



Performance Audit
Quality Education Funding Renewal Measure (Measure R)
June 30, 2020
**Santa Monica-Malibu Unified School
District**

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Independent Auditor's Report on Performance

Governing Board and
Financial Oversight Committee on Measure R
Santa Monica-Malibu Unified School District
Santa Monica, California

We were engaged to conduct a performance audit of the Santa Monica-Malibu Unified School District's Quality Education Funding Renewal Measure (Measure R) funds for the year ended June 30, 2020.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Our audit was limited to the objectives listed within the report which includes determining the District's compliance with the performance requirements as referred to in the Santa Monica-Malibu Schools Quality Education Funding Renewal Measure and outlined in the Measure R ballot text. Management is responsible for the District's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of the Santa Monica-Malibu Schools Quality Education Funding Renewal Measure as outlined in the Measure R ballot text, but not for the purpose of expressing an opinion of the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

The result of our tests indicated that the District expended Santa Monica-Malibu Schools Quality Education Funding Renewal Measure funds only for the specific expenditures approved by the voters, in accordance with the Santa Monica-Malibu Schools Quality Education Funding Renewal Measure as outlined in the ballot text for Measure R.

A handwritten signature in black ink that reads "Eide Bailly LLP".

Rancho Cucamonga, California
February 18, 2021

Authority for Issuance

On February 5, 2008, the District voters passed the Santa Monica-Malibu Schools Quality Education Funding Renewal Measure (Measure R) which replaced the previous parcel tax Measure S and Measure Y. The results of the passage of Measure R include a tax of \$435.06 per parcel, as of June 30, 2020, adjusted annually for inflation by the Consumer Price Index-All Urban Consumers with exemptions for parcels owned and occupied by persons age 65 or older.

Purpose of Issuance

The revenues raised by Measure R shall be used by Santa Monica-Malibu Unified School District exclusively for the following purposes:

1. To preserve programs and replace funds lost or reduced due to inadequate state funding (including state budget reductions that are the result of reduced federal funding of state programs)
2. To sustain achievement in reading, writing, and mathematics for all students at all grade levels and to fulfill the District's core curriculum which includes music, arts, and athletics
3. To attract and retain highly qualified teachers
4. To protect the taxpayers' investment in education and ensure District accountability by providing for special citizen financial oversight and independent annual audits of revenues and expenditures

Objectives of the Audit

1. Determine whether the School District properly accounted for the revenues and expenditures of the Santa Monica-Malibu Schools Quality Education Funding Renewal Measure.
2. Determine whether expenditures charged to the Santa Monica-Malibu Schools Quality Education Funding Renewal Measure have been made in accordance with the ballot language approved by the voters through the approval of Measure R.
3. Determine whether expenditures were maintained and expended in compliance with the Adopted Annual Plan.

Scope of the Audit

The scope of our performance audit covered the period of July 1, 2019 to June 30, 2020. The population of expenditures tested included all object codes associated with the Santa Monica-Malibu Schools Quality Education Funding Renewal Measure. The propriety of expenditures funded through other State or local funding sources other than the Santa Monica-Malibu Schools Quality Education Funding Renewal Measure were not included within the scope of the audit. Expenditures subsequent to June 30, 2020 were not reviewed or included within the scope of our audit or in this report.

Methodology

We obtained the adopted annual plan, general ledger and expenditure reports prepared by the District for the fiscal year ended June 30, 2020 for Measure R. 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 the Measure R ballot language and adopted annual plan. We performed the following procedures:

1. We identified the total budgeted and actual revenues and expenditures charged to Measure R by obtaining a detailed general ledger report. We verified that revenues and expenditures are recorded in a separate unrestricted general fund specific resource entitled Resource 00001 as required by Measure R ballot text. In addition, we obtained the adopted annual plan for the current fiscal year. With this information, we verified that the current year budgeted amounts were established based on the adopted annual plan by agreeing the budgeted amounts reported in the general ledger to the adopted annual plan. We also verified that the proposed annual plan was made available for public review 90 days prior to board adoption.

2. We obtained an understanding of the internal controls over calculating and recording revenues related to Measure R. In addition, we recalculated the total revenue based on the current year parcel tax rate and number of parcels and verified the total revenues were properly recorded in the general ledger. A summary schedule of the revenues and expenditures as compared to the prior year and current year budget for the year-ended June 30, 2020 is as follows:

	<u>June 30, 2019 Actual</u>	<u>June 30, 2020 Budget</u>	<u>June 30, 2020 Actual</u>
Income			
Parcel tax proceeds	\$ 12,359,440	\$ 12,160,249	\$ 12,771,266
Expenditures			
Fine art and music programs	\$ 1,510,820	\$ 1,504,915	\$ 1,563,034
Physical education programs	909,099	901,711	968,980
Library program	1,362,952	1,397,644	1,358,616
Community services	81,576	80,897	85,977
Technology	2,569,139	2,497,917	2,458,469
Costs to administer	<u>17,255</u>	<u>23,500</u>	<u>15,471</u>
Total expenditures	<u>\$ 6,450,841</u>	<u>\$ 6,406,584</u>	<u>\$ 6,450,547</u>
Balance used for general education teacher compensation	<u>\$ 5,908,599</u>	<u>\$ 5,753,665</u>	<u>\$ 6,320,719</u>

3. Next, we selected a sample of expenditures using the following criteria:
 - a. We considered all expenditures recorded in all object codes, including any transfers out.
 - b. We considered all expenditures recorded in the period starting July 1, 2019 and ending June 30, 2020.
 - c. We selected all expenditures that were individually significant expenditures. Individually significant expenditures were identified as individual transactions (expenditures) that exceeded approximately two percent of the total expenditures incurred.
 - d. For all items below the individually significant threshold identified in item 2c, we judgmentally selected expenditures based on risk assessment and consideration of coverage of all object codes, including transfers out for the period starting July 1, 2019 and ending June 30, 2020.
4. Our sample included transactions totaling \$1,953,080. This represents 30 percent of the total expenditures of \$6,450,547.
5. We obtained an understanding of the internal controls over compliance and reviewed expenditures for actual compliance. In consideration of the internal controls over compliance and actual compliance with expenditure requirements, we reviewed invoices and other supporting documentation to determine that:
 - a. Expenditures were supported by invoices or other appropriate support, with evidence of proper approval and documentation of receipting of goods and services.
 - b. Expenditures were expended in accordance with the adopted annual plan and within budgeted allocations.
 - c. Expenditures were expended in accordance with Measure R ballot text.
 - d. For salaries charged, we verified that the positions were supported by Measure R and the adopted annual plan.
6. We determined that the District has met the compliance requirements of Measure R if supporting documents for expenditures were aligned with the Measure R ballot text and adopted annual plan.

Conclusion

The results of our tests indicated that, in all significant respects, the Santa Monica-Malibu Unified School District properly accounted for the expenditures held in the Santa Monica-Malibu Schools Quality Education Funding Renewal Measure (Measure R) and that such expenditures were made for authorized activities noted in the ballot text and adopted annual plan.

None reported.

Santa Monica-Malibu Unified School District
Quality Education Funding Renewal Measure (Measure R)
Summary Schedule of Prior Audit Findings
June 30, 2020

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.