900
Samohi Safety & Security Project (SMS)	3,656
Samohi Student Services Building (Phase 4A) Project (SMS)	4,290,000
Santa Monica Elementary & Middle Schools FF&E Project (SM)	16,616
Santa Monica Others Centralized Cost (ES)	50,192
Santa Monica Others HVAC & Electrical Project (ES)	237,593
Santa Monica Others Safety & Security Project (SMS)	50,417
SMASH/Muir ES FF&E Project (SMS)	51,112
SMASH/Muir ES Safety & Security Project (SMS)	114,322
SMASH/Muir ES WFP & HVAC Project (SMS)	56,855
SMASH/Muir Water Intrusion Repair Project (SMS)	30,142,579
Washington West FF&E Pilot Project (SMS)	13,798
Washington West Safety & Security Project (SMS)	23,871
Webster ES Elementary School Campus Assessment (M)	139,625
Webster ES FF&E Project (M)	6,149
Webster ES HVAC Project (M)	55,117
Webster ES WFPD Project (M)	13,034
Will Rogers ES Early Elementary Building Project (SMS)	15,594,014
Will Rogers ES Elementary School Assessment (SMS)	99,033
Will Rogers ES FF&E Pilot Project (SMS)	52,319
Will Rogers ES HVAC Project (SMS)	39,396
Will Rogers ES Safety & Security Project (SMS)	2,550
Total	<u>\$ 189,483,446</u>

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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, 2024, the District made payments of \$1,352,756, \$4,718,786, and \$19,624,543, to ASCIP, SLIM, SISC III and respectively for property and liability, workers' compensation, and employee medical benefits coverage, respectively.

NOTE 17 – PRIOR PERIOD ADJUSTMENT

A prior-period adjustment was made as a result of an overstatement of deferred inflows related to leases in the June 30, 2023, audited financial statements. The impacts on the beginning net position in the government-wide financial statements and on the beginning fund balance in the General Fund are as follows:

	General Fund	Governmental Activities
Fund Balance or Net Position - Beginning Balance, previously reported at June 30, 2023	\$ 51,932,780	\$ 129,116,097
Prior Period Adjustment - Correction of beginning balance to deferred inflow of resources related to lease receivables:	919,979	919,979
Fund Balance or Net Position - Beginning Balance, as restated at June 30, 2023	\$ 52,852,759	\$ 130,036,076

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 18 – SUBSEQUENT EVENTS

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

On August 13, 2024, the District issued the Election of 2018, Series C, SFID No. 2 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 to occur on August 1, 2042, with interest rates ranging from 4.00% to 5.25%. Proceeds from the sale of the bonds will be used to finance the renovation, construction, and improvement of school facilities in the District's School Facilities Improvement District No. 2 (Santa Monica Schools), and to pay issuance costs of the bonds.

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, 2024 (Window 1) and July 1, 2025 (Window 2). The District's contribution required to fund each eligible participant's benefit shall equal 80% 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 1. Whereas, 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 \$855,581 and commission of \$36,363.

REQUIRED SUPPLEMENTARY INFORMATION

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2024

	Budgeted Amounts		Actual	Variances -
	Original	Final	(Budgetary Basis)	Final to Actual
REVENUES				
LCFF sources	\$ 120,002,215	\$ 120,002,215	\$ 127,496,000	\$ 7,493,785
Federal sources	4,119,584	8,410,732	5,465,311	(2,945,421)
Other state sources	7,827,354	12,514,217	15,005,149	2,490,932
Other local sources	59,243,866	73,118,661	80,973,508	7,854,847
Total Revenues	191,193,019	214,045,825	228,939,968	14,894,143
EXPENDITURES				
Certificated salaries	72,482,957	73,354,263	69,081,633	4,272,630
Classified salaries	38,976,990	36,751,962	35,781,526	970,436
Employee benefits	52,573,455	52,291,192	53,127,260	(836,068)
Books and supplies	7,419,383	11,984,991	4,855,744	7,129,247
Services and other operating expenditures	25,883,584	36,248,914	32,023,433	4,225,481
Capital outlay	915,635	928,414	1,118,825	(190,411)
Other outgo				
Excluding transfers of indirect costs	90,000	90,000	3,619,678	(3,529,678)
Transfers of indirect costs	(900,823)	(875,555)	(693,568)	(181,987)
Total Expenditures	197,441,181	210,774,181	198,914,531	11,859,650
Excess/(Deficiency) of Revenues				
Over Expenditures	(6,248,162)	3,271,644	30,025,437	26,753,793
Other Financing Sources/(Uses):				
Transfers out	(3,500,000)	(2,600,000)	(2,600,000)	-
Other Financing Sources/(Uses), Net	(3,500,000)	(2,600,000)	(2,600,000)	-
CHANGE IN FUND BALANCE	(9,748,162)	671,644	27,425,437	26,753,793
Fund Balance - Beginning	51,932,780	51,932,780	51,932,780	-
Prior Period Adjustment (Note 17)	919,979	919,979	919,979	-
Fund Balance - Ending	\$ 43,104,597	\$ 53,524,403	\$ 80,278,196	\$ 26,753,793

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY/(ASSET) AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2024

	2024	2023	2022	2021
Total OPEB liability				
Service cost	\$ 2,359,866	\$ 2,624,929	\$ 3,419,011	\$ 3,020,133
Interest	2,168,155	2,223,725	1,689,516	1,912,637
Changes of benefit terms	615,238	-	-	-
Difference between expected and actual experience	(7,819,503)	-	(8,961,132)	-
Changes of assumptions	(2,733,334)	(1,108,838)	(6,412,655)	7,032,656
Benefit payments	(746,442)	(1,203,448)	(1,769,010)	(1,879,864)
Net change in total OPEB liability	(6,156,020)	2,536,368	(12,034,270)	10,085,562
Total OPEB liability, beginning of year	59,026,630	56,490,262	68,524,532	58,438,970
Total OPEB liability, end of year (a)	\$ 52,870,610	\$ 59,026,630	\$ 56,490,262	\$ 68,524,532
Plan fiduciary net position				
Employer contributions	\$ 746,442	\$ 1,203,448	\$ 1,769,010	\$ 1,879,864
Net investment income/(expense)	785,291	432,837	(1,032,776)	1,671,883
Administrative expense	(6,270)	(5,793)	(6,511)	(5,918)
Benefit payments	(746,442)	(1,203,448)	(1,769,010)	(1,879,864)
Change in plan fiduciary net position	779,021	427,044	(1,039,287)	1,665,965
Fiduciary trust net position, beginning of year	7,127,681	6,700,637	7,739,924	6,073,959
Fiduciary trust net position, end of year (b)	\$ 7,906,702	\$ 7,127,681	\$ 6,700,637	\$ 7,739,924
Net OPEB liability/(asset), ending (a) - (b)	\$ 44,963,908	\$ 51,898,949	\$ 49,789,625	\$ 60,784,608
Covered payroll ¹	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	14.95%	12.08%	11.86%	11.30%
Net OPEB liability/(asset) as a percentage of covered payroll ¹	N/A	N/A	N/A	N/A
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021

¹ 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, 2024

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

¹ 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 THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY/(ASSET) –
MPP PROGRAM
FOR THE YEAR ENDED JUNE 30, 2024

	Reporting Fiscal Year (Measurement Date)			
	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)
District's Proportion of the Net OPEB Liability/(Asset)	0.183%	0.172%	0.176%	0.213%
District's Proportionate Share of the Net OPEB Liability/(Asset)	\$ 556,279	\$ 567,926	\$ 702,519	\$ 903,722
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	-0.96%	-0.94%	-0.80%	-0.71%

	Reporting Fiscal Year (Measurement Date)		
	2020 (2019)	2019 (2018)	2018 (2017)
District's Proportion of the Net OPEB Liability/(Asset)	0.218%	0.223%	0.231%
District's Proportionate Share of the Net OPEB Liability/(Asset)	\$ 812,832	\$ 854,202	\$ 994,653
District's Covered-Employee Payroll	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*
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total OPEB Liability	-0.81%	-0.40%	0.01%

* 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 THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2024

	Reporting Fiscal Year (Measurement Date)				
	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)
CalSTRS					
District's proportion of the net pension liability	0.1239%	0.1149%	0.1172%	0.1224%	0.1234%
District's proportionate share of the net pension liability	\$ 94,395,348	\$ 79,823,158	\$ 53,323,078	\$ 118,601,908	\$ 111,436,765
State's proportionate share of the net pension liability associated with the District	45,228,283	39,975,125	26,830,105	61,139,298	60,796,195
Total	\$ 139,623,631	\$ 119,798,283	\$ 80,153,183	\$ 179,741,206	\$ 172,232,960
District's covered-employee payroll	\$ 77,064,241	\$ 66,315,928	\$ 64,466,173	\$ 67,297,626	\$ 67,555,147
District's proportionate share of the net pension liability as percentage of covered-employee payroll	122%	120%	83%	176%	165%
Plan fiduciary net position as a percentage of the total pension liability	81%	81%	87%	72%	73%
	Reporting Fiscal Year (Measurement Date)				
	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)
CalPERS					
District's proportion of the net pension liability	0.2054%	0.2086%	0.2192%	0.2101%	0.2199%
District's proportionate share of the net pension liability	\$ 74,353,142	\$ 71,778,657	\$ 44,565,033	\$ 64,457,667	\$ 64,090,590
District's covered-employee payroll	\$ 38,265,140	\$ 32,068,992	\$ 31,475,087	\$ 30,871,533	\$ 30,586,469
District's proportionate share of the net pension liability as percentage of covered-employee payroll	194%	224%	142%	209%	210%
Plan fiduciary net position as a percentage of the total pension liability	70%	70%	81%	70%	70%

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2024

	Reporting Fiscal Year (Measurement Date)				
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
CalSTRS					
District's proportion of the net pension liability	0.1243%	0.1278%	0.1242%	0.1318%	0.1260%
District's proportionate share of the net pension liability	\$ 114,272,455	\$ 118,214,471	\$ 100,480,053	\$ 88,739,307	\$ 73,375,330
State's proportionate share of the net pension liability associated with the District	68,048,603	71,711,086	61,767,308	46,933,185	44,307,192
Total	\$ 182,321,058	\$ 189,925,557	\$ 162,247,361	\$ 135,672,492	\$ 117,682,522
District's covered-employee payroll	\$ 67,206,168	\$ 67,800,668	\$ 63,504,492	\$ 60,268,435	\$ 57,309,309
District's proportionate share of the net pension liability as percentage of covered-employee payroll	170%	174%	158%	147%	128%
Plan fiduciary net position as a percentage of the total pension liability	71%	69%	70%	74%	77%

	Reporting Fiscal Year (Measurement Date)				
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
CalPERS					
District's proportion of the net pension liability	0.2315%	0.2303%	0.2312%	0.2325%	0.2310%
District's proportionate share of the net pension liability	\$ 61,732,127	\$ 54,968,070	\$ 45,665,948	\$ 34,274,607	\$ 26,174,060
District's covered-employee payroll	\$ 30,836,411	\$ 29,392,792	\$ 27,759,137	\$ 25,758,729	\$ 24,305,768
District's proportionate share of the net pension liability as percentage of covered-employee payroll	200%	187%	165%	133%	108%
Plan fiduciary net position as a percentage of the total pension liability	71%	72%	74%	79%	83%

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS – PENSIONS
FOR THE YEAR ENDED JUNE 30, 2024

CalSTRS	Reporting Fiscal Year				
	2024	2023	2022	2021	2020
Statutorily required contribution	\$ 13,655,480	\$ 14,719,270	\$ 11,220,655	\$ 10,411,287	\$ 11,507,894
District's contributions in relation to the statutorily required contribution	13,655,480	14,719,270	11,220,655	10,411,287	11,507,894
District's contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -

District's covered-employee payroll	\$ 71,494,660	\$ 77,064,241	\$ 66,315,928	\$ 64,466,173	\$ 67,297,626
District's contributions as a percentage of covered-employee payroll	19.10%	19.10%	16.92%	16.15%	17.10%

CalPERS	Reporting Fiscal Year				
	2024	2023	2022	2021	2020
Statutorily required contribution	\$ 9,592,375	\$ 9,707,866	\$ 7,347,006	\$ 6,515,343	\$ 6,088,175
District's contributions in relation to the statutorily required contribution	9,592,375	9,707,866	7,347,006	6,515,343	6,088,175
District's contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -

District's covered-employee payroll	\$ 35,953,430	\$ 38,265,140	\$ 32,068,992	\$ 31,475,087	\$ 30,871,533
District's contributions as a percentage of covered-employee payroll	26.68%	25.37%	22.91%	20.70%	19.72%

CalSTRS	Reporting Fiscal Year				
	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 10,997,978	\$ 9,697,850	\$ 8,529,324	\$ 6,814,032	\$ 5,351,837
District's contributions in relation to the statutorily required contribution	10,997,978	9,697,850	8,529,324	6,814,032	5,351,837
District's contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -

District's covered-employee payroll	\$ 67,555,147	\$ 67,206,168	\$ 67,800,668	\$ 63,504,492	\$ 60,268,435
District's contributions as a percentage of covered-employee payroll	16.28%	14.43%	12.58%	10.73%	8.88%

CalPERS	Reporting Fiscal Year				
	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 5,524,528	\$ 4,789,203	\$ 4,082,071	\$ 3,288,625	\$ 3,032,060
District's contributions in relation to the statutorily required contribution	5,524,528	4,789,203	4,082,071	3,288,625	3,032,060
District's contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -

District's covered-employee payroll	\$ 30,586,469	\$ 30,836,411	\$ 29,392,792	\$ 27,759,137	\$ 25,758,729
District's contributions as a percentage of covered-employee payroll	18.06%	15.53%	13.89%	11.85%	11.77%

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

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

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

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

Schedule of Changes in the 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 investment rate of return assumption was changed from 5.00% to 6.25% since the previous valuation.
 - The inflation rate assumption was changed from 3.00% to 2.50% since the previous valuation.
 - The discount rate assumption was changed from 3.94% to 4.29% since the previous valuation.
 - The healthcare cost trend rate assumption was changed from 5.25% to 5.50% since the previous valuation.

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

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 assumption was changed from 3.54% to 3.65% 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* – The required employer contributions rate changed from 25.37% to 26.68% since previous valuation for CalPERS. There were no changes in benefit terms since the previous valuation for CalSTRS.
- *Changes of Assumptions* – The consumer price inflation rate changed from 2.50% to 2.30% since the previous valuation for CalPERS. There were no changes in assumptions since the previous valuation for CalSTRS.

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, 2024, 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		
	Budget	Actual	Excess
General Fund			
Employee benefits	\$ 52,291,192	\$ 53,127,260	\$ 836,068
Capital outlay	\$ 928,414	1,118,825	\$ 190,411
Other outgo			
Excluding transfers of indirect costs	\$ 90,000	\$ 3,619,678	\$ 3,529,678
Transfers of indirect costs	\$ (875,555)	\$ (693,568)	\$ 181,987

SUPPLEMENTARY INFORMATION

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2024

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	2024
Jon Kean	Vice President	2024
Maria Leon-Vazquez	Member	2024
Laurie Lieberman	Member	2026
Alicia Mignano	Member	2026
Stacy Rouse	Member	2026
Dr. Richard Tahvildaran-Jesswein	Member	2026

ADMINISTRATION
Dr. Antonio Shelton <i>Superintendent</i>
Dr. Mark Kelly <i>Deputy Superintendent, Human Resources</i>
Ms. Melody Canady <i>Assistant Superintendent, Fiscal and Business Services</i>
Dr. Stacy Williamson <i>Assistant Superintendent, Educational Services</i>

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance	Pass-Through	Federal Expenditures
	Listing Number	Entity Identifying Number	
U.S. Department of Agriculture:			
<i>Passed Through California Department of Education</i>			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13524	\$ 910,307
School Breakfast Program	10.553	13525	176,833
School Breakfast Needy	10.553	13526	106,381
National School Lunch Program Noncash Commodities	10.555	13396	224,135
COVID-19: Supply Chain Assistance (SCA) Funds	10.555	15637	306,294
Total Child Nutrition Cluster			1,723,950
<i>Passed Through California Department of Social Services</i>			
Child and Adult Care Food Program	10.558	13529	64,257
Total U.S. Department of Agriculture			1,788,207
U.S. Department of Education:			
<i>Passed Through Tri-Cities Special Education Local Plan Area</i>			
Special Education Cluster:			
IDEA Basic Local Assistance	84.027	13379	2,365,248
IDEA Local Assistance, Part B, Sec 611, Early Intervening Services	84.027	10119	34,654
IDEA Mental Health	84.027A	15197	105,135
IDEA Preschool Grants	84.173	13430	53,390
Total Special Education Cluster			2,558,427
<i>Passed Through California Department of Education</i>			
Education Stabilization Funds:			
Expanded Learning Opportunities (ELO) Grant: ESSER II State Reserve	84.425D	15618	240,766
Expanded Learning Opportunities (ELO) Grant: GEER II	84.425C	15619	90,000
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve Emergency Needs	84.425U	15620	309,735
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve Learning Loss	84.425U	15621	186,501
ARP Homeless Children and Youth II (ARP HYC II)	84.425W	15566	27,046
Total Education Stabilization Funds			854,048
Adult Education: Adult Basic Education & ELA	84.002	14508	57,094
Adult Education: Secondary Education	84.002	13978	30,595
Title I Part A	84.010	14329	1,045,348
ESSA: School Improvement Funding for LEAs	84.010	15438	10,498
Carl D Perkins Career & Technical Education	84.048	14894	62,708
IDEA Early Intervention Grant	84.181	23761	36,099
Title III, English Learner Student Program	84.365	14346	43,127
Title II, Part A, Supporting Effective Instruction	84.367	14341	152,859
Title IV Student Support & Academic Enrichment	84.424	15396	68,417
Total U.S. Department of Education			4,919,220
Total Federal Financial Assistance			\$ 6,707,427

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2024

	Second Period Report Certification No. (E67426A7)	Annual Report Certification No. (EE4B4CAE)
Regular ADA		
Transitional Kindergarten through Third	2,207.54	2,201.62
Fourth through Sixth	1,798.77	1,801.04
Seventh and Eighth	1,316.28	1,319.47
Ninth through Twelfth	2,770.20	2,759.79
Total Regular ADA	8,092.79	8,081.92
Extended Year Special Education		
Transitional Kindergarten through Third	5.36	5.36
Fourth through Sixth	2.57	2.57
Seventh and Eighth	1.79	1.79
Ninth through Twelfth	7.50	7.50
Total Extended Year Special Education	17.22	17.22
Special Education, Nonpublic, Nonsectarian Schools		
Fourth through Sixth	0.77	0.57
Seventh and Eighth	2.56	2.77
Ninth through Twelfth	5.50	5.28
Total Special Education, Nonpublic, Nonsectarian Schools	8.83	8.62
Extended Year Special Education - Nonpublic		
Fourth through Sixth	0.22	0.22
Seventh and Eighth	0.33	0.33
Ninth through Twelfth	1.36	1.36
Total Extended Year Special Education - Nonpublic	1.91	1.91
ADA Totals	8,120.75	8,109.67

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2024

Grade Level	Minutes Requirement	Actual Minutes	J-13A Pending Minutes	Total Adjusted Minutes	Traditional Calendar			Multitrack Calendar	Status
					Actual Day Offered	J-13A Pending Days	Total Adjusted Days		
Transitional Kindergarten	36,000	40,050	0	40,050	180	0	180	N/A	Complied
Kindergarten	36,000	40,050	0	40,050	180	0	180	N/A	Complied
Grade 1	50,400	52,200	0	52,200	180	0	180	N/A	Complied
Grade 2	50,400	52,200	0	52,200	180	0	180	N/A	Complied
Grade 3	50,400	52,470	0	52,470	180	0	180	N/A	Complied
Grade 4	54,000	54,180	0	54,180	180	0	180	N/A	Complied
Grade 5	54,000	54,180	0	54,180	180	0	180	N/A	Complied
Grade 6	54,000	54,450	0	54,450	180	0	180	N/A	Complied
Grade 7	54,000	54,450	0	54,450	180	0	180	N/A	Complied
Grade 8	54,000	54,450	0	54,450	180	0	180	N/A	Complied
Grade 9	64,800	64,965	384	65,349	179	1	180	N/A	Non-compliance
Grade 10	64,800	64,965	384	65,349	179	1	180	N/A	Non-compliance
Grade 11	64,800	64,965	384	65,349	179	1	180	N/A	Non-compliance
Grade 12	64,800	64,965	384	65,349	179	1	180	N/A	Non-compliance

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024

	2025 (Budget)	2024	2023	2022
General Fund - Budgetary Basis				
Revenues and Other Financing Sources	\$ 214,045,825	\$ 228,939,968	\$ 216,891,916	\$ 201,237,059
Expenditures and Other Financing Uses	213,374,181	201,514,531	219,201,305	185,172,171
Change in Fund Balance	671,644	27,425,437	(2,309,389)	16,064,888
Prior Period Adjustment (Note 17)	-	919,979	(1,231,446)	(1,281,970)
Ending Fund Balance	\$ 80,949,840	\$ 80,278,196	\$ 51,932,780	\$ 55,473,615
Available Reserves*	\$ 6,827,097	\$ 8,674,342	\$ 27,069,038	\$ 46,756,585
Available Reserves as a Percentage of Outgo	3.2%	4.3%	12.3%	25.3%
Long-term Liabilities	\$ 1,287,034,689	\$ 1,333,566,605	\$ 1,179,116,070	\$ 1,169,418,363
Average Daily Attendance at P-2	7,918	8,121	8,232	8,508

The General Fund balance has increased by \$24,804,581 over the past two years. The fiscal year 2024-2025 budget projects an increase of \$671,644, or 0.84%. 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 surplus during the 2024-2025 fiscal year. Total long-term liabilities have increased by \$164,148,242 over the past two years.

Average daily attendance has decreased by 387 over the past two years. Additional decline of 202 ADA is anticipated during fiscal year 2024-2025.

* Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainty contained within 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, 2024**

	General Fund	Cafeteria Special Revenue Fund
June 30, 2024 annual financial and budget report fund balance	\$ 72,765,062	\$ 1,357,076
Adjustments and reclassifications		
Increase/(decrease) in total fund balance:		
Investment in county treasury - Fund 71	3,623,622	-
Investment in county treasury FMV - Fund 71	(138,793)	-
Accounts receivable - Fund 71	4,653	-
Accounts payable - Fund 71	(262)	-
Deferred inflow of resources related to lease receivables	1,350,591	-
Due from grantor government	2,673,323	-
Inventory adjustment	-	(153,429)
Total adjustments and reclassifications, net	7,513,134	(153,429)
June 30, 2024 audited financial statements fund balance	\$ 80,278,196	\$ 1,203,647

SANTA MONICA-MALBU UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2024

There were no charter schools in the District during the fiscal year ended June 30, 2024.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2024

	Special Revenue Funds					Capital Project Funds			Total Non-Major Governmental Funds
	Student Activity Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve for Capital Outlay Projects Fund	
ASSETS									
Cash and investments	\$ 382,420	\$ 1,180,375	\$ 7,135,632	\$ 605,709	\$ 1,597,040	\$ 6,184,532	\$ 4,946,014	\$ 15,615,084	\$ 37,646,806
Accounts receivable	481	109,948	219,449	610,896	4,047	270,849	14,078	75,020	1,304,768
Inventory	-	-	-	81,316	-	-	-	-	81,316
Total Assets	\$ 382,901	\$ 1,290,323	\$ 7,355,081	\$ 1,297,921	\$ 1,601,087	\$ 6,455,381	\$ 4,960,092	\$ 15,690,104	\$ 39,032,890
LIABILITIES									
Accrued liabilities	\$ 4,551	\$ 49,312	\$ 758,018	\$ 94,274	\$ 143,867	\$ 159,251	\$ -	\$ 2,326,463	\$ 3,535,736
Unearned revenue	-	-	229,392	-	-	-	-	-	229,392
Total Liabilities	4,551	49,312	987,410	94,274	143,867	159,251	-	2,326,463	3,765,128
FUND BALANCES									
Nonspendable	-	-	-	81,316	-	-	-	-	81,316
Restricted	378,350	991,784	981,398	1,122,331	-	6,296,130	4,960,092	13,363,641	28,093,726
Committed	-	249,227	-	-	1,457,220	-	-	-	1,706,447
Assigned	-	-	5,386,273	-	-	-	-	-	5,386,273
Total Fund Balances	378,350	1,241,011	6,367,671	1,203,647	1,457,220	6,296,130	4,960,092	13,363,641	35,267,762
Total Liabilities and Fund Balances	\$ 382,901	\$ 1,290,323	\$ 7,355,081	\$ 1,297,921	\$ 1,601,087	\$ 6,455,381	\$ 4,960,092	\$ 15,690,104	\$ 39,032,890

See note to supplementary information.

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, 2024

	Special Revenue Funds					Capital Project Funds			Total
	Student	Adult	Child		Deferred	Capital	County School	Special Reserve	Non-Major
	Activity Fund	Education Fund	Development Fund	Cafeteria Fund	Maintenance Fund	Facilities Fund	Facilities Fund	for Capital Outlay Projects Fund	Governmental Funds
REVENUES									
Federal sources	\$ -	\$ 87,691	\$ 64,257	\$ 1,723,950	\$ -	\$ -	\$ -	\$ -	\$ 1,875,898
Other state sources	-	872,179	3,569,888	3,142,929	-	-	5,116,998	-	12,701,994
Other local sources	1,878,183	82,013	3,823,370	439,589	14,240	1,395,691	(178,245)	6,582,627	14,037,468
Total Revenues	1,878,183	1,041,883	7,457,515	5,306,468	14,240	1,395,691	4,938,753	6,582,627	28,615,360
EXPENDITURES									
Current									
Instruction	-	345,801	3,782,953	-	-	-	-	-	4,128,754
Instruction-related services									
Instructional supervision and administration	-	-	513,451	-	-	-	-	-	513,451
School site administration	-	443,597	741,932	-	-	-	-	-	1,185,529
Pupil services									
Food services	-	-	205,615	4,979,179	-	-	-	-	5,184,794
All other pupil services	-	63,649	60,075	-	-	-	-	-	123,724
General administration									
All other general administration	-	38,518	518,840	136,210	-	-	-	-	693,568
Plant services	-	24,258	109,388	-	947,850	859,488	-	1,366,477	3,307,461
Facilities acquisition and maintenance	-	-	-	-	-	7,520	-	2,859,951	2,867,471
Ancillary services	1,788,120	-	-	-	-	-	-	-	1,788,120
Debt service									
Interest and other	-	-	-	-	-	-	-	727,512	727,512
Total Expenditures	1,788,120	915,823	5,932,254	5,115,389	947,850	867,008	-	4,953,940	20,520,384
Excess/(Deficiency) of Revenues									
Over Expenditures	90,063	126,060	1,525,261	191,079	(933,610)	528,683	4,938,753	1,628,687	8,094,976
OTHER FINANCING SOURCES/(USES)									
Transfers in	-	-	1,100,000	-	1,500,000	-	-	-	2,600,000
Other Financing Sources/(Uses), Net	-	-	1,100,000	-	1,500,000	-	-	-	2,600,000
CHANGES IN FUND BALANCES	90,063	126,060	2,625,261	191,079	566,390	528,683	4,938,753	1,628,687	10,694,976
Fund Balances - Beginning	288,287	1,114,951	3,742,410	1,012,568	890,830	5,767,447	21,339	11,734,954	24,572,786
Fund Balances - Ending	\$ 378,350	\$ 1,241,011	\$ 6,367,671	\$ 1,203,647	\$ 1,457,220	\$ 6,296,130	\$ 4,960,092	\$ 13,363,641	\$ 35,267,762

See note to supplementary information.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2024

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 Santa Monica-Malibu Unified School District (the District) under programs of the federal government for the year ended June 30, 2024. 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, 2024, 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

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

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

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2024

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.

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

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.

OTHER INDEPENDENT AUDITORS' REPORTS



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 aggregate 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, 2024, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 04, 2024.

Adoption of New Accounting Standard

As discussed in Notes 1 and 17 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections* for the year ended June 30, 2024. Our opinions are not modified with respect to this matter.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as 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 identify any deficiencies in internal control that we consider to be significant deficiencies. However, we identified certain deficiencies in internal control, described in the accompanying schedule of Financial Statement Findings and Recommendations as finding #2024-01, that we considered to be material weaknesses.

Report on Compliance and Other Matters

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

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 Financial Statement Findings and Recommendations. 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.



San Diego, California
December 04, 2024



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, 2024. 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, 2024.

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 04, 2024



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 *2023-24 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, 2024.

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 below for the year ended June 30, 2024.

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 *2023-24 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 state 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 *2023-24 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 *2023-24 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:

PROGRAM NAME	PROCEDURES PERFORMED
Local Education Agencies Other than Charter Schools:	
A. Attendance	Yes
B. Teacher Certification and Misassignments	Yes
C. Kindergarten Continuance	Yes
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

PROGRAM NAME	PROCEDURES PERFORMED
Local Education Agencies Other than Charter Schools:	
K. Gann Limit Calculation	Yes
L. School Accountability Report Card	Yes
M. Juvenile Court Schools	Not applicable
N. Middle or Early College High Schools	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	Yes
AZ. Educator Effectiveness	Yes
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
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 items 2024-002, 2024-003, and 2024-004.

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 #2024-002, 2024-003, and 2024-004, 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 *2023-24 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 04, 2024

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
JUNE 30, 2024

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with 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 of Cluster</u>
<u>84.027, 84.027A, 84.173</u>	<u>Special Education Cluster</u>
<u>84.425C, 84.425D, 84.425U, 84.425W</u>	<u>Education Stabilization Funds</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>

** Auditees that receive deficiencies in internal controls which were identified as a material weaknesses under the requirements of GAGAS cannot be considered as low risk.*

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2024

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

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

Finding #2024-001: 30000 – Internal Control (Material Weakness)

Criteria or Specific Requirements

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

Condition

During our review of the 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.

Questioned Costs

There were no questioned costs associated with the finding.

Context

The conditions were identified as a result of our audit of the financial statement balances as of June 30, 2024. Thru review of available District records and audit procedures performed related to the current year ending balances, the errors noted were identified.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2024**

Finding #2024-001: 30000 – Internal Control (Material Weakness), continued

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.

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.

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.

Repeat Finding

Yes, see prior year finding #2023-001.

Corrective Action Plan and Views of Responsible Officials

The District concurs with the finding.

In order to prevent future findings related to accounts receivable accruals, prior year receivable accruals, and GASB 87 lease receivables, 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.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2024**

Finding #2024-001: 30000 – Internal Control (Material Weakness), continued

Corrective Action Plan and Views of Responsible Officials, continued

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
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024**

FIVE DIGIT CODE	AB3627 FINDING TYPES
50000	Federal Compliance

There were no federal award findings or questioned costs for the year ended June 30, 2024.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024

The following findings represent a material weakness in internal control, significant deficiencies in internal control, and instances of noncompliance that are required to be reported by the *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. The findings have been coded as follows:

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 Missassignments
72000	School Accountability Report Card

Finding #2024-002: 61000 - Classroom Teacher Salaries

Criteria or Specific Requirements

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*.

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

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.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024**

Finding #2024-002: 61000 - Classroom Teacher Salaries, continued

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.

Repeat Finding

Yes, see prior-year finding #2023-003.

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 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.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024**

Finding #2024-002: 61000 - Classroom Teacher Salaries, continued

Corrective Action Plan and Views of Responsible Officials, continued

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.

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

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024

Finding #2024-003: 40000 – Instructional Time

Criteria or Specific Requirements

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.

Questioned Costs

There are no questioned costs associated with the finding.

Context

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

Effect

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

Grade Level	P-2 ADA	Derived Value	Required	Days Short	Percentage	Affected LCFF	Instructional
		Per ADA	Days		of Days not offered	Apportionment	Day Penalty
9-12	2,770.20	\$ 13,054.29	180	1	0.56%	\$ 36,162,994	\$ 202,513

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.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024**

Finding #2024-003: 40000 – Instructional Time, continued

Cause

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

Repeat Finding

Yes, see prior year finding #2023-005.

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 CDE (California Department of Education). It is extremely likely that this waiver will be approved as with prior J-13A waiver request for the same reasons.

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

Melody Canady, Assistant Superintendent of Business & Fiscal Services
Gerardo Cruz, Director of Fiscal & Business Services
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, 2024**

Finding #2024-004: 10000 – Independent Study

Criteria or Specific Requirements

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.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024

Finding #2024-004: 10000 – Independent Study, continued

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.

Questions Costs

Grade Level	ADA	Derived Value		Questioned
		Per ADA		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				<u>\$ 13,261</u>

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.

Repeat Finding

No.

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 51747 (g)* as well as the California School Boards Association sample policy that addresses the deficiencies noted.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024**

Finding #2024-004: 10000 – Independent Study, continued

Corrective Action Plan and Views of Responsible Officials, continued

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 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 McGregory, Principal of Olympic High School & Independent Study Administrator

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024**

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

Finding #2023-001: 30000 – Internal Control

Criteria or Specific Requirements

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

Condition

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

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

Questioned Costs

There were no questioned costs associated with the finding.

Context

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

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024**

Finding #2023-001: 30000 – Internal Control, continued

Effect

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

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

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

Cause

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

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

Recommendation

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

Corrective Action Plan and Views of Responsible Officials

The District concurs with the finding.

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

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024**

Finding #2023-001: 30000 – Internal Control, continued

Corrective Action Plan and Views of Responsible Officials, continued

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 countywide financial system that was implemented in July of 2019.

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

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

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

Current Status

Not implemented, see finding #2024-001.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024

Finding #2023-002: 40000 – Instructional Time

Criteria or Specific Requirements

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

Condition

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

Questioned Costs

There are no questioned costs associated with the finding.

Context

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

Effect

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

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

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

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024**

Finding 2023-002: 40000 – Instructional Time, continued

Cause

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

Recommendation

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

Corrective Action Plan and Views of Responsible Officials

The District concurs with the finding.

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

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

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

Current Status

Implemented.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024**

Finding #2023-003: 61000 - Classroom Teacher Salaries

Criteria or Specific Requirements

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

Condition

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

Questioned Costs

There are no questioned costs related to this finding.

Context

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

Effect

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

Cause

The cause is unknown.

Recommendation

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

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024**

Finding #2023-003: 61000 - Classroom Teacher Salaries, continued

Corrective Action Plan and Views of Responsible Officials

The District concurs with the finding.

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

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

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

Current Status

Not implemented, see finding #2024-002. The District received the approved exemption waiver for Fiscal Year 2022-23 from Los Angeles County Office of Education.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024**

Finding #2023-004: 40000 - Career Technical Education Incentive Grant

Criteria or Specific Requirements

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

Condition

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

Questioned Costs

There are no questioned costs related to this finding.

Context

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

Effect

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

Cause

The cause is unknown.

Recommendation

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

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024**

Finding #2023-004: 40000 - Career Technical Education Incentive Grant, continued

Corrective Action Plan and Views of Responsible Officials

The District does not concur with the finding.

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

The citation states, "For any funding received for this program (CTEIG), Education Code Section 53071 requires a local match from Fiscal Year (FY) 2021-22 and/or FY 2022-23 of \$2 for every \$1 received for this program". It is the opinion of district management that the requirement has not been tested appropriately by the firm since all funds were matched in the prior year audit of 2021-2022 which they also audited.

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

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

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

Current Status

Implemented.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024**

Finding #2023-005: 40000 – Instructional Time

Criteria or Specific Requirements

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

Condition

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

Questioned Costs

There are no questioned costs associated with the finding.

Context

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

Effect

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

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

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.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024**

Finding #2023-005: 40000 – Instructional Time, continued

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.

Recommendation

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

Corrective Action Plan and Views of Responsible Officials

The District concurs with the finding.

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

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

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

Current Status

Not implemented, see finding #2024-003.