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**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
BUILDING FUND (MEASURE ES)
FINANCIAL AND PERFORMANCE AUDITS**

FOR THE FISCAL YEAR ENDED
June 30, 2024

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

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Santa Monica-Malibu Unified School District's (the "District") Measure ES Building Fund and the related notes to financial statements as of and for the fiscal year then ended June 30, 2024, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure ES Building Fund of the District, as of June 30, 2024, and the changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 1, the financial statements present only the District's Measure ES Building Fund and do not purport to, and do not, present fairly the financial position of the District as of June 30, 2024, and the changes in financial position for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated , 2024 on our consideration of the District's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and other matters for the Measure ES Building Fund. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance for the Measure ES Building Fund. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance for the Measure ES Building Fund.

San Diego, California

 , 2024

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FINANCIAL SECTION

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
MEASURE ES BUILDING FUND
BALANCE SHEET
JUNE 30, 2024

ASSETS	
Cash and investments	\$ 19,587,349
Accounts receivable	<u>223,201</u>
Total Assets	<u>19,810,550</u>
 LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	<u>886,369</u>
 Fund Balance	
Restricted	<u>18,924,181</u>
Total Liabilities and Fund Balance	<u>\$ 19,810,550</u>

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
MEASURE ES BUILDING FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

REVENUES

Interest income/(loss)	\$	842,018
Unrealized gain/(loss) on cash in county - current year		(780,120)
Unrealized gain/(loss) on cash in county - prior year reversal		1,294,125
Total Revenues		<u>1,356,023</u>

EXPENDITURES

Current		
Salaries and benefits		43,080
Supplies and materials		1,099,813
Services		564,559
Capital outlay		
Building and improvements to buildings		5,417,915
Total Expenditures		<u>7,125,367</u>

OTHER FINANCING SOURCES

Transfer in from Measure SMS Building Fund		2,761,382
Total Other Financing Sources		<u>2,761,382</u>

NET CHANGE IN FUND BALANCE (3,007,962)

Restricted Fund Balance - July 1, 2023, as originally stated 20,601,713

Adjustment for restatement (see Note 6) 1,330,430

Restricted Fund Balance - July 1, 2023, as restated 21,932,143

Restricted Fund Balance - June 30, 2024 \$ 18,924,181

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
MEASURE ES BUILDING FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity

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

Fund Accounting

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

Basis of Accounting

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

Budgets and Budgetary Accounting

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

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
MEASURE ES BUILDING FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Encumbrances

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

Fund Balance

As of June 30, 2024, the fund balance is classified as Restricted. Restricted amounts can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Spending Order Policy

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

Use of Estimates

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

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
MEASURE ES BUILDING FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2 – CASH AND INVESTMENTS

Policies and Practices

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

Investment in County Treasury

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

General Authorizations

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

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

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
MEASURE ES BUILDING FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2 – CASH AND INVESTMENTS, continued

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Los Angeles County Treasury Investment Pool. The District maintains a Measure ES Building Fund investment of \$19,587,349 (cost basis of \$20,367,469 less fair market value loss adjustment of \$780,120) with the Los Angeles County Treasury Investment Pool, with an average 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 investments in the Los Angeles County Treasury Investment Pool are not required to be rated, nor have they been rated as of June 30, 2024.

NOTE 3 – FAIR VALUE MEASUREMENTS

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

- Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.
- Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.
- Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

As of June 30, 2024, the District's investments of \$19,587,349 in the Los Angeles County Treasury Investment Pool are uncategorized.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
MEASURE ES BUILDING FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 4 – ACCOUNTS RECEIVABLE

Receivables at June 30, 2024, consisted of \$223,201.

NOTE 5 – ACCOUNTS PAYABLE

Accounts Payable at June 30, 2024, consisted of \$886,369.

NOTE 6 – RESTATEMENT OF PRIOR YEAR RESTRICTED FUND BALANCE

The beginning Measure ES Building Fund fund balance increased by \$1,330,430. This was due to adjustments made to correct the effect of erroneous fair market value adjustments from prior years.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Construction Commitments

As of June 30, 2024, the Measure ES Building Fund had the following remaining commitments with respect to unfinished projects:

Measure ES Projects	Remaining Balance	Expected Date of Completion
ED Services 21st Century Classrooms	28,095	Within 1 year
ED Services Computer Lab Upgrades	76	Within 1 year
ED Services Infrastructure	60,347	Within 1 year
ED Services Leadership & Capacity-Building	96,522	Within 1 year
ED Services SBAC & Initial 1-1 Devices	26,163	Within 1 year
Franklin ES Roofing Replacement Project	10,800	Within 1 year
JAMS Performing Arts Complex	101,937	Within 1 year
JAMS Roofing Replacement Project	9,991	Within 1 year
Lincoln MS Roofing Replacement Project	25,550	Within 1 year
Roosevelt ES Roofing Replacement Project	27,537	Within 1 year
Samohi Discovery Building	152,379	Within 1 year
Santa Monica Others Centralized Cost	50,192	Within 1 year
Santa Monica Others HVAC & Electrical Project	237,593	Within 1 year
	<u>\$ 827,181</u>	

Litigation

The District is not currently a party to any legal proceedings related to the Measure ES Building Fund as of June 30, 2024.

NOTE 8 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through , 2024 the date on which the financial statements were available to be issued.

OTHER 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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Santa Monica-Malibu Unified School District's (the "District") Measure ES Building Fund as of and for the fiscal year then ended June 30, 2024, and the related notes to the financial statements, and have issued our report thereon dated , 2024.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure ES Building Fund, and do not purport to, and do not, present fairly the financial position of the District as of June 30, 2024, the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

San Diego, California

_____, 2024

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
MEASURE ES BUILDING FUND
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

This section identifies the deficiencies, significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

There were no financial statement findings reported for the Measure ES Building Fund for the fiscal year then ended June 30, 2024.

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

There were no audit findings or questioned costs identified for the fiscal year then ended June 30, 2023.

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PERFORMANCE AUDIT

INDEPENDENT AUDITORS' REPORT ON PROPOSITION 39 COMPLIANCE

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

We have conducted a performance audit of the Santa Monica-Malibu Unified School District's (the "District") Measure ES Building Fund for the fiscal year then ended June 30, 2024.

The results of our tests indicated that, in all significant respects, the District expended Measure ES General Obligation Bond funds for the fiscal year then ended June 30, 2024 only for the specific projects developed by the District's Board of Education, and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.

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

Our audit was limited to the objectives listed on page 17 of this report which includes determining the District's compliance with the performance requirements for the Proposition 39 Measure ES General Obligation Bonds under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution. Management is responsible for the District's compliance with those requirements.

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

San Diego, California

_____, 2024

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
MEASURE ES BUILDING FUND
PERFORMANCE AUDIT
JUNE 30, 2024

AUTHORITY FOR ISSUANCE

The general obligation bonds associated with the Measure ES Building Fund were issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the *California Education Code*, and other applicable provisions of law. The bonds are authorized to be issued by a resolution adopted by the Board of Supervisors of the County, pursuant to a request of the District made by a resolution adopted by the Board of Education of the District on August 1, 2012.

The District received authorization from an election held on November 6, 2012, to issue bonds of the District in an aggregate principal amount not to exceed \$ 385 million to finance specific construction and renovation projects approved by eligible voters within the District. The proposition required approval by at least 55% of the votes cast by eligible voters within the District (the 2012 Authorization). The bonds represent the fifth and final series of the authorized bonds to be issued under the 2012 Authorization.

PURPOSE OF ISSUANCE

To improve academic instruction and school safety by modernizing high school classrooms and campuses, repairing aging elementary schools, ensuring every school meets current earthquake and fire safety standards to protect students, and constructing, acquiring, modernizing, and/or repairing classrooms, sites, facilities, equipment, computers, and learning technology to raise student achievement, shall the Santa Monica-Malibu Unified School District issue \$385,000,000 in bonds at legal rates, with independent fiscal oversight, mandatory audits, and all fund for Santa Monica and Malibu schools.

AUTHORITY FOR THE AUDIT

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

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

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
MEASURE ES BUILDING FUND
PERFORMANCE AUDIT
JUNE 30, 2024

OBJECTIVES

Our audit was limited to the objectives listed below which includes determining the compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution and Appendix A contained in the *2023-2024 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* issued by the California Education Audit Appeals Panel. Management is responsible for the District compliance with those requirements.

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

SCOPE

The scope of our performance audit covered the period of July 1, 2023 to June 30, 2024. The population of expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2024, were not reviewed or included within the scope of our audit or in this report.

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

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
MEASURE ES BUILDING FUND
PERFORMANCE AUDIT
JUNE 30, 2024

METHODOLOGY

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2024, for the Measure ES Building Fund. Within the fiscal year audited, we obtained the actual invoices, purchase orders, and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and the Measure ES Building Fund as to the approved bond projects list. We performed the following procedures:

1. We identified expenditures and projects charged to the general obligation bond proceeds by obtaining the general ledger and project listing.
2. We selected a sample of expenditures using the following criteria:
 - a) We considered all expenditures recorded in all object codes.
 - b) We considered all expenditures recorded in all projects that were funded from July 1, 2023 through June 30, 2024 from the Measure ES Building Fund bond proceeds.
 - c) We selected all expenditures that were individually significant expenditures. Individually significant expenditures were identified based on our assessment of materiality.
 - d) For all items below the individually significant threshold identified in item 2c, judgmentally selected expenditures based on risk assessment and consideration of coverage of all object codes, including transfers out, and projects for period starting July 1, 2023 and ending June 30, 2024. The results can be projected to the intended population.
3. Our sample included transactions totaling \$4,848,123. This represents 68.04% of the total expenditures of \$7,125,367.
4. We reviewed the actual invoices and other supporting documentation to determine that:
 - a) Expenditures were supported by invoices with evidence of proper approval and documentation of receipting goods or services.
 - b) Expenditures were supported by proper bid documentation, as applicable.
 - c) Expenditures were expended in accordance with voter-approved bond project list.
 - d) Bond proceeds were not used for salaries of school administrators or other operating expenses of the District.
5. We determined that the District has met the compliance requirement of the Measure ES Building Fund if the following conditions were met:
 - a) Supporting documents for expenditures were aligned with the voter-approved bond project list.
 - b) Supporting documents for expenditures were not used for salaries of school administrators or other operating expenses of the District.

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

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
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CONCLUSION

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

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

DRAFT

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
MEASURE ES BUILDING FUND
PERFORMANCE AUDIT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

This section identifies the deficiencies, significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

There were no performance audit findings reported for the Measure ES Building Fund for the fiscal year then ended June 30, 2024.

DRAFT

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
MEASURE ES BUILDING FUND
PERFORMANCE AUDIT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

There were no performance audit findings reported for the fiscal year then ended June 30, 2023.

DRAFT