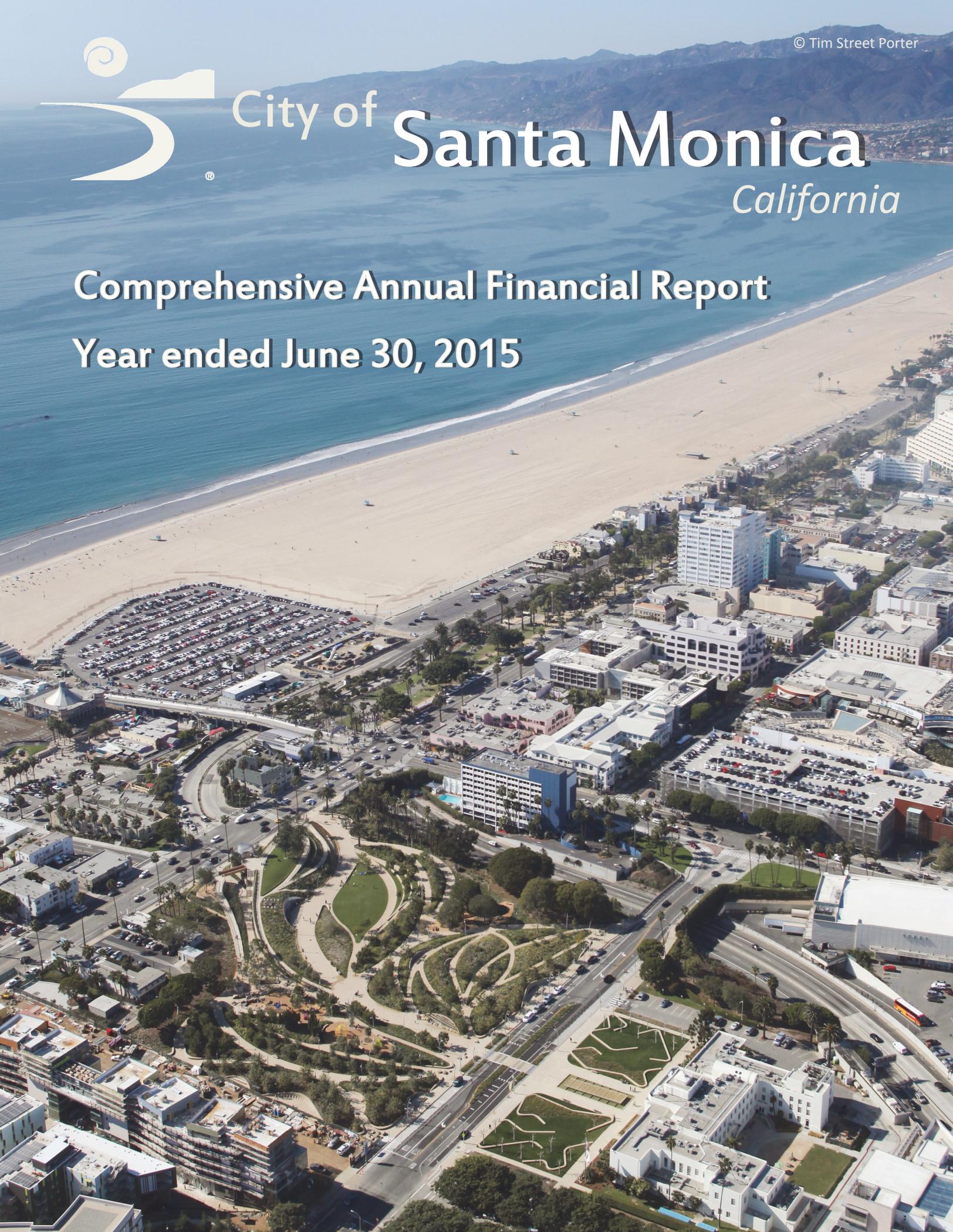




City of **Santa Monica** *California*

Comprehensive Annual Financial Report **Year ended June 30, 2015**



City of Santa Monica California

Comprehensive Annual Financial Report

Year ended June 30, 2015

Prepared by the Finance Department

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City of Santa Monica, California
Year Ended June 30, 2015

INTRODUCTORY SECTION

CITY OF SANTA MONICA, CALIFORNIA

Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2015

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Finance Department
1717 Fourth Street, Suite 250
Santa Monica, CA 90401

December 29, 2015

Dear Honorable Mayor and Members of the City Council, City Manager, and Citizens of Santa Monica:

Attached is the Comprehensive Annual Financial Report (CAFR) for the City of Santa Monica (City) for the fiscal year ended June 30, 2015 (FY 2014-15).

The CAFR has been prepared by Finance Department staff in conformance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB), the authoritative body establishing U.S. generally accepted accounting principles for local governments.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls established for that purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The CAFR has been compiled in a manner designed to fairly set forth the financial positions and results of operations of the City. The CAFR includes disclosures designed to enable the reader to gain an understanding of the City's financial affairs.

In accordance with generally accepted accounting principles, a narrative overview and analysis of the basic financial statements in the form of Management's Discussion and Analysis (MD&A) is provided and can be found immediately following the independent auditor's report. This letter of transmittal complements the MD&A and should be read in conjunction with it.

Macias Gini & O'Connell LLP has issued an unmodified (clean) opinion on the City of Santa Monica's basic financial statements for FY 2014-15. Their report is located at the front of the financial section of this report.

PROFILE OF THE CITY OF SANTA MONICA

The City of Santa Monica, bordered by the City of Los Angeles on three sides and by the Pacific Ocean on the west, encompasses an area slightly greater than eight square miles and serves a residential population of 93,283 making it the 18th largest of the 88 cities in Los Angeles County.

The City of Santa Monica, incorporated in 1886, adopted its City Charter in 1945, and established a council-manager form of government in 1947. Elections are held every two years for either three or four Council members elected to serve four-year terms on the seven-member City Council. Elected Council members select a Mayor and a Mayor Pro-Tempore to preside over Council meetings.

The City Council (Council) appoints a City Manager, a City Attorney and a City Clerk. The City Manager, responsible for supervising day-to-day operations of the City and for carrying out policies set by the Council, appoints Department directors.

The City provides a full range of services, including police and fire protection, water and wastewater utilities, street maintenance, public transportation, parking, parks and recreation, planning, and building and safety. Elementary and secondary education is provided by the Santa Monica Malibu Unified School District, and community college education is provided by the Santa Monica Community College District. Court, health, and social services are provided by the County of Los Angeles. Gas, electric and telephone services are provided by private utility companies.

Financial data for all funds through which services are provided by the City have been included in this report based on the criteria adopted by GASB.

FINANCIAL CONDITION AND OUTLOOK

The national economy continues to grow at a mild pace. Economic growth has averaged only 2.2% annually for the last five years, well below typical rates for periods of economic recovery, and the anticipated growth over the next two years is only slightly higher. The labor market has improved with over 3 million added jobs in 2014 and another 2.1 million in the first ten months of 2015, helping to drop the national unemployment rate to 5.0% as of October 2015. The housing market has begun to improve after a period of slowing during 2013 and most of 2014 and, based on recent economic forecasts, home prices and sales are anticipated to continue to grow over the next two years. Inflation is expected to remain low.

Like the national economy, the State economy is expected to show modest improvement over the next few years. Unemployment in the State has fallen to 5.8% as of October 2015 after peaking at 12.4% in 2010. Housing sales and median prices have been strong and the commercial real estate market has also showed signs of strength with lower vacancy rates and higher asking rents. The State is expected to have \$4.2 billion in reserves by June 2016, with at least \$2 billion of this amount going to the rainy day fund according to Proposition 2. This reserve will offer greater stability to the State's fiscal health. In June 2015, the Governor signed the third consecutive balanced budget. However, rising costs from health care reform, wildfire protection and spending increases for prisons will provide fiscal challenges. In addition, the overall impact of the drought and water restrictions is not known at this time.

The City of Santa Monica's diversified tax base and geographic location have contributed to a strong recovery from the most recent economic downturn. The City's economically driven tax sources have recovered significantly to reach or exceed pre-recession levels. This strong growth will moderate in the future as the City transitions out of its recovery period.

Property values in the City have shown strong increases during the last three years and remain the third highest in Los Angeles County. Assessed values are expected to increase by 5.1% in FY 2015-16 and 3.0% annually in future years. Sales tax receipts have recovered over the last five years after declining sharply during the recession. Growth is expected to be slower going forward, reflecting a shifting of sales to online platforms as well as the departure of several large retailers.

Tourism, which provides a strong stimulus to the local economy by creating jobs and producing revenues, continues to be one of the strongest performing components of the local economy. Transient Occupancy Tax revenue growth has averaged 10.0% annually over the last four years. Additional, though moderated, growth is expected over the next two years as average room rates continue to increase and two new hotel properties are scheduled to come online in FY 2016-17. Business license taxes are expected to grow

slowly, impacted by the loss of several large taxpayers. Utility Users Taxes are expected to grow 1.0-2.0% annually over the next five years.

Included in the sales tax numbers above are revenues from Measure Y. Santa Monica voters passed Measure Y, establishing a ½ cent transaction and use tax, in November 2010. This tax, which is assessed similarly to a sales tax, has no sunset. Along with Measure Y, voters passed Measure YY, an advisory measure that recommends that Council allocate half of the revenue from Measure Y for school purposes. The \$15.3 million in transaction and use tax revenues generated in FY 2014-15 were shared equally with the Santa Monica Malibu Unified School District according to the Program Agreement approved by Council on May 26, 2011.

Overall, the City's fund balances continued to benefit from a number of cost saving measures approved by Council and implemented since FY 2010-11. The most noteworthy changes relate to compensation structure changes approved by employees during the collective bargaining process, including annual incremental increases to public safety employee pension contributions, a second tier of reduced retirement benefits for new miscellaneous employees, and decreased pension costs as a result of \$30.1 million in pay downs of the City's net pension liability beginning in FY 2010-11 through the end of FY 2014-15. In February 2014, the Council adopted a policy that, provided that there are sufficient funds, the annual budget would include a minimum set-aside of \$1 million in the General Fund, and commensurate set-aside amounts in all other funds, to be used towards payments to the California Public Employees' Retirement System (CalPERS). These payments would be in addition to the employer contribution determined by CalPERS and would serve to reduce the City's net pension liability. If any additional funds are available, staff would also annually assess the set-aside of any additional funds for CalPERS payments against other unfunded needs, and present the Council with a recommendation. This policy would remain in effect until such time as there is no remaining net pension liability.

The City plans to continue to prepay its contributions to CalPERS, the City's pension fund, as it has done at the beginning of each year since FY 2007-08, and to set aside the discount received from such prepayments for future pension costs or further pay downs of the net pension liability. Despite these mitigating steps taken by the City, CalPERS has made a number of changes to actuarial assumptions that have increased contribution rates. It is important for the City to continue to work with its employees to identify measures that will ensure that increases in ongoing compensation costs do not outstrip those of revenue growth. The passage of the Public Employee Pension Reform Act, or PEPRA, in September 2012 is working to further control cost increases in the future, as new employees are receiving reduced retirement benefits and cities will be encouraged to increase employees' share of contribution costs.

During FY 2014-15, the City began to prefund its Other Postemployment Benefits (OPEB) obligation by paying into an Internal Revenue Code Section 115 irrevocable trust. The trust selected through a request for proposals process was the California Employees' Retirement Benefit Trust (CERBT), an affiliate of CalPERS. Beginning in FY 2014-15, the City will pay the equivalent of its annual required OPEB contribution into the irrevocable trust.

In addition to pension costs, health insurance costs are also increasing and that trend is expected to continue in the near future. All members from all of the City's collective bargaining groups contribute to healthcare and these contributions will continue to escalate for the next two years. The implementation of the Patient Protection and Affordable Care Act (PPACA) on January 1, 2015 imposed an additional cost burden on the City in the form of new taxes levied on health insurance companies that are passed through to customers (employers such as the City). Additionally, the City is required to monitor all as-needed staff working an average of 30 hours or more per week and ensure that this staff is offered health insurance benefits. On July 13, 2015, the State enacted a law requiring all employers to provide a minimum of three sick leave days to all employees, including as-needed employees. The City planned for these changes in its budget.

As part of the FY 2013-15 biennial budget development process, City departments were asked to find ways to offset their current budgets by 5.0%. By focusing on core services and recurrent savings, departments identified expenditure savings of \$5.5 million in FY 2013-14, increasing to \$6.2 million in FY 2014-15. Departments also put in place enhanced cost recovery efforts, which yielded \$4 million in FY 2013-14, and increased to \$5.8 million in FY 2014-15. Finally, \$3 million in FY 2014-15 projects previously included in the Capital Improvement Program (CIP) plan were rescheduled to reflect updated project timing. In combination, these changes achieved the 5.0% target in FY 2014-15. In FY 2013-14, staff determined that, based on stronger than anticipated revenue growth, the City would be able to restore the cuts made to the CIP program.

On June 27, 2012, as part of the FY 2012-13 State budget package, the State Legislature passed and the Governor signed AB 1484, a measure meant to clarify existing legislation related to the dissolution of redevelopment. The Successor Agency submitted to the California Department of Finance (DOF) an inventory of all housing assets and an accounting of all available cash and cash-equivalent housing assets (the Housing Due Diligence Review) and non-housing assets (the Non-Housing Due Diligence Review), and held meet and confer sessions with the DOF on both of the Due Diligence Reviews and the ROPS to appeal a number of DOF denials. Despite the appeals, the DOF maintained its decisions with one exception and the City, as Successor Agency, filed a lawsuit against the DOF protesting these terms. On October 21, 2013, the Successor Agency reached a settlement agreement with the DOF to pay \$56.7 million as full remittance and payment of all uncommitted or unobligated cash and cash-equivalent balances previously held by the Redevelopment Agency (RDA) and identified in the Due Diligence Reviews. Under the terms of the agreement, the Successor Agency would make four equal payments through July 2015. The Successor Agency paid the settlement in full on January 14, 2015, accelerating the final payment by six months. On January 16, 2015, the DOF issued a Finding of Completion to the Agency, allowing the Agency to apply for repayment of previously-denied City/Agency agreements, and starting the process for the preparation of a Long Range Property Management Plan (LRPMP), which details disposition of the various Successor Agency properties.

The Successor Agency has received Final and Conclusive Determinations on its tax allocation bonded indebtedness and its bank loans, ensuring that the DOF will continue to approve the use of tax increment funds for debt service payments. The Successor Agency's continued strong financial position, backed by a healthy property tax base, contributed to Santa Monica's Earthquake Redevelopment debt receiving the highest rating offered to redevelopment debt in California by Moody's on May 21, 2013; the debt was further upgraded by Moody's to A2 in August 2015, and Standard and Poor's and Fitch both affirmed their previous rating of AA and AA-, respectively, in November 2015. In addition, the State Department of Finance has declared that a number of the City's assets that were formerly owned by the Redevelopment Agency, such as the City's eight Downtown parking structures, are indeed governmental purpose assets and are therefore exempt from disposition as required under RDA dissolution law.

The State Controller's Office completed its review of assets transferred from the Redevelopment Agency to the City, and issued its final report on June 30, 2015. The report identified \$19,149,678 in unauthorized transfers from the Redevelopment Agency to the City. This amount was included as a General Fund liability in FY 2013-14, based on an earlier draft report.

The most significant and lasting impacts of the dissolution of redevelopment are the loss of ongoing funding for affordable housing rehabilitation and production in the City, and the suspension of the Civic Center Joint Use Project with the Santa Monica-Malibu Unified School District and the rehabilitation of the Civic Auditorium.

Despite the negative impacts of redevelopment dissolution, the City ended the fiscal year with a positive operating balance and a General Fund fund balance of \$375.0 million. Large reserves provide flexibility

and resources for capital projects, future expenditures, retirement contribution increases and economic uncertainty, and Santa Monica continues to be a top destination for visitors and a high demand location for employers.

While the cost saving measures and unanticipated revenue growth are assisting the City in maintaining a balanced budget over the next several years, an additional safeguard lies in the economic uncertainty reserve, which Council created in FY 2008-09 at \$8.2 million, and increased in FY 2010-11 by \$1.5 million for a \$9.7 million balance at June 30, 2015. The reserve will be used as a buffer, if needed, to allow the City to bring its budget into balance in a measured way, minimizing the impact to our employees and residents to the greatest extent possible. As stated previously, corrective actions to date have allowed the City to avoid the need to use any of the reserve so far.

Looking forward, in August 2015, Council approved five strategic initiatives that will guide the allocation of the City's resources over the next three to five years. These include mobility, maintaining an inclusive and diverse community (affordable housing), taking a leadership role in addressing homelessness on a regional level, continuing the partnership to pave the way for community members to learn and thrive, and maintaining local control of land occupied by the Santa Monica Airport. At the same time, staff will continue to work on implementing measures approved along with the FY 2014-15 budget in June 2015, including adapting to climate change, public safety enhancements to respond to higher call volumes and the additional visitors, enhanced funding in the areas of community and cultural services grants, enforcement of the short term vacation rental ordinance and implementation of the seismic retrofit program.

A new open data portal allows the public easy access to a growing database of information, in addition to the Opengov application that allows users to view the City's budget from a number of perspectives. Staff will continue to develop new forums to help the public stay connected to their government, and a newly-released Wellbeing Index will guide department efforts to serve the community. The City convened a new Audit Committee in FY 2015-16. This Committee will monitor the work and reports of the City's internal and external auditors and the progress made on process improvements proposed in the recently-completed internal controls review of financial operations throughout the City. In addition to the internal controls review, the City completed the Institute for Local Government's (ILG) Good Governance Checklist, which assessed a broader range of processes, including stewardship of public resources, personnel, campaigns and transparency in decision making. While the City fared well in both assessments, there is always room for improvement and staff is taking measures to meet best practices, including adopting a code of ethics in November 2015.

Citywide Budget

On June 24, 2014, Council adopted the FY 2014-15 Budget as the second year of the FY 2013-15 Biennial Budget; and adopted the first year and approved the second year of the FY 2014-16 Biennial Capital Improvement Program Budget. On October 28, 2014, January 27, 2015, and October 27, 2015 Council approved certain revisions to the FY 2014-15 Revised Budget that adjusted revenues, expenditures and staffing. On June 23, 2015, Council adopted the first year and approved the second year of the FY 2015-17 Biennial Budget, and adopted the second year of the FY 2014-16 Biennial Capital Improvement Program Budget.

The FY 2015-16 Adopted Budget includes \$564.4 million in expenditures, net of reimbursements and transfers, for all funds. This represents a decrease of 11.1% over the revised FY 2014-15 Budget, primarily due to decreased capital spending. Citywide revenues, net of reimbursements and transfers, are estimated at \$571.9 million, an increase of \$26.8 million or 5%, from the FY 2014-15 estimated actual.

The General Fund operating budget for FY 2015-16, net of reimbursements and transfers, is estimated at \$319.1 million and Capital Improvement Projects add an additional \$28.5 million for a total General Fund budget of \$347.6 million. Operating expenditures are anticipated to increase \$10.9 million, or 3.5%, as compared to the revised budget for FY 2014-15. General Fund revenues for FY 2015-16, net of reimbursements and transfers, are budgeted at \$347.6 million, an increase of \$3.6 million or 1.0% from the FY 2014-15 estimated actual revenues.

The FY 2015-17 Budget reflects self-supporting funds in generally sound financial condition. The Wastewater Fund remains healthy following multi-year rate increases approved by Council in FY 2008-09. In May 2014, following a rate study, Council voted to increase Resource Recovery and Recycling rates by the consumer price index each year; this adjustment took effect on July 1, 2014. And in February 2015, Council approved new rates, based on up to 9.0% increases each year, for the Water Fund that took effect on March 1, 2015. Water rate increases are driven by the need to augment conservation plans, offset reduced revenues due to declining water sales (due to citywide mandatory water conservation), and increase capital program funding to address the needs for continued infrastructure investment and Sustainable Water Master Plan requirements.

The Big Blue Bus' service integration plan with Expo Light Rail will result in 56,000 additional revenue service hours, 10 new buses on the road, 18 new motor coach operators, as well as 8 additional staff dedicated to the expanded operation. This service increase will require a rate increase in January 2016.

The Beach and Airport Funds will also generate adequate revenues to sustain their operations throughout the next five years.

The Cemetery Fund is anticipated to require an annual \$0.2 million subsidy from the General Fund, pending Council's adoption of a strategic plan to increase burial plots and provide green burial services.

The Housing Authority Fund has a projected operating structural deficit of approximately \$0.5 million in FY 2015-16 due to the loss of Redevelopment funding for the administration of the senior voucher program, and the reduction of U.S. Department of Housing and Urban Development (HUD) allocations.

The Pier Fund is not able to sustain an adequate balance to cover its operating costs and large capital expenditures. As a result, a \$0.9 million subsidy will be required in FY 2015-16.

Major Projects

The planned Expo Light Rail Phase 2 project between Culver City and Santa Monica is a significant transit alternative that will connect to the regional rail system and provide new transit options for Santa Monica residents, employees, and visitors. The project will provide relief for the tremendous and growing congestion on the I-10/Santa Monica Freeway, one of the busiest travel corridors in the country. City staff is currently working to ensure rail line and stations are integrated into streets, neighborhoods and districts, provide high-quality service, and connect to major destinations. Phase 2 construction began in 2012 and service is anticipated to commence in spring 2016.

The California Incline Bridge Replacement and Pedestrian Overpass project will reconstruct the California Incline roadway/structures with a new bridge and roadway adjacent to Palisades Bluffs. The widened bridge will improve access for pedestrians as well as bicyclists and will meet current seismic codes and design standards. This project will also enhance the stability of the bluff above the roadway and bridge. The project will utilize Special Revenue Source funding and Federal Highway Bridge Program and Transportation Equity Act (TEA-21) funds. Water funds will be used to replace the existing 100-year old water line under the roadway section of the project. The project started construction in April 2015 and will be completed in July 2016.

The Colorado Esplanade is a multi-modal streetscape and circulation infrastructure project that fully integrates the downtown Light Rail station by providing optimal access for pedestrians, bicycles and vehicles in and around the station area. The project also implements the Civic Center Specific Plan circulation improvements for Main/Second Street. The improvements will integrate the Civic Center, Downtown, and Pier/Oceanfront districts, and create a gateway to Downtown Santa Monica. The project will include improvements for vehicles, pedestrians, bikes and transit. The project will be funded out of the General Fund and a Metro Pedestrian Improvement Grant. The project started construction in January 2015 and will be completed in April 2016.

The Exposition Light Rail (Expo) Maintenance Yard Buffer Park will create a 2.35 acre neighborhood park located within a buffer zone between the Expo Maintenance Facility and the neighboring residential area. The project utilizes funding from the General Fund, California Department of Housing and Community Development Housing-Related Parks (HRP) Grant, Proposition A Local Return Rail Reserve and park mitigation funds. The project is expected to start construction in January 2016 and will be completed in winter 2016.

The City Services Building project will construct a new building parallel to the Public Safety Facility across the rear of City Hall, enclosing the City Hall courtyard. This location could accommodate 40,000 square feet of office space on three levels with optimal adjacency to City Hall. This new building, which is anticipated to require bond financing, would provide sufficient space to accommodate off-site staff requiring City Hall adjacency currently located in leased spaces. The design-build team was hired in 2014 and the project is scheduled to be completed in 2020.

The Citywide Bikeshare project (Breeze Bike Share) includes the purchase, construction, installation and operation of a bicycle sharing system comprised of 500 bicycles and 1,000 racks beginning at 75 locations throughout the City and expected to grow over time based on demand. The system utilizes “smart bike” technology, allowing for flexibility with respect to regional integration and size and location of stations. CycleHop, LLC is operating the system on the City’s behalf for up to seven years. The project utilizes grant funding from Metro Call for Projects and South Coast Air Quality Management District (SCAQMD) as well as the General Fund and Proposition C Local Return money as matching funding for the grants. Operational costs are subsidized by Hulu, LLC’s sponsorship. Remaining costs will be covered by user fees, with the shortfall, if any, budgeted in the coming year in the General Fund. The Breeze Bike Share was launched in November 2015 and is currently the only public bike share system operating in Los Angeles County.

The City currently has three fire safety projects underway. The City has started design of a new 25,000 square foot above-grade fire station at 1337-45 7th Street, to replace the existing 60 year old Fire Station No. 1 at 1444 7th Street. The project began in 2013 and will be completed in spring 2019. Additionally, Fire Station 3, located at 1302 19th Street, requires a seismic retrofit of the existing building. This project began in September 2012 and will be completed by April 2017. Lastly, the Fire Training Facility located at City Yards is aged and does not meet current needs; an interim training facility project would replace existing trailers with code-compliant modular facilities that would provide structural stability, improve service, and meet current Americans with Disabilities Act (ADA) requirements. This project began in December 2013 and will be completed in August 2016.

Nine existing elevators in Downtown Parking Structures 2, 4, and 5, installed when the structures were built in the 1960's, have been identified for replacement due to age, frequent service outages, high maintenance costs, and lack of code compliance. This project would provide new, code-compliant elevators, reducing maintenance costs and downtime. This project is funded in the General and Parking Authority Funds. This project began in September 2014 and is scheduled for completion in February 2016.

Long-Term Financial Planning

The City is dedicated to financial planning in all areas of the organization. Financial planning takes the form of continuous review and refinement of fiscal policies, development of five-year forecasts, and an understanding of the initiatives being undertaken by the entire organization.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Santa Monica for its CAFR for the fiscal year ended June 30, 2014. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of State and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Santa Monica has received a Certificate of Achievement for each of the last thirty years. We believe our current CAFR also conforms to the Certificate of Achievement program requirements.

In keeping with past practice, a copy of this CAFR will be placed on file in the City libraries and sent to City management personnel, bond rating agencies, and other agencies which have expressed an interest in the financial affairs of the City. It is also available at www.smgov.net/finance.

ACKNOWLEDGEMENTS

The preparation and development of this report would not have been possible without the year-round work of the Finance Department staff and their special efforts, working in conjunction with the City's independent auditors, to produce this report.

I would like to take this opportunity to compliment and thank the staff members of the City who were associated with the preparation of this report. I would also like to thank the City Council for their continued interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Gigi Decavalles-Hughes
Director of Finance/City Treasurer

OFFICIALS OF THE CITY OF SANTA MONICA

As of December 23, 2015

City Council

Tony Vazquez, Mayor

Ted Winterer, Mayor Pro Tempore

Gleam Davis

Sue Himmelrich

Kevin McKeown

Pam O'Connor

Terry O'Day

Administration and Department Heads

City Manager

Assistant City Manager

Deputy City Manager

City Attorney

City Clerk (Director of Records and Election Services)

Director of Finance/City Treasurer

Director of Human Resources

Chief Information Officer

Chief of Police

Fire Chief (Acting)

Director of Planning and Community Development

City Librarian

Director of Community and Cultural Services

Director of Transit Services

Director of Housing and Economic Development

Director of Public Works

Rick Cole

Elaine Polachek

Danielle Noble

Marsha Jones Moutrie

Sarah Gorman

Gigi Decavalles-Hughes

Donna Peter

Jory Wolf

Jacqueline Seabrooks

Dennis Downs

David Martin

Maria Carpenter

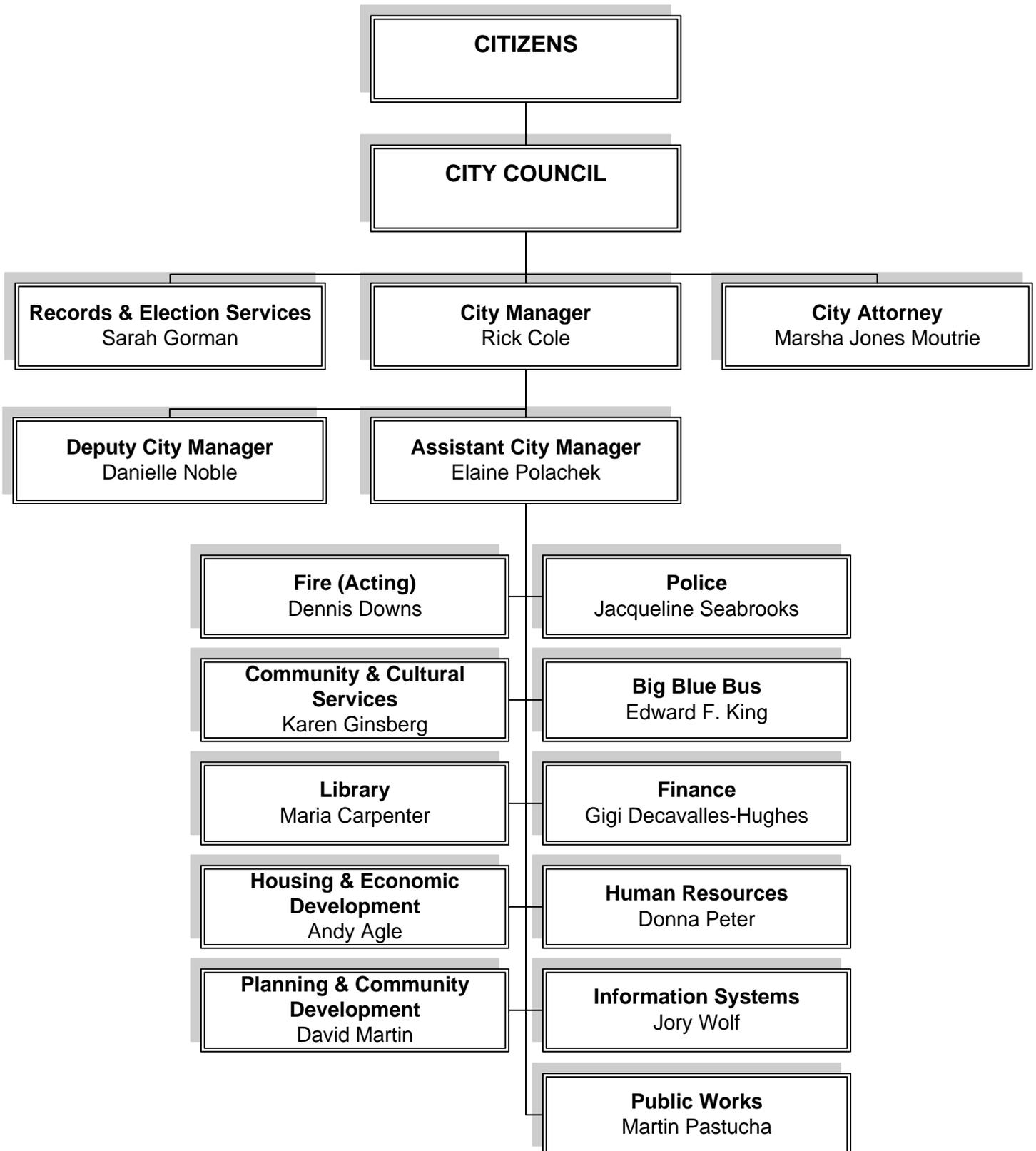
Karen Ginsberg

Edward F. King

Andy Agle

Martin Pastucha

**ORGANIZATION OF THE
CITY OF SANTA MONICA**
as of December 23, 2015





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Santa Monica
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

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City of Santa Monica, California
Year Ended June 30, 2015

FINANCIAL SECTION



Independent Auditor's Report

To the Honorable City Council
City of Santa Monica, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Santa Monica, California (the City), as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1, 16 and 19 to the basic financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No.68*, effective July 1, 2014. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in the net pension liability and related ratios, the schedule of contributions – pension plans, and the OPEB funding information as listed in the table of contents be presented to supplement the basic financial statements. Such information, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying introductory section, combining and individual fund statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules are the responsibility of management and were derived from and relate 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 combining and individual fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2015, on our consideration of the City'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 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 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 City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, professional style.

Los Angeles, California
December 29, 2015

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CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis For the fiscal year ended June 30, 2015 (Unaudited)

As management of the City of Santa Monica, California (City), we offer readers of the City's Comprehensive Annual Financial Report (CAFR) this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the City's basic financial statements, which immediately follow this section, and the CAFR transmittal letter in the preceding Introductory Section.

FINANCIAL HIGHLIGHTS

- The total assets and deferred outflows of the City for its governmental and business-type activities exceeded its liabilities and deferred inflows as of June 30, 2015 by \$1.4 billion. Of this amount, \$1.2 billion is net investment in capital assets, \$193.8 million is for restricted uses as specified by entities outside of the City government, and \$74.8 million is for unrestricted uses in accordance with finance-related legal requirements reflected in the City's fund structure.
- The City's total net position increased \$30.0 million during the current fiscal year due to an increase in governmental activities net position of \$30.1 million and a decrease in business-type activities net position of \$0.1 million. In comparison to the prior fiscal year, there was an increase in the change in governmental activities by \$20.0 million. This increase was primarily due to increases in tax revenues of \$13.8 million, increases in charges for services of \$9.3 million, and a \$14.1 million decrease in the amount of extraordinary loss. This was offset by a decrease in capital and operating grants of \$7.2 million, a decrease in other revenue and special assessments of \$6.5 million and a decrease in investment income of \$2.5 million. In comparison to the prior fiscal year, there was a decrease in the change in business-type activities net position by \$9.4 million. This decrease was primarily due to a decrease in capital grant revenue of \$18.2 million and an increase in transfers of \$0.6 million offset by an increase in operating grants of \$6.4 million at the Big Blue Bus, an increase in charges for services of \$1.4 million, and an increase in other general revenues of \$1.0 million decreasing this year's net position by \$0.1 million compared to last year's increase in net position of \$9.2 million.
- The net position in governmental activities was restated due to prior period adjustments totaling \$333.8 million and the net position in business-type activities was restated due to prior period adjustments totaling \$87.1 million. These adjustments predominantly relate to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Reporting for Pensions – An Amendment of GASB Statement No. 27* and GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB No. 68* (GASB 68) which records the City's net pension liability.
- At the end of the current fiscal year, the City's governmental funds reported total ending fund balances of \$558.1 million, an increase of \$22.9 million change in fund balances of governmental funds in comparison to the prior fiscal year. This increase in fund balance is primarily due to increases in tax revenues of \$12.1 million, and decreases of \$5.1 million in library expenses, a decrease of \$18.3 million in housing and community development expenses, and a decrease in the amount of extraordinary loss of \$11.8 million related to a payment due to the Successor Agency. These were offset by increases of \$6.4 million in general government expenses, \$5.4 million in public safety expenses, and \$13.6 million in general services expenses.

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued For the fiscal year ended June 30, 2015 (Unaudited)

- At the end of the current fiscal year, the General Fund fund balance was \$375.0 million, an increase of \$9.0 million from the previous fiscal year. Restricted and assigned General Fund fund balances increased by \$5.6 and \$6.0 million, respectively. This was offset by a decrease in unassigned General Fund fund balance of \$4.0 million. Restricted General Fund fund balance increased primarily due to increases in notes receivables of \$5.6 million to affordable housing developers. Assigned General Fund fund balance increased primarily due to an increase in the continuing and future capital projects assignments of \$46.5 million which consists of obligations from unfinished and future capital projects, an increase in strategic initiatives of \$5.4 million, an increase in project equity of \$11.9 million, a \$2.5 increase in expenditure control budget amounts, and an increase of \$1.7 for open encumbrances. These were offset by a decrease in the Redevelopment Agency (RDA) assignment of \$45.5 million, a decrease of \$4.9 million in the workers' compensation/other postemployment benefits (OPEB) assignment, \$3.3 million in pollution remediation assignment, and \$8.3 million in other purposes to reflect updated or remaining estimates for assignments.
- The City's capital assets decreased by \$23.9 million or 1.9% primarily due to the completion of major projects in the previous fiscal year that are now beginning to incur depreciation expense. Please see the table on page 73 and for further detail of capital assets see note 7.
- The City's long-term debt decreased by \$6.8 million or 6.4% during the current fiscal year. Please see the table on page 77 and for further detail of long-term debt see note 9.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements include three components: government-wide financial statements, fund financial statements, and notes to the basic financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to statements of a private-sector business.

The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the assets, deferred outflows of resources, liabilities and deferred inflow of resources reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety (police and fire), general services, library, cultural and recreation and housing and community

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued
For the fiscal year ended June 30, 2015
(Unaudited)

development. The business-type activities of the City include water, wastewater, stormwater, resource recovery and recycling, pier, airport, cemetery, Big Blue Bus and Parking Authority.

Component units are included in the basic financial statements and consist of legally separate entities for which the City is financially accountable and that have either the same governing board as the City or a governing board appointed by the City of Santa Monica City Council. The blended component units include the Santa Monica Public Financing Authority, the Parking Authority of the City of Santa Monica and the Housing Authority of the City of Santa Monica.

The government-wide financial statements can be found on pages 23 and 24 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances are accompanied by a reconciliation to the government-wide financial statements in order to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 19 individual governmental funds for financial reporting purposes. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General and Special Revenue Source Funds, which are considered to be major funds. Data for the other 17 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the nonmajor funds supplementary section of this report.

The City Council adopts an annual appropriated budget for its General Fund and 8 special revenue funds (no budget is adopted for the Rent Control Fund and Asset Seizure Fund) and 5 capital project funds. The City Council does not adopt budgets for the two permanent funds or the one debt service fund. A budgetary comparison statement has been provided for the General Fund and the Special Revenue Source Fund in the basic financial statements.

The governmental funds financial statements can be found on pages 26 through 32 of this report.

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued
For the fiscal year ended June 30, 2015
(Unaudited)

Proprietary funds. Proprietary funds provide the same type of information as the government-wide financial statements, but in more detail. The proprietary fund financial statements provide separate information for water, wastewater, recycling, and bus operations, which are considered to be major funds of the City. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its vehicle operations, risk management program and information technology and communications operations. The vehicle operations and insurance services for bus operations primarily benefit business-type activities and are included within *business-type activities* in the government-wide financial statements. All other risk management functions, information technology and communication services primarily benefit governmental funds and are included within *governmental activities* in the government-wide financial statements. Individual fund data for the internal service funds is provided in the supplementary information section of this report.

The proprietary funds financial statements can be found at pages 34 through 37 of this report.

Fiduciary funds. Fiduciary funds consist of a private-purpose trust fund and agency funds. A private-purpose trust fund was created in 2012 and is used to pay enforceable obligations of the former Redevelopment Agency (Former Agency). Agency funds are used to account for resources held for the benefit of parties outside of the City. The fiduciary funds are *not* included in the government-wide financial statements because the resources are *not* available to support the City's operations.

The fiduciary funds financial statements can be found on pages 40 through 41 of this report.

Notes to the basic financial statements. The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements begin on page 43 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1.4 billion at the close of the current fiscal year.

As shown below, the largest portion of the City's net position, \$1.2 billion or 81.1%, reflects the City's investment in capital assets less any related outstanding debt and associated deferred outflows of resources used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt and associated deferred outflows of resources, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate liabilities.

An additional portion of the City's net position, \$193.8 million or 13.6%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$74.8 million or 5.3%, may be used to meet the City's ongoing obligations to citizens and creditors.

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued
For the fiscal year ended June 30, 2015
(Unaudited)

At the end of the current fiscal year, the City reports positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

A summary of the government-wide statement of net position follows:

CITY OF SANTA MONICA
Summary of Net Position
(in millions)

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2014-15</u>	<u>2013-14</u> (restated)	<u>2014-15</u>	<u>2013-14</u> (restated)	<u>2014-15</u>	<u>2013-14</u> (restated)
Current and other assets	\$ 765.9	799.0	196.7	185.2	962.6	984.2
Capital assets	788.4	798.4	457.9	471.8	1,246.3	1,270.2
Total assets	<u>1,554.3</u>	<u>1,597.4</u>	<u>654.6</u>	<u>657.0</u>	<u>2,208.9</u>	<u>2,254.4</u>
Deferred outflows of resources	<u>49.7</u>	<u>0.4</u>	<u>12.6</u>	<u>0.6</u>	<u>62.3</u>	<u>1.0</u>
Current and other liabilities	52.9	49.5	36.7	31.4	89.6	80.9
Long-term liabilities	577.8	322.4	103.3	40.2	681.1	362.6
Total liabilities	<u>630.7</u>	<u>371.9</u>	<u>140.0</u>	<u>71.6</u>	<u>770.7</u>	<u>443.5</u>
Deferred inflows of resources	<u>65.1</u>	<u>-</u>	<u>14.4</u>	<u>-</u>	<u>79.5</u>	<u>-</u>
Net position:						
Net investment in capital assets	705.1	710.1	447.3	460.9	1,152.4	1,171.0
Restricted	178.7	136.5	15.1	11.7	193.8	148.2
Unrestricted	24.3	379.2	50.5	113.4	74.8	492.6
Total net position	<u>\$ 908.1</u>	<u>1,225.8</u>	<u>512.9</u>	<u>586.0</u>	<u>1,421.0</u>	<u>1,811.8</u>

Restatement of prior balances. FY 2013-14 was restated for prior period adjustments relating to the OPEB liability and capital assets. The beginning balances were not restated for the implementation of GASB 68 because the information was not available.

Current and other assets decreased \$21.6 million or 2.2% for the current year. This decrease is primarily due to a reduction of \$21.9 million of net pension asset which was removed from the statement of net position as part of the implementation of GASB 68.

Current and other liabilities increased \$8.7 million or 10.8% mostly due to an increase in unearned revenue related to business license fees of \$5.1 million being received in advance of the period that they are earned plus an increase in amount due to other governments of \$2.6 million related to grant funds to be returned to the grantor. Long-term liabilities increased \$318.5 million or 87.8% from the prior year primarily due to the implementation of GASB 68.

CITY OF SANTA MONICA, CALIFORNIA
Management's Discussion and Analysis, Continued
For the fiscal year ended June 30, 2015
(Unaudited)

A summary of the government-wide statement of changes in net position follows:

CITY OF SANTA MONICA
Summary of Changes in Net Position
(in millions)

	Governmental activities		Business-type activities		Total	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
Revenues						
Program revenues:						
Charges for services	\$ 130.5	121.2	99.7	98.3	230.2	219.5
Operating grants and contributions	26.3	27.8	47.1	40.7	73.4	68.5
Capital grants and contributions	5.4	12.6	10.3	28.5	15.7	41.1
General revenues:						
Sales and use taxes	51.1	49.2	—	—	51.1	49.2
Business license taxes	31.5	30.8	—	—	31.5	30.8
Property taxes	52.8	47.7	—	—	52.8	47.7
Transient occupancy taxes	47.6	44.4	—	—	47.6	44.4
Utility users taxes	32.1	32.8	—	—	32.1	32.8
Real property transfer taxes	7.9	6.3	—	—	7.9	6.3
Parking facility taxes	11.1	9.2	—	—	11.1	9.2
Other taxes	3.0	2.9	—	—	3.0	2.9
Investment income	4.1	6.6	1.4	1.6	5.5	8.2
Other revenue and special assessments	11.6	18.1	6.2	5.2	17.8	23.3
Total revenues	415.0	409.6	164.7	174.3	579.7	583.9
Expenses						
General government	74.0	73.2	—	—	74.0	73.2
Public safety	112.3	113.9	—	—	112.3	113.9
General services	72.0	69.6	—	—	72.0	69.6
Cultural and recreation services	53.7	54.3	—	—	53.7	54.3
Library	12.7	13.3	—	—	12.7	13.3
Housing and community development	53.8	53.7	—	—	53.8	53.7
Interest on long-term debt	3.5	3.9	—	—	3.5	3.9
Water	—	—	21.4	24.7	21.4	24.7
Resource recovery and recycling	—	—	23.8	24.1	23.8	24.1
Pier	—	—	6.9	6.3	6.9	6.3
Wastewater	—	—	17.3	20.5	17.3	20.5
Airport	—	—	5.3	5.4	5.3	5.4
Stormwater management	—	—	2.2	0.7	2.2	0.7
Cemetery	—	—	2.2	2.1	2.2	2.1
Big Blue Bus	—	—	83.1	79.2	83.1	79.2
Parking authority	—	—	0.4	0.4	0.4	0.4
Total expenses	382.0	381.9	162.6	163.4	544.6	545.3
Excess of revenues over expenses before extraordinary items and transfers	33.0	27.7	2.1	10.9	35.1	38.6
Extraordinary loss	(5.1)	(19.2)	—	—	(5.1)	(19.2)
Transfers	2.3	1.7	(2.3)	(1.7)	—	—
Change in net position	30.2	10.2	(0.2)	9.2	30.0	19.4
Beginning net position, as restated	877.9	1,201.5	513.0	590.9	1,390.9	1,792.4
Ending net position	\$ 908.1	1,211.7	512.8	600.1	1,420.9	1,811.8

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued

For the fiscal year ended June 30, 2015

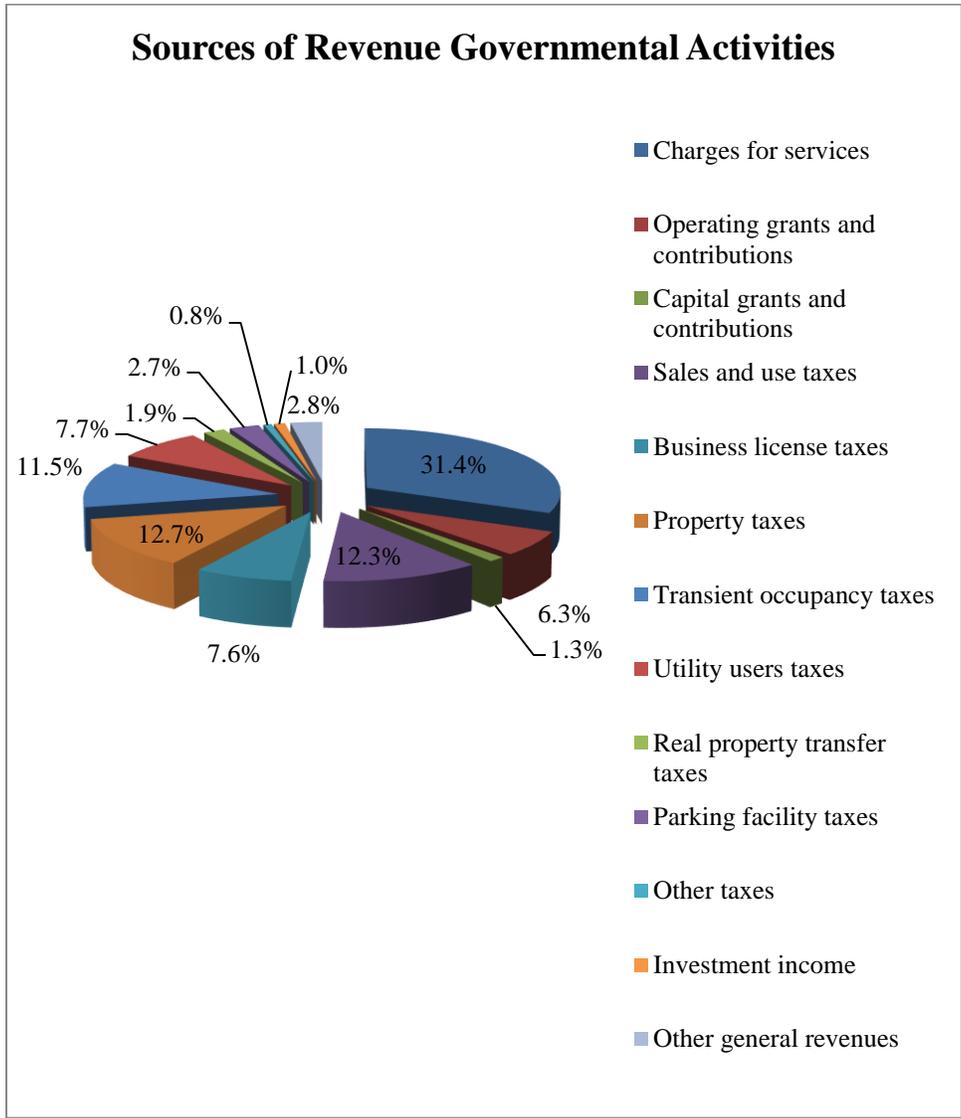
(Unaudited)

Governmental Activities. The City's governmental activities increased net position, as restated, by \$30.2 million, or 3.4%, for the current fiscal year. This increase is due in part to increases in general revenue sources such as Sales and Use Taxes (\$1.9 million) Property Taxes (\$5.1 million), Transient Occupancy Tax (\$3.2 million), Parking Facility Tax (\$1.9 million) Real Property Transfer Tax (\$1.6 million), all indicative of a continuously improving economic environment, plus a decrease to the amount of extraordinary loss of \$14.1 million related to a one-time payment from the City to the Successor Agency in FY 13-14 as a result of the State Controller audit of transfers of previous RDA assets.

CITY OF SANTA MONICA, CALIFORNIA

Management’s Discussion and Analysis, Continued
 For the fiscal year ended June 30, 2015
 (Unaudited)

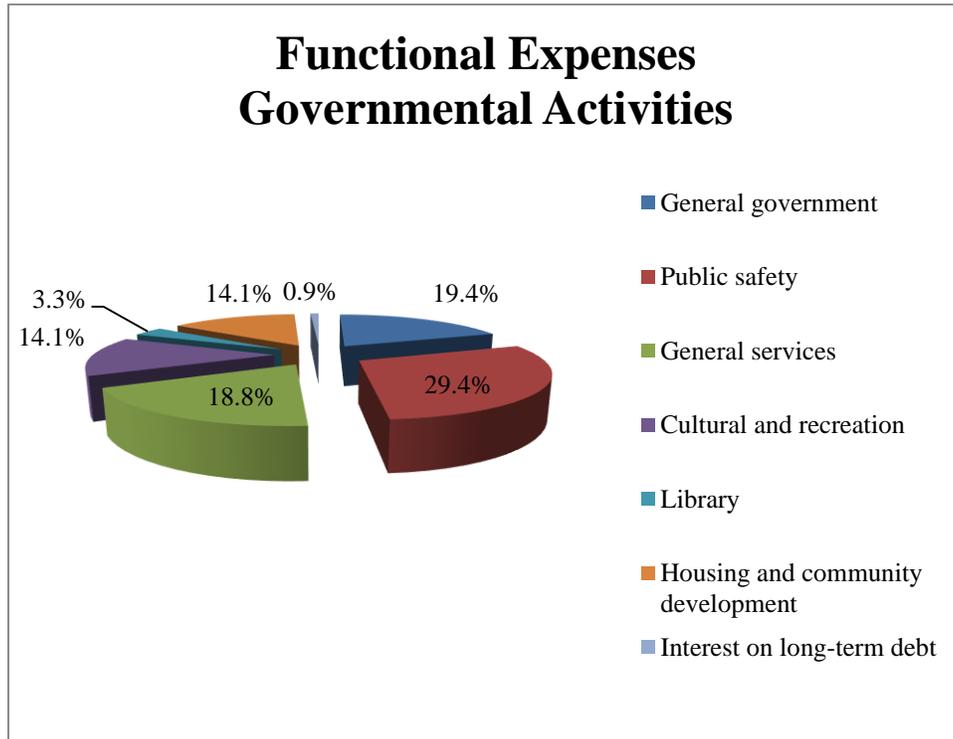
Revenue Sources: Governmental Activities. As shown in the chart below, the top five sources of revenue account for 75.7% of total revenues. They are Charges for Services at \$130.5 million, with an increase of \$9.3 million or 7.7% over the prior year, Property Taxes at \$52.8 million, with an increase of \$5.1 million or 10.7%, Sales and Use Taxes at \$51.1 million, with an increase of \$1.9 million or 3.9%, Transient Occupancy Taxes at \$47.6 million, with an increase of \$3.2 million or 7.2%, and Utility Users Taxes at \$32.1 million, with a decrease of \$0.7 million or 2.1%. The increases were primarily due to better economic conditions.



CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued
For the fiscal year ended June 30, 2015
(Unaudited)

Functional Expenses: Governmental Activities. As displayed in the chart below, public safety, cultural and recreation, general government, general services, and housing and community development accounted for 95.8% of total governmental activity-related expenses.



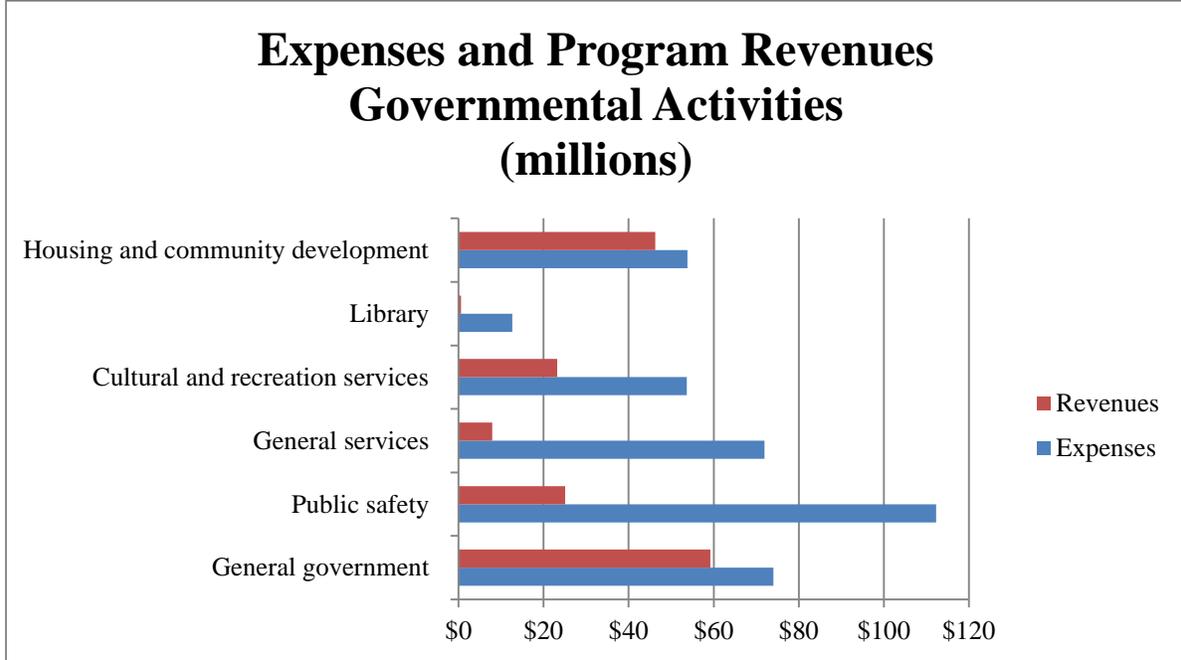
Explanations of significant variances in key City functions from the prior year are explained below:

1. **General government** expenses increased \$0.8 million from prior year primarily due to a \$1.8 million increase to salaries and benefits and a \$1.6 million increase to supplies and expense. These were offset by a reduction in pension expense of \$0.9 million as a result of the implementation of GASB 68 and a reduction in OPEB expense of \$1.7 million.
2. **Public safety** expense decreased by \$1.6 million from the prior year primarily due to a reduction in pension expense of \$2.5 million as a result of the implementation of GASB 68 and a reduction in Workers' Compensation expense of \$2.4 million offset by a \$3.1 million increase in salaries and benefits. The decrease in Workers' Compensation expense was partly due to additional governmental activities contributions reported in General Services expense.
3. **General services** expense increased by \$2.3 million primarily due to an increase of \$3.5 million in Workers' Compensation expense offset by a decrease of pension expense of \$0.9 million due to the implementation of GASB 68.
4. **Cultural and recreation** expenses decreased by \$0.6 million primarily due to a decrease of pension expense of \$0.4 million due to the implementation of GASB 68.

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued
For the fiscal year ended June 30, 2015
(Unaudited)

Program Expenses: Governmental Activities. The following chart compares program revenues and expenses for governmental activities:

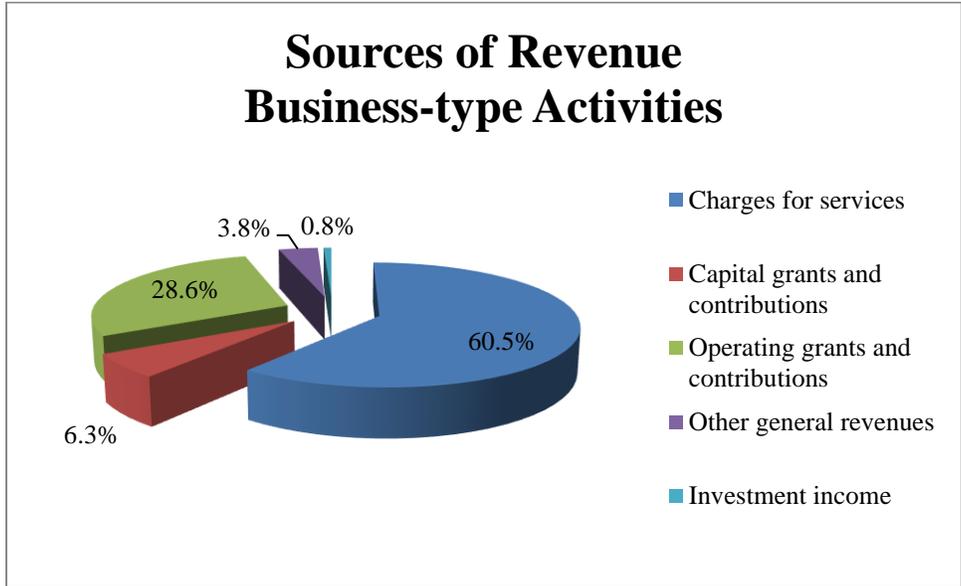


CITY OF SANTA MONICA, CALIFORNIA

Management’s Discussion and Analysis, Continued
For the fiscal year ended June 30, 2015
(Unaudited)

Business-type Activities. The City’s business-type activities net position, as restated, decreased by \$0.1 million, or less than 0.1%, from the prior year.

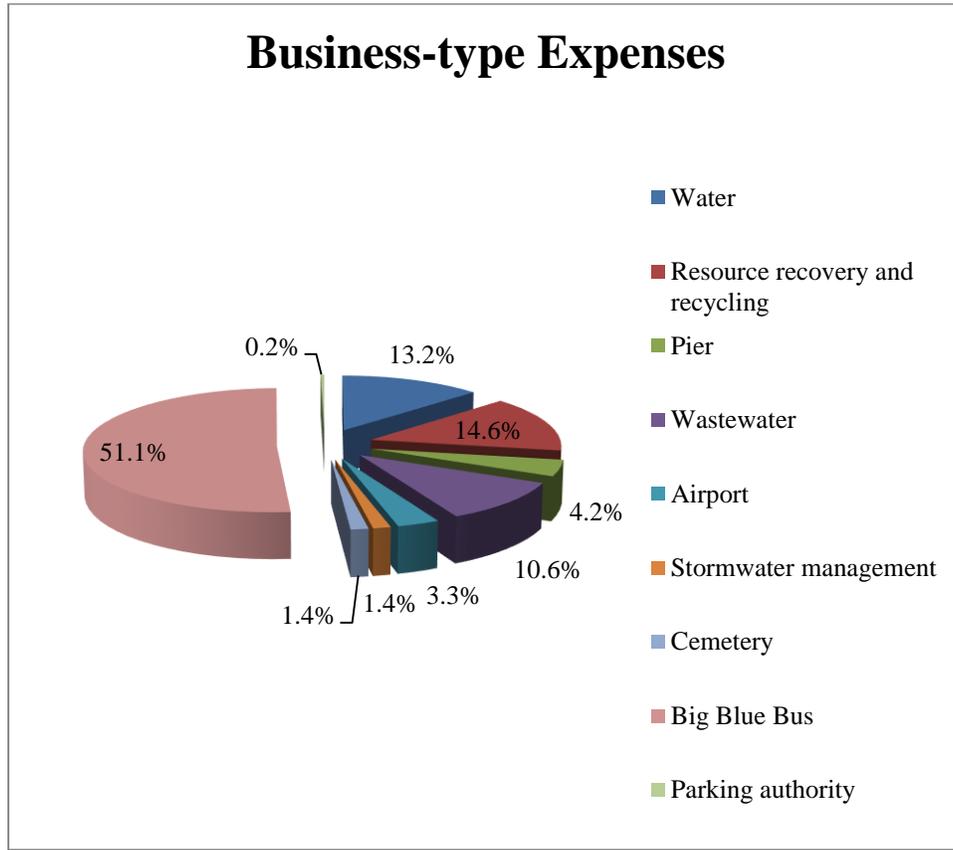
Revenue Sources: Business-type activities. As shown in the chart below, the top three sources of revenue, which are charges for services, operating and capital grants, and contributions, account for 95.4% of total business-type revenues of \$164.8 million. The chart also displays the key sources of revenue for business-type activities as a percentage of total revenues.



CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued
For the fiscal year ended June 30, 2015
(Unaudited)

Business-type Expenses: Business Activities. As displayed in the chart below, the Big Blue Bus, Resource Recovery and Recycling, Water and Wastewater enterprise Funds accounted for 89.5% of total business-type activity expenses. Other business-type activities of the City include the Airport, Pier, Cemetery and Mausoleum, Storm Water Management, and Parking Authority Funds.



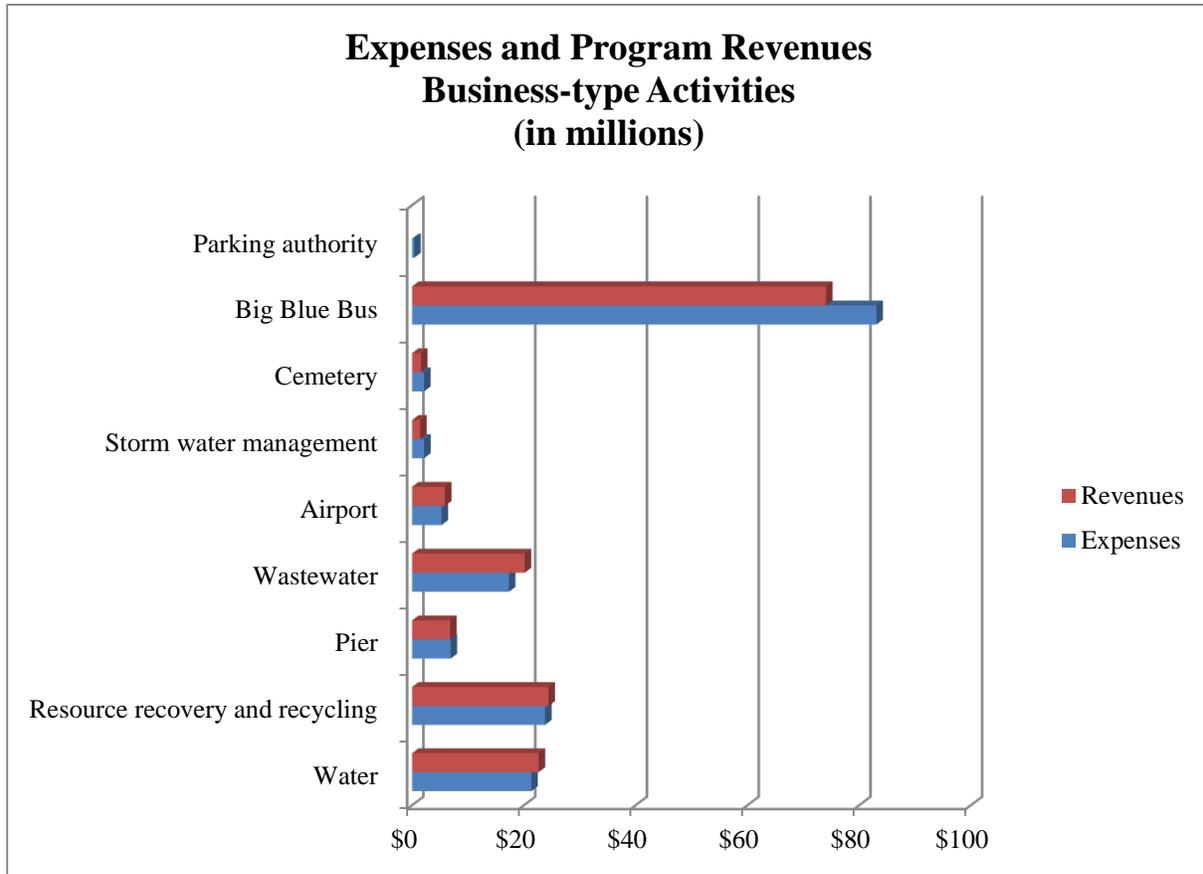
Explanations of significant variances in major business-type activity expenses from the prior year are:

1. **Water Fund** – Decrease in operating expenses is due primarily from decreases in water purchased from the Metropolitan Water District. This occurred due to the City's water conservation efforts, leading to less days where peak demand exceeded the City's internal water output.
2. **Wastewater Fund** – Decrease in operating expenses is primarily related to an accounting adjustment reclassifying transfers to personnel expenses as compared to the previous year, offset by increases in materials and supplies due to maintenance on the Santa Monica Urban Runoff Recycling Facility.
3. **Big Blue Bus Fund** – Increase in operating expenses is primarily related to the increase in personnel costs of overtime, workers' compensation and salary cost of living increases.

CITY OF SANTA MONICA, CALIFORNIA

Management’s Discussion and Analysis, Continued
For the fiscal year ended June 30, 2015
(Unaudited)

Program Expenses: Business-type Activities. The following chart compares program revenues and expenses for business-type activities:



Big Blue Bus expenses exceeded revenues primarily due to a reversal of \$4.5 million in capital grant revenue previously recognized. This occurred because the BBB vendor did not meet contractual requirements and refunded the monies to the BBB, who in turn remitted the funds to the grantor. The cash will be redrawn to fund another qualified project and revenue will be recognized at that time. Additionally, capital grant revenues used to purchase capital assets, such as buses or pay for preventative maintenance and parts, are recognized currently while the related depreciation expense is reported over the life of the assets.

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued
For the fiscal year ended June 30, 2015
(Unaudited)

FINANCIAL ANALYSIS OF THE CITY'S MAJOR FUNDS

As noted earlier, the City uses fund accounting to demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financial requirements.

At the end of the current fiscal year, the City's governmental funds reported total fund balances of \$558.1 million, an increase of \$11.1 million, or 2.0% in comparison with the prior year. The primary reasons for the increase are discussed below.

General Fund

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance was \$375.0 million.

The General Fund fund balance increased \$9.0 million, or 2.5%, during the fiscal year ended June 30, 2015. Key factors in changes in revenues and expenditures from the prior year are as follows:

1. Revenues reflect a net increase of \$14.7 million, or 4.4%, over the prior fiscal year primarily from increases in property tax of \$4.9 million, or 9.8%, other taxes of \$5.2 million, or 4.2%, and licenses and permits of \$2.5 million, or 6.7%. Total General Fund revenues were \$352.7 million for FY 2014-15.
2. Expenditures were \$6.9 million, or 2.1%, less than the prior fiscal year primarily due to decreases in expenditures for housing and community development of \$20.2 million, or 43.4%, a decrease in library expenditures of \$5.1 million, or 29.8%, an increase in public safety expenditures \$4.5 million, or 4.0%, an increase in general government of \$6.1 million, or 8.9%, and an increase in general services expenditures of \$7.2 million or 15.8%. The decrease in housing and community development is due to completion of construction of the new Tongva Park and Ken Genser Square adjacent to City Hall. Library expenditures decreased with the completion of the Pico Branch Library. Public safety and general services expenditures increased due to increases in personnel, retirement and medical insurance costs. General services also increased due to an increase in capital projects from FY 2013-14 of \$2.4 million and an increase and salaries and benefits of \$6.0 million.

Special Revenue Source Fund

The Special Revenue Source Fund fund balance increased by \$2.8 million, or 5.5%, from the prior year. Other revenue and special assessments increased by \$1.7 million, or 18.3% mainly due to a \$5.3 million settlement payment received during the fiscal year offset by a decrease in proceeds of \$1.1 million and a decrease of \$2.2 million received for the City accepting responsibility for Lincoln Boulevard from Caltrans.

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued
For the fiscal year ended June 30, 2015
(Unaudited)

Nonmajor Governmental Funds

All non-major governmental funds' fund balance decreased \$0.8 million, or 0.6% from the previous fiscal year.

Total revenue decreased \$4.9 million, or 8.3%, primarily due to a decrease in miscellaneous grants of \$3.5 million and a decrease in investment income of \$1.3 million.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail.

The total net position, as restated, of the enterprise funds decreased \$0.9 million, or 0.2%.

Water Fund

Total net position, as restated, of the Water Fund increased \$0.6 million, or 1.2%, primarily due to the decrease in water purchases due to conservation measures implemented in FY 2014-15.

Wastewater Fund

The total net position, as restated, of the Wastewater Fund increased \$2.6 million, or 1.3%. The net position increased primarily because of reductions in other expense which reported a \$1.0 million loss on redemption of the 2005 Wastewater bonds and \$0.4 million in bad debt write offs in FY 13-14.

Resource Recovery and Recycling Fund

The total net position, as restated, of the Resource Recovery and Recycling Fund increased \$1.0 million, or 26.2%. The increase was primarily due to an increase in charges for services.

Big Blue Bus Fund

Total net position, as restated, of the Big Blue Bus Fund decreased \$5.5 million, or 2.6%. This was due primarily to an \$18.1 million decrease in capital grants, offset by a \$6.4 million increase in recognized shared sales tax proceeds when compared to FY 2013-14.

General Fund Budgetary Highlights

Differences between the original budget versus the final amended budget and the final amended budget versus the actual are briefly summarized as follows:

The final revenue budget exceeds the original budget by \$9.6 million. Actual total revenues were greater than final budget totals by \$18.4 million. This was partially due to property tax, other taxes, charges for services, license and permits and investment income revenues exceeding final budget by \$8.7 million, \$1.2 million, \$2.1 million, \$2.5 million, and \$0.5 million, respectively.

The final expenditure budget is greater than the original budget by \$83.3 million. The increase is primarily due to the capital budgeting process. The original capital budget includes only amounts adopted by Council as part of the biennial capital budgeting process. However, large capital projects often span across numerous years and remaining capital budgets from previous fiscal periods are rolled

CITY OF SANTA MONICA, CALIFORNIA

Management’s Discussion and Analysis, Continued
For the fiscal year ended June 30, 2015
(Unaudited)

over to the current fiscal year in order to complete those projects. The final budget includes both newly adopted and rolled over amounts. Significant projects that were rolled over include the City Services Building, the Early Childhood Center, the Colorado Esplanade, the Enterprise Resource Planning system and the EXPO maintenance yard buffer at \$7.6 million, \$5.6 million, \$5.5 million, \$5.0 million and \$3.1 million, respectively. Final actual budgetary basis expenditures came in under final budget by \$55.6 million due to the timing of capital improvement projects expenditures and controlled spending on salaries, and other direct and indirect administrative costs.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City’s investment in capital assets as of June 30, 2015 amounted to \$1.2 billion (net of accumulated depreciation), a decrease of \$23.9 million from the prior year balance. This investment in a broad range of capital assets, including land, infrastructure, structures and improvements, equipment, and construction in progress, is detailed as follows:

**CITY OF SANTA MONICA
Capital Assets (net of depreciation)
(in millions)**

	Governmental activities		Business-type activities		Total	
	2014-15	2013-14 (restated)	2014-15	2013-14 (restated)	2014-15	2013-14 (restated)
Land	\$ 206.4	206.4	64.8	64.8	271.2	271.2
Land held under easement	72.2	72.2	—	—	72.2	72.2
Construction in progress	23.0	24.7	12.2	26.4	35.2	51.1
Buildings	246.9	257.1	98.4	102.5	345.3	359.6
Improvements other than buildings	99.6	86.3	9.9	7.3	109.5	93.6
Machinery and equipment	7.5	8.4	60.9	65.1	68.4	73.5
Infrastructure	131.1	141.4	145.9	140.3	277.0	281.7
Utility systems	1.0	1.2	—	—	1.0	1.2
Intangibles	0.7	0.7	65.8	65.4	66.5	66.1
Capital assets, net	<u>\$ 788.4</u>	<u>798.4</u>	<u>457.9</u>	<u>471.8</u>	<u>1,246.3</u>	<u>1,270.2</u>

Some of the City’s major capital asset events in FY 2014-15 were:

Governmental Activities:

1. \$1.2 million in construction in progress for real time beach parking signs.
2. \$3.9 million in construction in progress for the parking structure elevator replacement.
3. \$1.4 million in construction in progress for the Colorado Esplanade.
4. \$4.0 million in construction in progress for the California Incline.

CITY OF SANTA MONICA, CALIFORNIA

Management’s Discussion and Analysis, Continued
For the fiscal year ended June 30, 2015
(Unaudited)

Business-Type Activities:

3. \$2.6 million increase in intangibles for the capital payments made to the City of Los Angeles for Santa Monica’s shared cost of the Amalgamated System in the Wastewater Fund.
4. \$3.0 million increase in infrastructure for ongoing water main replacement in the Water fund.
5. \$3.2 million increase in improvements other than buildings for the bus stop improvement project in the Big Blue Bus fund.
6. \$4.6 million disposal for return of non-conforming fare boxes to the vendor in the Big Blue Bus fund.

Additional information on the City’s capital assets can be found in note 7 to the basic financial statements.

As of June 30, 2015, the City had \$91.2 million in construction commitments. For additional information on commitments see note 14.

Long-term Debt. At the end of the current fiscal year, the City’s total long-term debt outstanding was \$94.5 million, a decrease from the prior year of \$6.3 million or 6.3%. This amount was comprised of \$83.7 million in revenue bonds, which are secured by both governmental and business-type revenue sources, \$8.9 million in general obligation bonds which are backed by the full faith and credit of the City, and \$1.9 million in various notes and loans payable. This is shown in the following table:

**CITY OF SANTA MONICA
Outstanding Debt
(in millions)**

	Governmental activities		Business-type activities		Total	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
General obligation bonds (backed by the City)	\$ 8.9	10.1	—	—	8.9	10.1
Revenue bonds (backed by specific tax, fee and lease revenues)	74.7	79.6	9.0	8.9	83.7	88.5
Notes and loans	0.4	0.4	1.5	1.8	1.9	2.2
Total	<u>\$ 84.0</u>	<u>90.1</u>	<u>10.5</u>	<u>10.7</u>	<u>94.5</u>	<u>100.8</u>

Additional information on the City’s long-term debt can be found in note 9 to the basic financial statements.

ECONOMIC FACTORS AND BIENNIAL BUDGET

The City’s adopted General Fund budget for FY 2015-17 supports the basic responsibilities of local government, the policy interests of City Council Members and diverse concerns of the residents. Management feels that there are adequate resources available to fund the proposed expenditures.

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued
For the fiscal year ended June 30, 2015
(Unaudited)

In preparing the budget for FYs 2015-17, many factors were taken into consideration:

- Continuing increases in health care, pension, and workers' compensation costs.
- Continued increases in Transient Occupancy (TOT), Sales, Property, and Business License revenues due to a vibrant, diverse and still improving economy.
- The financial impact of the dissolution of the RDA may require the City to seek financing for replacement or retrofitting of key City facilities, and look to secure new funding streams to support continuation of the City's affordable housing program. Recently, the City was able to begin repayment of a loan made by the City to the former RDA with the first approved payment amounting to \$7.9 million.
- Mobility and planning efforts that will improve circulation to, from and within the City limits, including the opening of EXPO light rail in Spring 2016, the accompanying Big Blue Bus service integration plan that will create connections to light rail stations and increase north-south corridor service, and the new bikeshare program. At the same time, staff will focus on completing upcoming area plans, including the Downtown Specific Plan and the Bergamot Area Plan.
- Maintaining an inclusive and diverse community through efforts to maintain and augment the City's affordable housing and increase the City's minimum wage.
- Securing local control of the City land occupied by the Santa Monica Airport.
- Taking a leadership role in regional efforts to address homelessness and continuing the partnerships to help the community learn and thrive.
- Implementing policies and programs to mitigate climate change and its effects, including the greenhouse gas emissions reduction strategy, water conservation, and a zero waste strategic plan.
- Enhancing public safety staffing and services to respond to an increasing number of visitors to the City.

CONTACTING THE CITY'S FINANCE DEPARTMENT

This management's discussion and analysis is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions or need additional financial information, please visit the City of Santa Monica's Finance Department website at www.smgov.net/finance or call (310) 458-8281.

City of Santa Monica, California
Year Ended June 30, 2015

BASIC FINANCIAL STATEMENTS

CITY OF SANTA MONICA, CALIFORNIA

Statement of Net Position

June 30, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (note 5)	\$ 422,833,822	149,567,815	572,401,637
Receivables (net of allowances for uncollectibles):			
Accounts	63,676,672	20,764,252	84,440,924
Interest	1,118,039	384,689	1,502,728
Notes (note 6)	123,470,130	-	123,470,130
Other governments	3,428,351	-	3,428,351
Internal balances	16,697,481	(16,697,481)	-
Inventory	-	2,757,015	2,757,015
Deposits	61,785	-	61,785
Prepays	2,967,694	38,951	3,006,645
Restricted cash and investments (note 5)	66,395,373	39,891,067	106,286,440
Restricted cash and investments with fiscal agent (note 5)	33,186,079	-	33,186,079
Advances to Successor Agency (note 11 and 17)	32,020,006	-	32,020,006
Capital assets (note 7):			
Capital assets not being depreciated:			
Land	206,448,024	64,849,212	271,297,236
Land held under easement	72,237,823	-	72,237,823
Construction in progress	23,003,611	12,210,426	35,214,037
Capital assets being depreciated:			
Buildings	342,254,196	147,870,482	490,124,678
Improvements other than buildings	159,531,718	30,973,150	190,504,868
Utility systems	1,742,913	-	1,742,913
Machinery and equipment	35,064,633	174,530,713	209,595,346
Infrastructure	331,597,720	227,511,380	559,109,100
Intangibles	695,710	93,979,245	94,674,955
Less accumulated depreciation	(384,155,562)	(294,060,733)	(678,216,295)
Total capital assets, net	788,420,786	457,863,875	1,246,284,661
TOTAL ASSETS	1,554,276,218	654,570,183	2,208,846,401
DEFERRED OUTFLOWS OF RESOURCES			
Loss on refundings of debt	293,878	495,734	789,612
Deferred outflows from pensions (note 16)	49,402,897	12,089,750	61,492,647
TOTAL DEFERRED OUTFLOWS OF RESOURCES	49,696,775	12,585,484	62,282,259
LIABILITIES			
Accounts payable	15,637,376	8,297,652	23,935,028
Accrued liabilities	9,063,079	3,791,737	12,854,816
Accrued interest payable	1,177,591	124,044	1,301,635
Contracts payable (retained percentage)	560,214	363,975	924,189
Unearned revenue (note 8)	24,914,043	9,072,663	33,986,706
Due to other governments	-	2,648,622	2,648,622
Deposits payable from restricted assets	1,584,055	12,375,690	13,959,745
Long-term liabilities:			
Compensated absences due within one year (note 9)	7,505,505	2,367,751	9,873,256
Compensated absences due in more than one year (note 9)	4,298,901	1,105,947	5,404,848
Claims payable due within one year (notes 9 and 15)	9,984,378	2,306,350	12,290,728
Claims payable due in more than one year (notes 9 and 15)	31,333,803	2,383,910	33,717,713
Due to Successor Agency within one year (note 17)	19,149,678	-	19,149,678
Loans and bonds payable due within one year (note 9)	6,235,000	284,383	6,519,383
Loans and bonds payable due in more than one year (note 9)	81,453,861	10,817,730	92,271,591
Pollution remediation obligation due within one year (note 4)	4,608,967	2,754,434	7,363,401
Pollution remediation obligation due in more than one year (note 4)	92,771,992	15,389,208	108,161,200
Other long-term liability (note 4)	8,704,750	-	8,704,750
Net OPEB obligation (note 16)	8,119,142	2,204,631	10,323,773
Net pension liability (note 16)	303,675,074	63,634,076	367,309,150
TOTAL LIABILITIES	630,777,409	139,922,803	770,700,212
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from pensions (note 16)	65,134,108	14,384,568	79,518,676
NET POSITION			
Net investment in capital assets	705,144,194	447,257,495	1,152,401,689
Restricted for (note 12):			
Housing and community development	98,984,696	-	98,984,696
Clean beaches and ocean parcel tax	8,101,808	-	8,101,808
Beach and parks recreation	8,250,332	-	8,250,332
Miscellaneous grants	11,705,833	-	11,705,833
Debt service	5,091,427	-	5,091,427
Development projects	34,609,461	-	34,609,461
Perpetual care - nonexpendable	11,418,771	-	11,418,771
Rail system and Prop 1B	-	15,102,480	15,102,480
Other	462,429	-	462,429
Unrestricted	24,292,525	50,488,321	74,780,846
TOTAL NET POSITION	\$ 908,061,476	512,848,296	1,420,909,772

CITY OF SANTA MONICA, CALIFORNIA
Statement of Activities
For the fiscal year ended June 30, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue and Change in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 74,025,357	56,875,636	1,706,268	653,245	(14,790,208)	-	(14,790,208)
Public safety	112,278,370	22,601,990	1,672,910	786,367	(87,217,103)	-	(87,217,103)
General services	71,906,263	2,144,800	4,132,413	1,625,630	(64,003,420)	-	(64,003,420)
Cultural and recreation services	53,694,823	21,359,942	1,813,650	-	(30,521,231)	-	(30,521,231)
Library	12,678,896	601,618	-	-	(12,077,278)	-	(12,077,278)
Housing and community development	53,831,747	26,957,697	17,007,015	2,316,736	(7,550,299)	-	(7,550,299)
Interest on long-term debt	3,521,630	-	-	-	(3,521,630)	-	(3,521,630)
Total governmental activities	381,937,086	130,541,683	26,332,256	5,381,978	(219,681,169)	-	(219,681,169)
Business-Type Activities:							
Water	21,356,497	22,664,712	-	-	-	1,308,215	1,308,215
Resource recovery and recycling	23,819,237	24,425,879	-	-	-	606,642	606,642
Pier	6,909,632	6,813,625	-	-	-	(96,007)	(96,007)
Wastewater	17,335,625	20,162,516	-	-	-	2,826,891	2,826,891
Airport	5,293,714	5,897,240	-	-	-	603,526	603,526
Stormwater management	2,172,116	1,458,352	-	-	-	(713,764)	(713,764)
Cemetery	2,154,147	1,604,607	-	-	-	(549,540)	(549,540)
Big Blue Bus	83,106,447	16,664,916	47,098,487	10,333,281	-	(9,009,763)	(9,009,763)
Parking authority	403,822	-	-	-	-	(403,822)	(403,822)
Total business-type activities	162,551,237	99,691,847	47,098,487	10,333,281	-	(5,427,622)	(5,427,622)
Total Primary Government	\$ 544,488,323	230,233,530	73,430,743	15,715,259	(219,681,169)	(5,427,622)	(225,108,791)
General revenues:							
Taxes:							
Business					31,468,959	-	31,468,959
Property					52,771,401	-	52,771,401
Transient occupancy					47,628,525	-	47,628,525
Sales and use					51,089,716	-	51,089,716
Utility users					32,065,724	-	32,065,724
Real property transfer					7,903,119	-	7,903,119
Parking facility					11,071,958	-	11,071,958
Other					2,970,162	-	2,970,162
Motor vehicle in lieu, unrestricted					37,990	-	37,990
Other revenue and special assessments					11,518,022	6,230,537	17,748,559
Investment income					4,084,621	1,408,083	5,492,704
Extraordinary loss (note 17)					(5,106,828)	-	(5,106,828)
Transfers					2,341,674	(2,341,674)	-
Total general revenues, extraordinary loss and transfers					249,845,043	5,296,946	255,141,989
Change in net position					30,163,874	(130,676)	30,033,198
Net position at beginning of year, as restated (note 19)					877,897,602	512,978,972	1,390,876,574
Net position at end of year					\$ 908,061,476	512,848,296	1,420,909,772

See accompanying notes to basic financial statements.

CITY OF SANTA MONICA, CALIFORNIA

Major Governmental Fund Financial Statements

General Fund – To account for all financial resources necessary to carry out basic governmental activities of the City that are not accounted for in another fund. The General Fund supports essential City services such as police and fire protection, street maintenance, libraries, parks and open space management.

Special Revenue Source Fund (Special Revenue Fund Type) – To account for receipt and expenditure of monies restricted, committed or assigned for specific uses.

CITY OF SANTA MONICA, CALIFORNIA
Balance Sheet
Governmental Funds
June 30, 2015

	<u>Special Revenue Fund</u>			
	<u>General Fund</u>	<u>Special Revenue Source Fund</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
ASSETS				
Cash and investments (note 5)	\$ 289,983,870	39,721,147	35,401,813	365,106,830
Restricted cash and investments (note 5)	59,998,642	-	6,396,731	66,395,373
Receivables (net, where applicable, of allowances for uncollectibles):				
Accounts	62,057,677	7,579	1,590,830	63,656,086
Notes (note 6)	17,488,870	34,341,141	71,640,119	123,470,130
Interest	745,079	84,447	191,899	1,021,425
Other governments	-	-	3,428,351	3,428,351
Due from other funds (note 11)	1,330,116	-	-	1,330,116
Deposits	58,528	-	3,257	61,785
Prepays	2,913,201	-	45,078	2,958,279
Restricted cash and investments with fiscal agent (note 5)	13,142,231	-	20,043,848	33,186,079
Advances to other funds	16,901,899	-	-	16,901,899
Advances to Successor Agency trust fund (note 11)	24,155,332	-	7,864,674	32,020,006
Total assets	<u>\$ 488,775,445</u>	<u>74,154,314</u>	<u>146,606,600</u>	<u>709,536,359</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 12,051,854	229,894	3,190,950	15,472,698
Accrued liabilities	8,638,341	-	358,379	8,996,720
Contracts payable (retained percentage)	195,883	21,997	342,334	560,214
Due to other funds (note 11)	-	-	1,303,299	1,303,299
Due to Successor Agency trust fund (note 11)	19,149,678	-	-	19,149,678
Unearned revenue (note 8)	7,710,102	18,697,810	6,131	26,414,043
Deposits payable	690,040	825,000	69,015	1,584,055
Advances from other funds (note 11)	-	-	3,842,973	3,842,973
Total liabilities	<u>48,435,898</u>	<u>19,774,701</u>	<u>9,113,081</u>	<u>77,323,680</u>
Deferred inflows of resources (note 8)	<u>65,315,519</u>	<u>-</u>	<u>8,794,206</u>	<u>74,109,725</u>
Fund balances (note 13)				
Nonspendable	23,725,864	-	11,463,849	35,189,713
Restricted	17,951,299	34,609,461	110,292,577	162,853,337
Committed	520,574	17,825,734	51,975	18,398,283
Assigned	218,630,183	1,944,418	7,705,199	228,279,800
Unassigned	114,196,108	-	(814,287)	113,381,821
Total fund balances	<u>375,024,028</u>	<u>54,379,613</u>	<u>128,699,313</u>	<u>558,102,954</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 488,775,445</u>	<u>74,154,314</u>	<u>146,606,600</u>	<u>709,536,359</u>

See accompanying notes to basic financial statements.

CITY OF SANTA MONICA, CALIFORNIA
 Reconciliation of the Governmental Funds Balance Sheet to the
 Government-Wide Statement of Net Position
 June 30, 2015

Fund balances - total governmental funds	\$ 558,102,954
Amounts reported for governmental activities in the statement of net position are different because (Note 3):	
(1) Capital assets used in governmental activities are not current financial resources and therefore are not reported in the balance sheet.	788,329,667
(2) Pension contributions paid in 2014-15 are reported as deferred outflows	49,083,860
(3) Deferred loss on refundings of debt is not a current financial resource and therefore is not reported in the balance sheet.	293,878
(4) Long-term liabilities are not due and payable in the current period and therefore are not reported in the balance sheet.	(516,749,792)
(5) Other long-term assets, net of other long term liabilities, are not available to pay for current period expenditures and, therefore, are deferred in the funds and recognized as revenue in the statement of activities.	75,609,715
(6) Pension assets investment returns greater than projected are reported as deferred inflows	(64,768,231)
(7) Internal service funds are used by management to charge the costs of vehicle management, information technology and risk management to individual funds. The assets and liabilities of the information technology and risk management (excluding bus) internal service funds are included in the governmental activities in the statement of net position.	18,159,425
Net position of governmental activities	\$ 908,061,476

See accompanying notes to basic financial statements.

CITY OF SANTA MONICA, CALIFORNIA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the fiscal year ended June 30, 2015

	General Fund	Special Revenue Fund	Nonmajor governmental funds	Total governmental funds
Revenues:				
Property taxes	\$ 55,044,307	-	-	55,044,307
Sales and use taxes	51,089,716	-	-	51,089,716
Other taxes	129,105,916	-	2,969,106	132,075,022
Licenses and permits	39,370,036	-	120,652	39,490,688
Intergovernmental	1,594,357	-	29,418,970	31,013,327
Charges for services	37,332,249	1,307,522	17,741,581	56,381,352
Fines and forfeitures	16,287,290	-	-	16,287,290
Investment income	3,313,550	16,481	672,848	4,002,879
Rental income	9,504,058	-	1,098,613	10,602,671
Settlement income	2,433,175	-	-	2,433,175
Other revenue and special assessments	7,604,408	11,106,992	2,347,209	21,058,609
Total revenues	<u>352,679,062</u>	<u>12,430,995</u>	<u>54,368,979</u>	<u>419,479,036</u>
Expenditures:				
Current:				
General government	74,087,552	11	653,738	74,741,301
Public safety	114,939,986	8,455	2,238,446	117,186,887
General services	52,416,042	718,387	18,235,970	71,370,399
Cultural and recreation services	41,234,941	5,124	9,190,549	50,430,614
Library	12,025,143	-	-	12,025,143
Housing and community development	26,398,364	4,475,259	22,837,717	53,711,340
Debt service expenditures:				
Principal	-	-	6,075,000	6,075,000
Interest	-	-	3,785,591	3,785,591
Total expenditures	<u>321,102,028</u>	<u>5,207,236</u>	<u>63,017,011</u>	<u>389,326,275</u>
Excess (deficiency) of revenues over (under) expenditures	<u>31,577,034</u>	<u>7,223,759</u>	<u>(8,648,032)</u>	<u>30,152,761</u>
Other financing sources (uses):				
Transfers in (note 11)	9,358,120	-	10,420,089	19,778,209
Transfers out (note 11)	(10,357,844)	(4,407,204)	(2,524,841)	(17,289,889)
Total other financing sources (uses)	<u>(999,724)</u>	<u>(4,407,204)</u>	<u>7,895,248</u>	<u>2,488,320</u>
Extraordinary item:				
Extraordinary item - payment to the Successor Agency (note 17)	(21,564,585)	-	-	(21,564,585)
Net change in fund balances	9,012,725	2,816,555	(752,784)	11,076,496
Fund balances at beginning of year	366,011,303	51,563,058	129,452,097	547,026,458
Fund balances at end of year	<u>\$ 375,024,028</u>	<u>54,379,613</u>	<u>128,699,313</u>	<u>558,102,954</u>

See accompanying notes to basic financial statements.

CITY OF SANTA MONICA, CALIFORNIA

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances
to the Government-Wide Statement of Activities

For the fiscal year ended June 30, 2015

Net change in fund balances – total governmental funds \$ 11,076,496

Amounts reported for governmental activities in the statement of activities are different because:

Capital assets:

- 1) The acquisition of capital assets requires the use of current financial resources but has no effect on net position. 17,234,708
- 2) The cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense in the statement of activities. (26,910,737)
- 3) The loss on disposal of capital assets is recorded as an expense in the statement of activities but is not recorded in the fund statements. (211,185)

Measurement focus:

- 4) Change in accrued interest payable. (81,614)
- 5) Principal payments on long-term obligations use current financial resources but have no effect on net position. 6,075,000
- 6) Bond premiums are recorded as other financing sources in the fund statements but are amortized in the statement of activities. 348,025
- 7) Bond discounts are recorded as other financing uses in the fund statements but amortized in the statement of activities. (2,450)
- 8) Deferred loss on refundings is amortized in the statement of activities. (67,817)
- 9) The increase in compensated absences liability does not use current financial resources but is recorded as an increase in expense in the statement of activities. 126,899
- 10) Interest income related to redevelopment advances are recorded as revenue in the statement of activities but are reported as deferred inflows of resources in the fund statements. 75,690
- 11) FEMA grant revenue previously recognized in the statement of activities is recorded as revenue in the fund statements. (151,759)
- 12) Revenue previously recognized on fund statements from pollution remediation resources are not recognized as revenue in the statements of activities. (2,433,175)
- 13) The increase in OPEB obligation does not require the use of current financial resources but is recorded as an expense in the statement of activities. (89,893)
- 14) Pollution remediation expense activity was recorded in a prior year and reduced the liability in the statement of net position. 1,732,583
- 15) Decrease in advance to the Successor Agency is reported as an extraordinary item on the statement of activities. (3,335,255)
- 16) Expense related to the Successor Agency settlement agreement has been previously recognized in the statement of activities. 19,793,012
- 17) GASB 68 pension reporting timing differences. 7,793,568
- 18) Property tax revenue received previously recognized in the statement of activities. (2,272,906)
- 19) Interest income related to airport advances recorded as revenue in the fund statements but previous recognized. (256,237)

Internal service funds:

- 20) Certain internal service funds are used by management to charge the costs of information technology and risk management to individual funds.

The net expense of certain internal service funds is reported with governmental activities. 1,720,921

Change in net position (statement of activities, governmental activities) \$ 30,163,874

See accompanying notes to basic financial statements.

CITY OF SANTA MONICA, CALIFORNIA

Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Non-GAAP Basis)

General Fund

For the fiscal year ended June 30, 2015

	Original budget	Final budget	Actual	Encumbrance	Actual, budgetary basis	Variance with final budget
Revenues:						
Property taxes	\$ 46,035,429	46,377,224	55,044,307	—	55,044,307	8,667,083
Sales and use taxes	50,278,444	51,036,257	51,089,716	—	51,089,716	53,459
Other taxes	123,771,000	127,921,000	129,105,916	—	129,105,916	1,184,916
Licenses and permits	36,819,623	36,897,659	39,370,036	—	39,370,036	2,472,377
Intergovernmental	369,653	562,427	1,594,357	—	1,594,357	1,031,930
Charges for services	34,973,692	35,261,593	37,332,249	—	37,332,249	2,070,656
Fines and forfeitures	15,411,414	16,026,414	16,287,290	—	16,287,290	260,876
Investment income	1,806,200	2,775,200	3,313,550	—	3,313,550	538,350
Rental income	9,101,375	9,301,375	9,504,058	—	9,504,058	202,683
Settlement income	2,433,175	2,433,175	2,433,175	—	2,433,175	—
Other revenue and special assessments	3,689,230	5,733,252	7,604,408	—	7,604,408	1,871,156
Total revenues	324,689,235	334,325,576	352,679,062	—	352,679,062	18,353,486
Expenditures:						
General government:						
City council	938,905	1,303,814	1,104,578	18,145	1,122,723	181,091
City manager	12,993,299	13,067,005	11,204,150	474,604	11,678,754	1,388,251
Record and election services	2,675,776	2,697,340	2,714,455	—	2,714,455	(17,115)
Finance	12,114,300	12,220,116	11,328,067	35,248	11,363,315	856,801
City attorney	10,074,046	10,182,801	9,988,263	—	9,988,263	194,538
Human resources	4,263,816	4,318,262	3,960,410	—	3,960,410	357,852
Information systems	8,332,844	8,671,925	8,076,643	294,833	8,371,476	300,449
Planning and community development	13,425,098	13,503,161	12,728,410	249,400	12,977,810	525,351
Community and cultural services	553,467	553,467	574,340	—	574,340	(20,873)
Housing and economic development	16,500	16,500	130	—	130	16,370
Other	4,273,883	5,897,366	4,685,759	119,667	4,805,426	1,091,940
Capital improvement	6,425,748	18,595,910	7,722,347	1,029,611	8,751,958	9,843,952
Total general government	76,087,682	91,027,667	74,087,552	2,221,508	76,309,060	14,718,607
Public safety:						
City Manager	358,031	357,164	76,350	—	76,350	280,814
Police	75,679,964	78,264,583	76,948,527	1,729	76,950,256	1,314,327
Fire	32,755,878	35,098,173	34,471,508	33,740	34,505,248	592,925
Other	—	3,302,417	2,255,007	200,000	2,455,007	847,410
Capital improvement	4,056,000	9,830,444	1,188,594	2,199,539	3,388,133	6,442,311
Total public safety	\$ 112,849,873	126,852,781	114,939,986	2,435,008	117,374,994	9,477,787

See accompanying notes to basic financial statements.

(Continued)

CITY OF SANTA MONICA, CALIFORNIA

Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Non-GAAP Basis)

General Fund

For the fiscal year ended June 30, 2015

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with final budget</u>
General services:						
Public works	\$ 40,331,347	41,019,699	39,531,881	378,281	39,910,162	1,109,537
Other	(2,460,940)	3,270,491	2,668,526	1,902	2,670,428	600,063
Capital improvement	18,745,799	31,598,151	10,215,635	8,895,788	19,111,423	12,486,728
Total general services	<u>56,616,206</u>	<u>75,888,341</u>	<u>52,416,042</u>	<u>9,275,971</u>	<u>61,692,013</u>	<u>14,196,328</u>
Cultural and recreation services:						
Community and cultural services	24,187,628	24,873,860	24,478,883	487,091	24,965,974	(92,114)
Other	16,007,558	16,804,475	16,145,552	3,201	16,148,753	655,722
Capital improvement	1,602,783	7,643,449	610,506	131,076	741,582	6,901,867
Total cultural and recreation services	<u>41,797,969</u>	<u>49,321,784</u>	<u>41,234,941</u>	<u>621,368</u>	<u>41,856,309</u>	<u>7,465,475</u>
Library:						
Library	12,127,053	12,539,441	11,814,125	189,513	12,003,638	535,803
Other	—	490,018	40,380	15,700	56,080	433,938
Capital improvement	—	499,205	170,638	72,199	242,837	256,368
Total library	<u>12,127,053</u>	<u>13,528,664</u>	<u>12,025,143</u>	<u>277,412</u>	<u>12,302,555</u>	<u>1,226,109</u>
Housing and community development:						
Planning and community development	17,887,152	18,812,501	17,417,713	1,035,460	18,453,173	359,328
Housing and economic development	5,464,496	5,712,888	4,786,933	238,615	5,025,548	687,340
Other	2,545,381	2,989,731	2,594,298	92,969	2,687,267	302,464
Capital improvement	—	24,574,956	1,599,420	15,787,455	17,386,875	7,188,081
Total housing and community development	<u>25,897,029</u>	<u>52,090,076</u>	<u>26,398,364</u>	<u>17,154,499</u>	<u>43,552,863</u>	<u>8,537,213</u>
Total expenditures	<u>325,375,812</u>	<u>408,709,313</u>	<u>321,102,028</u>	<u>31,985,766</u>	<u>353,087,794</u>	<u>55,621,519</u>
Excess (deficiency) of revenues over (under) expenditures	(686,577)	(74,383,737)	31,577,034	(31,985,766)	(408,732)	73,975,005
Other financing sources (uses):						
Transfers in	6,365,298	9,957,200	9,358,120	—	9,358,120	(599,080)
Transfers out	(10,163,403)	(10,364,403)	(10,357,844)	—	(10,357,844)	6,559
Total other financing sources (uses)	<u>(3,798,105)</u>	<u>(407,203)</u>	<u>(999,724)</u>	<u>—</u>	<u>(999,724)</u>	<u>(592,521)</u>
Extraordinary item :						
Payment to the Successor Agency	—	(21,564,585)	(21,564,585)	—	(21,564,585)	—
Total extraordinary item	<u>—</u>	<u>(21,564,585)</u>	<u>(21,564,585)</u>	<u>—</u>	<u>(21,564,585)</u>	<u>—</u>
Net change in fund balance	(4,484,682)	(96,355,525)	9,012,725	(31,985,766)	(22,973,041)	73,382,484
Fund balance at beginning of year	366,011,303	366,011,303	366,011,303	—	366,011,303	—
Fund balance at end of year	<u>\$ 361,526,621</u>	<u>269,655,778</u>	<u>375,024,028</u>	<u>(31,985,766)</u>	<u>343,038,262</u>	<u>73,382,484</u>

See accompanying notes to basic financial statements.

CITY OF SANTA MONICA, CALIFORNIA

Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Basis)

Special Revenue Source Fund

For the fiscal year ended June 30, 2015

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with final budget</u>
Revenues:						
Charges for services	\$ 826,795	826,795	1,307,522	—	1,307,522	480,727
Investment income	—	—	16,481	—	16,481	16,481
Other	4,084,773	10,224,051	11,106,992	—	11,106,992	882,941
Total revenues	<u>4,911,568</u>	<u>11,050,846</u>	<u>12,430,995</u>	<u>—</u>	<u>12,430,995</u>	<u>1,380,149</u>
Expenditures:						
General government						
Capital improvement	—	168,698	11	168,698	168,709	(11)
Total general government	—	168,698	11	168,698	168,709	(11)
Public safety:						
Police	21,456	21,456	8,455	—	8,455	13,001
Total public safety	21,456	21,456	8,455	—	8,455	13,001
General services:						
Capital improvement	1,399,314	2,383,648	718,387	595,325	1,313,712	1,069,936
Total general services	1,399,314	2,383,648	718,387	595,325	1,313,712	1,069,936
Cultural and recreation services:						
Community and cultural services	25,000	25,000	5,124	—	5,124	19,876
Capital improvement	—	50,785	—	—	—	50,785
Total cultural and recreation services	25,000	75,785	5,124	—	5,124	70,661
Housing and community development:						
Planning and community development	92,000	92,000	4,693	—	4,693	87,307
Housing and economic development	2,260,936	14,207,676	4,287,025	1,449,000	5,736,025	8,471,651
Capital improvement	—	4,862,962	183,541	2,273,586	2,457,127	2,405,835
Total housing and community development	2,352,936	19,162,638	4,475,259	3,722,586	8,197,845	10,964,793
Total expenditures	3,798,706	21,812,225	5,207,236	4,486,609	9,693,845	12,118,380
Excess (deficiency) of revenues over (under) expenditures	1,112,862	(10,761,379)	7,223,759	(4,486,609)	2,737,150	13,498,529
Other financing uses:						
Transfers out	(836,101)	(4,536,101)	(4,407,204)	—	(4,407,204)	128,897
Total other financing uses	(836,101)	(4,536,101)	(4,407,204)	—	(4,407,204)	128,897
Net change in fund balance	276,761	(15,297,480)	2,816,555	(4,486,609)	(1,670,054)	13,627,426
Fund balance at beginning of year	51,563,058	51,563,058	51,563,058	—	51,563,058	—
Fund balance at end of year	<u>\$ 51,839,819</u>	<u>36,265,578</u>	<u>54,379,613</u>	<u>(4,486,609)</u>	<u>49,893,004</u>	<u>13,627,426</u>

See accompanying notes to basic financial statements.

CITY OF SANTA MONICA, CALIFORNIA

Proprietary Fund Financial Statements

Major Enterprise Funds are used to report any activity for which a fee is charged to external users for goods or services.

Water Fund – To account for revenues and expenses of providing water service to the citizens of the City.

Wastewater Fund – To account for revenues and expenses associated with maintaining the sanitary sewer systems within the City.

Resource Recovery and Recycling Fund – To account for revenues and expenses of operating the City's refuse collection, street sweeping and cleaning, and recycling programs.

Big Blue Bus Fund – To account for revenues and expenses related to operation of the City's municipal bus lines.

Internal Service Funds – To account for the financing of goods or services provided by one department or agency to other departments or agencies of the City or to other governments, on a cost-reimbursement basis.

CITY OF SANTA MONICA, CALIFORNIA
Statement of Net Position
Proprietary Funds
June 30, 2015

	Business-Type Activities - Enterprise Funds						Total internal service funds
	Water	Wastewater	Resource Recovery and Recycling	Big Blue Bus	Nonmajor enterprise funds	Total enterprise funds	
ASSETS							
Current assets:							
Cash and investments (note 5)	\$ 42,127,418	34,458,704	4,698,030	21,850,655	10,134,658	113,269,465	94,025,342
Restricted cash and investments (note 5)	387,737	1	-	19,304,986	3,179,654	22,872,378	-
Receivables (net, where applicable, of allowances for uncollectibles):							
Accounts	2,966,659	2,663,084	3,060,795	11,616,467	442,927	20,749,932	34,906
Interest	99,351	76,680	36,209	84,717	26,503	323,460	157,843
Inventory	-	-	-	2,680,562	-	2,680,562	76,453
Prepays	11,391	9,273	-	15,119	3,168	38,951	9,415
Total current assets	<u>45,592,556</u>	<u>37,207,742</u>	<u>7,795,034</u>	<u>55,552,506</u>	<u>13,786,910</u>	<u>159,934,748</u>	<u>94,303,959</u>
Noncurrent assets:							
Restricted cash and investments (note 5)	1,793,254	3,964,354	10,961,081	-	300,000	17,018,689	-
Advances to other funds (note 11)	-	167,186	-	-	-	167,186	-
Capital assets (note 7):							
Land	21,006	3,189,132	-	60,276,362	1,362,712	64,849,212	-
Construction in progress	952,815	262,144	325,316	10,626,220	43,931	12,210,426	-
Buildings	1,532,511	251,447	314,223	129,417,341	16,354,960	147,870,482	-
Improvements other than buildings	1,015,098	421,868	173,736	10,617,020	18,745,428	30,973,150	-
Machinery and equipment	2,395,861	1,649,296	504,312	132,926,367	1,446,411	138,922,247	36,932,921
Infrastructure	46,397,013	153,807,977	-	-	27,306,390	227,511,380	-
Intangibles	3,575,000	90,404,245	-	-	-	93,979,245	-
Less: accumulated depreciation	(27,973,897)	(78,367,141)	(790,686)	(126,866,656)	(35,266,868)	(269,265,248)	(26,028,821)
Net capital assets	<u>27,915,407</u>	<u>171,618,968</u>	<u>526,901</u>	<u>216,996,654</u>	<u>29,992,964</u>	<u>447,050,894</u>	<u>10,904,100</u>
Total noncurrent assets	<u>29,708,661</u>	<u>175,750,508</u>	<u>11,487,982</u>	<u>216,996,654</u>	<u>30,292,964</u>	<u>464,236,769</u>	<u>10,904,100</u>
TOTAL ASSETS	<u>75,301,217</u>	<u>212,958,250</u>	<u>19,283,016</u>	<u>272,549,160</u>	<u>44,079,874</u>	<u>624,171,517</u>	<u>105,208,059</u>
DEFERRED OUTFLOWS OF RESOURCES							
Loss on refundings of debt	-	495,734	-	-	-	495,734	-
Deferred outflows from pensions	1,037,254	379,553	1,711,783	7,645,046	746,974	11,520,610	888,177
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,037,254</u>	<u>875,287</u>	<u>1,711,783</u>	<u>7,645,046</u>	<u>746,974</u>	<u>12,016,344</u>	<u>888,177</u>
LIABILITIES							
Current liabilities:							
Accounts payable	2,283,743	688,946	712,043	3,434,632	516,020	7,635,384	826,946
Accrued liabilities	254,042	88,282	372,717	2,827,729	148,832	3,691,602	166,484
Contracts payable (retained percentage)	139,917	33,441	-	174,837	15,780	363,975	-
Compensated absences due within one year (note 9)	199,989	64,079	298,149	1,570,248	141,622	2,274,087	143,296
Claims payable due within one year (notes 9 and 15)	-	-	-	-	-	-	12,290,728
Unearned revenue (note 8)	-	-	-	9,072,663	-	9,072,663	-
Accrued interest payable	-	111,063	-	-	12,981	124,044	-
Loans and bonds payable due within one year (note 9)	-	-	-	-	284,383	284,383	-
Due to other governments	-	-	-	2,648,622	-	2,648,622	-
Due to other funds (note 11)	-	-	-	-	26,817	26,817	-
Liabilities payable from restricted assets - deposits	387,737	-	10,961,081	99,793	927,079	12,375,690	-
Pollution remediation obligation due within one year (note 4)	2,754,434	-	-	-	-	2,754,434	-
Total current liabilities	<u>6,019,862</u>	<u>985,811</u>	<u>12,343,990</u>	<u>19,828,524</u>	<u>2,073,514</u>	<u>41,251,701</u>	<u>13,427,454</u>
Long-term liabilities:							
Compensated absences due in more than one year (note 9)	228,017	45,343	285,380	331,016	124,534	1,014,290	141,974
Advances from other funds (note 11)	-	-	-	-	13,226,112	13,226,112	-
Claims payable due in more than one year (notes 9 and 15)	-	-	-	-	-	-	33,717,713
Loans and bonds payable due in more than one year (note 9)	-	9,604,321	-	-	1,213,409	10,817,730	-
Pollution remediation obligation due in more than one year (note 4)	15,389,208	-	-	-	-	15,389,208	-
Net OPEB obligation	264,509	82,592	407,147	1,226,970	110,147	2,091,365	195,751
Net pension liability	5,413,607	2,043,225	8,715,991	40,239,083	4,085,097	60,497,003	4,755,630
Total long-term liabilities	<u>21,295,341</u>	<u>11,775,481</u>	<u>9,408,518</u>	<u>41,797,069</u>	<u>18,759,299</u>	<u>103,035,708</u>	<u>38,811,068</u>
TOTAL LIABILITIES	<u>27,315,203</u>	<u>12,761,292</u>	<u>21,752,508</u>	<u>61,625,593</u>	<u>20,832,813</u>	<u>144,287,409</u>	<u>52,238,522</u>
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows from pensions	1,223,753	461,874	1,970,261	9,096,098	923,442	13,675,428	1,075,017
NET POSITION							
Net investment in capital assets	27,915,407	162,510,380	526,901	216,996,654	28,495,172	436,444,514	10,904,100
Restricted for Rail Reserve and Prop 1B (note 12)	-	-	-	15,102,480	-	15,102,480	-
Unrestricted	19,884,108	38,099,991	(3,254,871)	(22,626,619)	(5,424,579)	26,678,030	41,878,597
TOTAL NET POSITION	<u>\$ 47,799,515</u>	<u>200,610,371</u>	<u>(2,727,970)</u>	<u>209,472,515</u>	<u>23,070,593</u>	<u>478,225,024</u>	<u>52,782,697</u>
						38,235,010	
						(3,611,738)	
						<u>\$512,848,296</u>	

Net position, business-type activities - internal service funds 38,235,010
Net adjustment to reflect the allocation of the internal service funds net loss (3,611,738)
Net position of business-type activities \$512,848,296

See accompanying notes to basic financial statements.

CITY OF SANTA MONICA, CALIFORNIA
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the fiscal year ended June 30, 2015

	Business-Type Activities - Enterprise Funds						Total internal service funds
	Water	Wastewater	Resource Recovery and Recycling	Big Blue Bus	Nonmajor enterprise funds	Total enterprise funds	
Operating revenues							
Charges for services	\$ 22,664,712	20,162,516	24,425,879	16,414,704	15,608,773	99,276,584	35,739,819
Total operating revenues	<u>22,664,712</u>	<u>20,162,516</u>	<u>24,425,879</u>	<u>16,414,704</u>	<u>15,608,773</u>	<u>99,276,584</u>	<u>35,739,819</u>
Operating expenses							
Personnel services	5,323,229	934,302	10,164,471	47,296,493	5,129,287	68,847,782	4,620,838
Administrative indirect	1,042,787	458,344	1,163,647	4,520,152	1,428,395	8,613,325	920,336
Contractual services	1,547,317	5,499,298	4,053,138	2,248,962	2,034,329	15,383,044	510,320
Repairs and maintenance	1,054,393	531,216	2,196,185	5,695,760	1,533,816	11,011,370	1,554,222
Materials and supplies	2,021,457	1,489,225	5,281,802	5,780,943	1,132,187	15,705,614	3,702,879
Utilities	2,003,796	11,796	51,619	483,161	659,172	3,209,544	66,772
Water purchases	5,040,548	-	-	-	-	5,040,548	-
Casualty property and liability costs	407,679	310,953	189,831	2,739,118	488,989	4,136,570	61,767
Claims expense net of claims reserve adjustment	-	-	-	-	-	-	13,930,460
Insurance and bonds	-	-	-	-	-	-	4,691,742
Miscellaneous fees and costs	2,923	6,450	403	3,988	800	14,564	1,063,160
Depreciation and amortization	1,153,739	6,605,966	11,243	13,777,667	1,440,810	22,989,425	3,034,731
Other	1,591,273	1,293,551	822,661	369,988	1,890,916	5,968,389	-
Total operating expenses	<u>21,189,141</u>	<u>17,141,101</u>	<u>23,935,000</u>	<u>82,916,232</u>	<u>15,738,701</u>	<u>160,920,175</u>	<u>34,157,227</u>
Operating income (loss)	<u>1,475,571</u>	<u>3,021,415</u>	<u>490,879</u>	<u>(66,501,528)</u>	<u>(129,928)</u>	<u>(61,643,591)</u>	<u>1,582,592</u>
Nonoperating revenues (expenses)							
Shared sales tax proceeds	-	-	-	47,098,487	-	47,098,487	-
Investment income	372,023	268,636	130,056	319,058	92,646	1,182,419	560,936
Interest expense	-	(166,655)	-	-	(581,096)	(747,751)	-
Gain (loss) on disposal of capital assets	(148,918)	-	(7,105)	3,800	(636,798)	(789,021)	(234,781)
Other nonoperating revenues	543,673	316,448	763,973	3,517,859	912,183	6,054,136	681,857
Total nonoperating revenues (expenses) net	<u>766,778</u>	<u>418,429</u>	<u>886,924</u>	<u>50,939,204</u>	<u>(213,065)</u>	<u>52,798,270</u>	<u>1,008,012</u>
Income (loss) before capital contributions and transfers	2,242,349	3,439,844	1,377,803	(15,562,324)	(342,993)	(8,845,321)	2,590,604
Capital contributions	-	-	-	10,333,281	-	10,333,281	-
Transfers in (note 11)	-	-	-	74,200	2,129,633	2,203,833	-
Transfers out (note 11)	(1,675,619)	(852,892)	(408,079)	(380,818)	(1,228,099)	(4,545,507)	(146,646)
Change in net position	<u>566,730</u>	<u>2,586,952</u>	<u>969,724</u>	<u>(5,535,661)</u>	<u>558,541</u>	<u>(853,714)</u>	<u>2,443,958</u>
Net position at beginning of year, as restated (note 19)	<u>47,232,785</u>	<u>198,023,419</u>	<u>(3,697,694)</u>	<u>215,008,176</u>	<u>22,512,052</u>	<u>479,078,738</u>	<u>50,338,739</u>
Net position at end of year	<u>\$ 47,799,515</u>	<u>200,610,371</u>	<u>(2,727,970)</u>	<u>209,472,515</u>	<u>23,070,593</u>	<u>478,225,024</u>	<u>52,782,697</u>
Change in net position						\$ (853,714)	
Net adjustment to reflect the consolidation of internal service fund activities related to enterprise funds						<u>723,038</u>	
Change in net position of business-type activities						<u>\$ (130,676)</u>	

See accompanying notes to basic financial statements.

CITY OF SANTA MONICA, CALIFORNIA

Statement of Cash Flows

Proprietary Funds

For the fiscal year ended June 30, 2015

Business-type activities - Enterprise Funds

	<u>Water</u>	<u>Wastewater</u>	<u>Resource Recovery and Recycling</u>	<u>Big Blue Bus</u>	<u>Nonmajor enterprise funds</u>	<u>Total enterprise funds</u>	<u>Total internal service funds</u>
Cash flows from operating activities:							
Cash received from customers	\$ 24,187,043	21,608,895	26,175,975	15,616,157	15,889,703	103,477,773	35,770,026
Cash payments for materials and services	(15,314,660)	(9,019,587)	(13,969,396)	(21,094,270)	(9,662,096)	(69,060,009)	(13,414,739)
Cash paid for claims and related services	—	—	—	—	—	—	(10,264,035)
Cash payments to employees for services	(5,597,418)	(993,921)	(10,566,213)	(49,115,385)	(5,246,820)	(71,519,757)	(4,814,046)
Other revenue received	543,673	316,448	763,973	3,517,859	912,183	6,054,136	681,857
Net cash provided by (used in) operating activities	3,818,638	11,911,835	2,404,339	(51,075,639)	1,892,970	(31,047,857)	7,959,063
Cash flows from noncapital financing activities:							
Sales tax proceeds	—	—	—	45,267,705	—	45,267,705	—
Advances (repayment) from other funds	—	107,380	—	—	(752,781)	(645,401)	—
Transfers in	—	—	—	74,200	2,129,633	2,203,833	—
Transfers out	(1,675,619)	(852,892)	(408,079)	(380,818)	(1,228,099)	(4,545,507)	(146,646)
Net cash provided by (used in) noncapital financing activities	(1,675,619)	(745,512)	(408,079)	44,961,087	148,753	42,280,630	(146,646)
Cash flows from capital and related financing activities:							
Capital contributions received	—	—	—	16,597,331	—	16,597,331	—
Acquisition and construction of capital assets	(3,817,259)	(3,069,524)	(61,643)	(6,969,244)	(358,650)	(14,276,320)	(3,254,101)
Proceeds from sale of capital assets	—	—	—	119,435	—	119,435	—
Refund from vendor for return of capital asset	—	—	—	4,469,597	—	4,469,597	—
Reduction in long-term obligations	—	—	—	—	(277,175)	(277,175)	—
Interest paid on long-term obligations	—	(266,550)	—	—	(583,498)	(850,048)	—
Net cash provided by (used in) capital and related financing activities	(3,817,259)	(3,336,074)	(61,643)	14,217,119	(1,219,323)	5,782,820	(3,254,101)
Cash flows from investing activities – interest received on investments	323,868	245,702	117,659	279,510	88,630	1,055,369	523,688
Net cash provided by investing activities	323,868	245,702	117,659	279,510	88,630	1,055,369	523,688
Net increase (decrease) in cash and cash equivalents	(1,350,372)	8,075,951	2,052,276	8,382,077	911,030	18,070,962	5,082,004
Cash and cash equivalents at beginning of year	45,658,781	30,347,108	13,606,835	32,773,564	12,703,282	135,089,570	88,943,338
Cash and cash equivalents at end of year	\$ 44,308,409	38,423,059	15,659,111	41,155,641	13,614,312	153,160,532	94,025,342
Cash and investments	\$ 42,127,418	34,458,704	4,698,030	21,850,655	10,134,658	113,269,465	94,025,342
Restricted cash and investments	2,180,991	3,964,355	10,961,081	19,304,986	3,479,654	39,891,067	—
Total cash and cash equivalents	\$ 44,308,409	38,423,059	15,659,111	41,155,641	13,614,312	153,160,532	94,025,342

(Continued)

See accompanying notes to basic financial statements

CITY OF SANTA MONICA, CALIFORNIA

Statement of Cash Flows

Proprietary Funds

For the fiscal year ended June 30, 2015

Business-type activities - Enterprise Funds

	<u>Water</u>	<u>Wastewater</u>	<u>Resource Recovery and Recycling</u>	<u>Big Blue Bus</u>	<u>Nonmajor enterprise funds</u>	<u>Total enterprise funds</u>	<u>Total internal service funds</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:							
Operating income (loss)	\$ 1,475,571	3,021,415	490,879	(66,501,528)	(129,928)	(61,643,591)	1,582,592
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Add depreciation	1,153,739	6,529,699	11,243	13,777,667	1,440,810	22,913,158	3,034,731
Add amortization	—	76,267	—	—	—	76,267	—
Other nonoperating revenue received	543,673	316,448	763,973	3,517,859	912,183	6,054,136	681,857
Change in assets and liabilities and deferred outflows and inflows of resources:							
(Increase) decrease in accounts receivable	1,513,278	1,446,379	907,585	(399,289)	331,557	3,799,510	30,207
(Increase) decrease in prepaids	529	165	—	10,197	2,456	13,347	(9,415)
Increase in inventory	—	—	—	(398,988)	—	(398,988)	(7,902)
Increase (decrease) in accounts payable	734,876	581,081	(210,110)	1,136,593	(511,728)	1,730,712	(826,224)
Increase in deposits	9,053	—	842,511	13,040	5,505	870,109	—
Increase in contracts payable	—	—	—	—	15,780	15,780	—
Decrease in unearned revenue	—	—	—	(412,298)	(56,132)	(468,430)	—
Increase (decrease) in accrued liabilities	(425,895)	7,586	27,244	(265,886)	5,569	(651,382)	(32,062)
Increase (decrease) in pollution remediation liability	(917,200)	—	—	—	—	(917,200)	3,666,425
Net OPEB obligation	2,959	924	4,554	13,724	1,232	23,393	2,190
Net pension liability and related changes in deferred outflows and inflows of resources	(212,125)	(68,129)	(383,313)	(1,511,904)	(124,334)	(2,299,805)	(163,336)
Decrease in noncurrent accrued liabilities	(59,820)	—	(50,227)	(54,826)	—	(164,873)	—
Total adjustments	2,343,067	8,890,420	1,913,460	15,425,889	2,022,898	30,595,734	6,376,471
Net cash provided by (used in) operating activities	\$ 3,818,638	11,911,835	2,404,339	(51,075,639)	1,892,970	(31,047,857)	7,959,063

See accompanying notes to basic financial statements

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CITY OF SANTA MONICA, CALIFORNIA

Fiduciary Fund Financial Statements

Private-Purpose Trust Fund is fiduciary in nature and used to distribute the assets of the dissolved Redevelopment Agency of the City of Santa Monica to the affected tax entities after the payment of enforceable obligations. The Redevelopment Agency of the City of Santa Monica was dissolved on February 1, 2012.

Agency Funds are custodial in nature and used to receive and disburse funds for an entity/individual, which is not part of the City.

CITY OF SANTA MONICA, CALIFORNIA

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2015

	Total Private-Purpose Trust Fund	Total Agency Funds
ASSETS		
Restricted cash and investments (note 5)	\$ 14,442,806	7,721,593
Restricted cash with fiscal agent (note 5)	6,780,487	-
Accounts receivable	-	139,241
Due from general fund (notes 11 and 17)	19,149,678	-
Total assets	<u>40,372,971</u>	<u>7,860,834</u>
DEFERRED OUTFLOWS OF RESOURCES		
Loss on refunding of bonds	<u>2,313,873</u>	-
LIABILITIES		
Accounts payable and accrued liabilities	-	7,860,834
Accrued interest payable	3,961,683	-
Due to other governments	4,458,538	-
Long term liabilities:		
Advances from other funds - due within one year (notes 11 and 17)	11,158,105	-
Advances from other funds - due in more than one year (notes 11 and 17)	20,861,901	-
Loans and bonds payable, due within one year (note 17)	14,439,522	-
Loans and bonds payable, due in more than one year (note 17)	186,173,626	-
Total liabilities	<u>241,053,375</u>	<u>7,860,834</u>
NET POSITION		
Restricted for the dissolution of the Former Redevelopment Agency	<u>\$ (198,366,531)</u>	<u>-</u>

See accompanying notes to basic financial statements.

CITY OF SANTA MONICA, CALIFORNIA
Statement of Changes in
Fiduciary Net Position
Fiduciary Fund
For the fiscal year ended June 30, 2015

	Private-Purpose Trust Fund
Additions:	
Property tax distribution	\$ 30,533,233
Investment income	98,350
Total additions	30,631,583
Deductions:	
Project expenses	4,172,867
Interest expense	8,643,496
Total deductions	12,816,363
Extraordinary items:	
Extraordinary gain on interest reduction (note 17)	3,335,245
Extraordinary gain on payment from the City of Santa Monica (note 17)	1,771,573
Total extraordinary items	5,106,818
Change in net position	22,922,038
Net position at beginning of year	(221,288,569)
Net position at end of year	\$ (198,366,531)

See accompanying notes to basic financial statements.

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CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. THE REPORTING ENTITY

The City of Santa Monica, California (City) was incorporated November 30, 1886. The City operates under a Council-Manager form of government and provides traditional municipal services as authorized by its charter as well as various enterprise services. As required by accounting principles generally accepted in the United States of America (GAAP), the accompanying basic financial statements present the activities of the City and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operations or financial relationships with the City.

As required by GAAP, these basic financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The following entities are reported as blended component units because they have substantively the same governing board as the primary government and there is either a financial benefit or burden relationship between the City and the component unit or the City's management has operational responsibility for the component unit.

Blended component units, although legally separate entities are, in substance, part of the City's operations and data from these units are combined with data of the City. Additional detailed information and/or separately issued financial statements for these component units can be obtained from the City's Director of Finance.

The *Parking Authority of the City of Santa Monica* (Authority) was established by the City in 1950 for the acquisition or building of parking facilities owned by the City Parking Authority.

The *Housing Authority of the City of Santa Monica* (Housing Authority) was established by the City in 1975 to address unsanitary and unsafe inhabited dwelling accommodations and the shortage of affordable safe and sanitary dwelling accommodations for persons with low incomes. Since January 1, 1989, the Housing Authority has administered the Section 8 Housing Assistance Payments Program funded by the United States Department of Housing and Urban Development on behalf of the City.

The *Santa Monica Public Financing Authority* (PFA) was established in 1995 for the purpose of assisting local agencies in financing capital improvements, working capital, and liability or other projects.

The *Successor Agency for the Redevelopment Agency of the City of Santa Monica* (Successor Agency) was established on February 1, 2012 by resolution of City Council. The Successor Agency is primarily responsible for winding down the operations of the former Redevelopment Agency and makes payments and performs existing obligations of the former Redevelopment Agency. The Successor Agency is a fiduciary component unit and is presented as a private-purpose trust fund.

The *Santa Monica Arts Foundation* promotes the arts by raising funds to finance art programs. On June 8, 1990, the City Council merged the City's Arts Commission with the Santa Monica Arts Foundation. While the Arts Foundation meets the requirements of being reported as a component unit of the City, the

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2015

operating results are immaterial to the City as a whole and therefore it is not included in the City's basic financial statements.

The *Santa Monica Pier Corporation*, originally named the Santa Monica Pier Restoration Corporation, is an organization created in 1984 as a nonprofit public benefit corporation. The Pier Corporation maintains and operates public educational and recreational programs and events at the Santa Monica Pier as part of a service agreement with the City. It also assists the City with public outreach on Santa Monica Pier related issues. The governing Board of the Corporation is appointed by the City of Santa Monica City Council for the benefit of the citizens of Santa Monica. Separate financial statements for this organization can be obtained from the City's Director of Finance. These basic financial statements do not present this entity for which the City may meet criteria for discrete presentation because the economic resources received or held by the individual organization are not significant to the primary government.

B. BASIC FINANCIAL STATEMENTS

Basic financial statements consist of the following:

- Government-wide financial statements;
- Fund financial statements; and
- Notes to the basic financial statements.

The government-wide financial statements consist of the statement of net position and the statement of activities and report information on all of the non-fiduciary activities of the primary government and its component units. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. All internal balances in the statement of net position have been eliminated, with the exception of those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total government column. In the statement of activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. Exceptions to this general rule are charges between the City's Water Fund and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, general services, cultural and recreation services, library and housing and community development. The business-type activities of the City include water, wastewater, stormwater, resource recovery and recycling, pier, airport, cemetery, Big Blue Bus, and parking authority.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2015

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are allocated based on the annual cost allocation plan. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions, including special assessments, which are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

For the year ended June 30, 2015 the City implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Reporting for Pensions – An Amendment of GASB Statement No. 27* and GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB no. 68*. GASB Statement No. 68 provides requirements on how pension costs and obligations are measured and reported in the basic financial statements. When an organization's pension liability exceeds the pension plan's net position available for paying benefits, there is a net pension liability which must be reported in the basic financial statements. In addition, GASB 68 requires that projected benefit payments be discounted to their actuarial present value using a single rate that reflects (1) a long-term expected rate of return on pension plan investments to the extent that the pension plan's fiduciary net position is projected to be sufficient to pay benefits and pension plan assets are expected to achieve that rate and (2) a tax-exempt, high-quality municipal bond rate to the extent that the conditions under (1) are not met. Reference Note 16 for information regarding the City's pension obligations.

GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68* (GASB 71) requires that, at transition to the new accounting standards in accordance with GASB 68, a government should recognize a beginning deferred outflow of resources for its pension contributions made after the measurement date of the beginning net pension liability. However, it continues to require that the beginning balances for other deferred outflows and inflows be reported at transition only if it is practical to determine such amounts. As of July 1, 2014, the City restated beginning net position in the amount of \$417.5 million to record the beginning deferred pension contributions and net pension liability and remove the net pension asset balance determined in accordance with GASB Statement 27.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary funds financial statements. Agency funds do not have a measurement focus but use the accrual basis of accounting. Revenues are

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2015

recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City in general considers revenues available if they are collected within 60 days. Additionally, grants and similar items are recognized as receivables as soon as all eligibility requirements have been met and are recognized as revenue when amounts are considered available. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, interest, special assessments, charges for services and other miscellaneous revenue are all considered to be susceptible to accrual and have been recognized as revenue in the current fiscal period subject to availability. Entitlements and shared revenues are recorded at the time of receipt or earlier if susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred, all other eligibility requirements have been met and are recorded at the time of receipt or earlier, and susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

The accounts of the City are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all the financial resources and the legally authorized activities of the City, except those required to be accounted for in other specialized funds.

The **Special Revenue Source Fund** accounts for receipt and expenditure of monies restricted, committed or assigned for specific uses. Funding comes primarily from developer and other fees.

The City reports the following major enterprise funds:

The **Water Fund** accounts for the activities of the City's water service to the citizens.

The **Wastewater Fund** accounts for the activities of maintaining the sanitary sewer system within the City.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2015

The **Resource Recovery and Recycling Fund** accounts for the activities of the City's refuse collection, street sweeping and cleaning, and recycling programs.

The **Big Blue Bus Fund** accounts for the activities of the City's municipal bus lines.

Additionally, the City reports the following fund types:

Special Revenue Funds account for proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt Service Funds account for and report financial resources that are restricted, to expenditures for principal and interest.

Permanent Funds account for resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support specific programs.

Internal Service Funds account for vehicle operations, risk management, and information technology and communications operations that provide services to other departments of the City on a cost reimbursement basis.

Fiduciary Funds consist of a Private-purpose Trust Fund and Agency funds. The **Private-purpose Trust Fund** is established by the City to succeed the former redevelopment agency. The City serves as a custodian for the assets of the dissolved redevelopment agency pending distribution to the affected tax entities after the payment of enforceable obligations. **Agency funds** account for assets held by the City as a trustee or as an agent for individuals or other government units. Agency funds are custodial in nature and do not involve measurement of results of operations. These funds account for assets held by the City in an agency capacity for development fees collected on behalf of the school district, various employee payroll deductions that will be remitted to various agencies and other assets held by the City in an agency capacity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation and amortization on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2015

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, NET POSITION OR FUND BALANCE

Cash and Investments

In order to maximize the flexibility of its investment program and to aid in cash budgeting, the City pools the cash of all funds, except for monies deposited with fiscal and escrow agents in accordance with related bond indentures and agreements. The cash and investments balance in each fund represents that fund's equity share of the City's cash and investment pool. As the City places no restrictions on the deposit or withdrawal of its equity from the pool by a particular fund, the pool operates like a demand deposit account for the participating funds.

Interest income earned on pooled cash and investments is allocated quarterly to the various funds based on quarter-end balances and is adjusted at year-end. Interest income on restricted cash and investments with fiscal agents is credited directly to the related fund.

The City's investments are carried at fair value, except for guaranteed investment contracts, which are carried at cost because they are not transferable and they have terms that are not affected by changes in market interest rates. The fair value of equity and debt securities is determined based on sales prices or bid-and-asked quotations from Securities and Exchange Commission (SEC) registered securities exchanges or National Association of Securities Dealers Automated Quotations (NASDAQ) dealers. The fair value of the City's share of Local Agency Investment Fund (LAIF) is reported to the City on a quarterly basis. LAIF operates in accordance with laws and regulations of the State of California. The reported value of the pool is the same as the fair value of pool shares. Changes in fair value are allocated to each participating fund on an annual basis.

For purposes of the statement of cash flows, the City has defined cash and cash equivalents to be change and petty cash funds, equity in the City's cash and investment pool, and restricted, non-pooled investments with initial maturities of three months or less.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as *interfund receivables/interfund payables*, i.e., *due to/due from other funds*, the current portion of interfund loans or *advances to/from other funds*, the non-current portion of interfund loans. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as *internal balances*.

Advances between funds and notes receivables, as reported in the fund financial statements, are offset by nonspendable fund balance in the applicable governmental funds to indicate that they are not in spendable form and are not available for appropriation. However, if the use of the proceeds from the collection of those receivables is restricted, committed, or assigned, they will be included in the appropriate fund balance classification, rather than nonspendable fund balance.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2015

All trade receivables are shown net of an allowance for uncollectible accounts and estimated refunds due. As of June 30, 2015, the allowance for uncollectible accounts for governmental and business-type activities is \$587,020 and \$1,127,771, respectively.

Unbilled service receivables are accrued for at year-end.

Property Taxes

Assessed property values are determined on an annual basis for the period July 1 to June 30 by the Los Angeles County Assessor as of January 1. Article XIII A of the State Constitution (Proposition 13, approved by voters in June 1978) limits the real property tax rate to 1% of the full market cash value plus rates imposed to fund indebtedness approved by the voters. Locally assessed property is appraised at the 1975-76 full cash value, the base year value, and is adjusted each year after 1975 by the change in the consumer price index, not to exceed an increase of 2%. Property is reappraised to current full value upon either a change in ownership or new construction. If property values decline below the base year value, the value is adjusted to reflect the lower value. Taxes are levied annually in September and become a lien on real property at January 1. Taxes are due November 1 and February 1 and are delinquent if not paid by December 10 and April 10, respectively, at which time applicable penalties and interest are assessed.

Inventory and Prepaid Items

All materials and supplies inventory is valued at cost using the average cost method. The costs of such inventories are recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items are recorded as expenditures/expenses when consumed rather than when purchased.

Restricted Assets

Certain proceeds of the City's bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position and balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

In the absence of specific statutory provisions governing the issuance of bonds, certificates or leases, these bond monies may be invested in accordance with the ordinance, resolutions or indentures specifying the types of investments its trustees or fiscal agents may make. These ordinances, resolutions and indentures are generally more restrictive than the City's general investment policy. In no instance have additional types of investments been authorized that are not permitted by the City's general investment policy.

Capital Assets

Capital assets, which include land, buildings and improvements, machinery and equipment, intangibles,

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2015

utility systems and infrastructure assets (e.g., roads, sidewalks, curbs and gutters and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets other than buildings, improvements, and infrastructure are defined by the City as assets with an initial individual cost of \$50,000 or more and an estimated useful life of more than one year except for the Big Blue Bus fund, which follows transit funding guidelines by capitalizing any expenditure which is funded by capital grant subsidies not related to bus repairs and maintenance. The City defines buildings, improvements other than buildings, and infrastructure as assets with an individual cost of \$100,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred, net of interest earned on unspent proceeds of tax-exempt borrowings, during the construction phase of capital assets of business-type and enterprise funds activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the fiscal year ended June 30, 2015.

Capital assets of the City are depreciated using a straight-line method, with a mid-year convention (only half a year's depreciation is recorded in the first and last year of the asset) over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	5 to 85
Improvements other than buildings	2 to 50
Infrastructure	15 to 75
Utility systems	20
Intangibles	20 to 100
Machinery and equipment	2 to 30

The City has elected not to capitalize its collection of artwork. GASB Statement No. 34 waives the requirement for artwork capitalization if the collection meets all the following conditions:

- The collection is held for reasons other than financial gain.
- The collection is protected, kept unencumbered, cared for, and preserved.
- The collection is subject to an organizational policy requiring that the proceeds from sales of collection items be used to acquire other items for collections.

The City's artwork collection meets the above criteria and therefore qualifies for the exemption from the capitalization requirement. The collection includes both permanent and portable artworks, artworks integrated into overall projects, murals, and stand-alone permanently installed paintings and sculptures, art integrated into the design of public works projects (not stand-alone), and a contemporary collection of almost 100 portable artworks, which are on display in public areas of City facilities.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2015

Lease Obligations

The City leases various assets under operating lease agreements.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave benefits up to a maximum determined by bargaining unit agreements. Employees are paid 100% of their accumulated vacation when they terminate employment for any reason. All vacation is accrued when incurred in the government-wide and proprietary fund financial statements. A liability is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements. Additionally, employees of the International Association of Sheet Metal, Air, Rail and Transportation Workers are able to exchange unused sick days balances for equal dollars of medical insurance premiums. In order to qualify, the employee must have 10 years of service at retirement and at least 50 days of unused sick leave.

Long-Term Liabilities

In the government-wide financial statements, proprietary funds financial statements and private-purpose trust fund statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Initial-issue bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Offering costs are expensed when incurred. Bonds payable are reported net of the unamortized portion of applicable premium or discount. Deferred amount on refunding are reported as deferred outflows of resources. Bond issuance costs, including underwriters' discount, are expensed when incurred. Amortization of bond premiums or discounts and deferred amounts on refunding are included in interest expense.

In the governmental funds financial statements, bond premiums, discounts and issuance costs are recognized during the period issued. The face amount of debt issued is reported as other financing sources. Premiums received are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Interest and principal payments are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

The difference between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the lives of the refunding debt or remaining life of the refunded debt. Unamortized portions of the loss on refunding debt are reported as deferred outflow of resources. In addition to this, when an asset is recorded in the governmental fund financial statements but the revenue is not available, a deferred inflows of resources is reported until such time as the revenue becomes available.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2015

Pension contributions made during the fiscal year are reported as deferred outflows and the excess of investment returns over projected returns in the pension trust are reported as deferred inflows in accordance with GASB Statements Nos. 68 and 71.

Net Position and Fund Balance

In the government-wide financial statements and proprietary funds financial statements, net position is reported in three categories: net investment in capital assets, restricted net position and unrestricted net position. Net investment in capital assets represents capital assets less accumulated depreciation less outstanding principal of related debt. Net investment in capital assets does not include the unspent proceeds of capital debt or the related amount of debt, liabilities and deferred inflows related to those assets. Restricted net position represents assets restricted by parties outside of the City (such as creditors, grantors, contributors, laws and regulations of other governments, or law through constitutional provisions or enabling legislation) and includes unspent proceeds of bonds issued to acquire or construct capital assets and those unspent proceeds are offset by an equivalent amount of debt and deferred inflows to those assets. The nonexpendable portion of permanent funds is reported as a component of restricted net position. The City's other components of restricted net position are temporarily restricted (ultimately expendable) assets. All other components of net position are considered unrestricted.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then use unrestricted resources as needed.

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent based on the adopted City Council policy in the City's most recently adopted budget. As of June 30, 2015, fund balances for governmental funds include nonspendable, restricted, committed, assigned and unassigned balances.

In the fund financial statements, governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are restricted for specific purposes when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. Both ordinances and resolutions can create committed fund balance. Amounts that can only be used for specific purposes pursuant to constraints imposed by ordinance of the government's highest level of decision making authority, City Council, are reported as committed fund balance. Ordinances make up the local laws of the City. An ordinance is a legislative act prescribing general rules of organization or conduct relating to the corporate affairs of the municipality. Council action shall be taken by ordinance when required by law, or where prescribed conduct may be enforced by penalty and represents the most binding constraint. Once adopted, ordinances become effective upon 30 days after publication, unless otherwise set forth. A resolution is an administrative act, which is a formal statement of policy concerning matters of special or temporary character. The adoption of a resolution by the City Council can also establish, modify, or rescind a fund balance commitment previously created by resolution.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2015

Assigned fund balance are amounts that are constrained by the government's intent by the governing body itself or a body or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. The City Council, in the City's most recently adopted budget, which included the fiscal policies contained in the fund balance policies, has delegated the authority to assign fund balances to the City Manager or their designee. Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned to specific purposes within the general fund. Unassigned fund balance can also be used in other governmental funds where the fund balance is negative, because a negative amount should not be reported for restricted, committed or assigned in any fund. In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

Self-Insurance Program

The City has self-insurance programs to provide for general liability, bus and automobile liability, and workers' compensation claims. These activities are accounted for in self-insurance internal service funds.

Premiums are charged to individual funds and are designed to cover current and future expenses. The City's Risk Manager oversees the self-insurance programs. It is his or her duty to ensure that programs are operated in accordance with City policies. The City's Risk Manager also provides budget guidance and case reserves and claims analysis. It is the City's intent to maintain cash reserves in the self- insurance funds equal to or greater than estimated losses.

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 City's defined benefit retirement plans, Miscellaneous and Public Safety Police and Fire, of the California Employees' Retirement System ("CalPERS") and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Use of Estimates

The preparation of basic financial statements in conformance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2015

(2) BUDGETARY AND LEGAL COMPLIANCE

The City Council is required to adopt an annual budget resolution by June 30 each fiscal year for the General Fund, each special revenue fund and each capital projects fund, except the Rent Control Fund and the Asset Seizure Fund. The legal level of budgetary control is the department level. The City Council also approves annual operating budgets for the City's proprietary and internal service funds to facilitate management evaluation and control.

The budget is prepared on a non-GAAP budgetary basis, which considers encumbrances outstanding at year-end as an expenditure of that year. Encumbrances outstanding at the beginning of a fiscal year, which were recognized as budgetary expenditures in the prior year, are recognized as GAAP-basis expenditures but not as budgetary expenditures unless re-appropriated. It is the City's policy to only re-appropriate capital encumbrances and unencumbered balances of specific capital appropriations. In addition, capital leases are budgeted on a cash basis, whereas GAAP requires the full amount of the leased asset purchased to be shown as an expenditure of the current year. Appropriations in governmental funds outstanding at year-end lapse, except for encumbered amounts, for which fund balances are restricted, committed or assigned at year-end for governmental funds.

A Comprehensive Annual Financial Report Budget Supplement is prepared to reconcile expenditures/expenses at the legal level of control to the summarized amounts presented in the Comprehensive Annual Financial Report and can be obtained from the Finance Department.

The actual results of operations on a budgetary basis compared to the appropriations adopted by the City Council for budgeted major governmental funds are included in the fund financial statements. The comparisons of actual results with the budget for nonmajor funds are presented as supplemental information in the combining schedules.

For the fiscal year ended June 30, 2015, expenditures exceeded appropriations in the following funds/departments: General Fund – Record and election services, Community and cultural services. The overage in the General Fund is due to vacation cash-out. Funds are set aside in the fund balance for vacation cash-out, however, the budget is not adjusted at year-end to reflect the cash-out; Special Revenue Source Fund – General government. Other funds reporting expenditures in excess of budget include the following: Low and Moderate Income Housing Asset Special Revenue Fund – General services; Gas Tax Special Revenue Fund – General services; Community Development Block Grant Capital Projects Fund– General government and general services; and Air Quality Management District Capital Projects Fund – General government and general services. The budget for these expenditures is not adjusted at year-end because the amounts are immaterial. See statements on pages 30-32 and 129-140 for detail of amounts.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2015

(3) RECONCILIATION OF FUND BALANCE SHEET/STATEMENT OF NET POSITION TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Amounts reported for governmental activities in the government-wide statement of net position are different from those reported for governmental funds in the funds balance sheet. The following provides a reconciliation of those differences:

Assets	Total governmental funds	Long-term assets and liabilities (1)	Total governmental activities internal service funds (2)	Other adjustments and eliminations (3)	Statement of net position totals
Cash and investments	\$ 365,106,830	-	57,726,992	-	422,833,822
Restricted cash and investments	66,395,373	-	-	-	66,395,373
Receivables (net, where applicable, of allowances for uncollectibles):					
Accounts	63,656,086	-	20,586	-	63,676,672
Notes	123,470,130	-	-	-	123,470,130
Interest	1,021,425	-	96,614	-	1,118,039
Other governments	3,428,351	-	-	-	3,428,351
Internal balances	-	-	3,611,738	13,085,743	16,697,481
Due from other funds	1,330,116	-	-	(1,330,116)	-
Deposits	61,785	-	-	-	61,785
Prepays	2,958,279	-	9,415	-	2,967,694
Restricted cash and investments with fiscal agent	33,186,079	-	-	-	33,186,079
Advances to other funds	16,901,899	-	-	(16,901,899)	-
Advances to Successor Agency	32,020,006	-	-	-	32,020,006
Capital assets, net	-	788,329,667	91,119	-	788,420,786
Total assets	<u>\$ 709,536,359</u>	<u>788,329,667</u>	<u>61,556,464</u>	<u>(5,146,272)</u>	<u>1,554,276,218</u>
Deferred Outflows of Resources					
Loss on refundings of debt	-	293,878	-	-	293,878
Deferred outflows from pensions	-	49,083,860	319,037	-	49,402,897
Total deferred outflow of resources	<u>\$ -</u>	<u>49,377,738</u>	<u>319,037</u>	<u>-</u>	<u>49,696,775</u>
Liabilities, Deferred Inflows of Resources and Fund Balances/Net Position					
Liabilities:					
Accounts payable	15,472,698	-	164,678	-	15,637,376
Accrued liabilities	8,996,720	-	66,349	10	9,063,079
Accrued interest payable	-	1,177,591	-	-	1,177,591
Contracts payable (retained percentage)	560,214	-	-	-	560,214
Due to other funds	1,303,299	-	-	(1,303,299)	-
Unearned revenue	26,414,043	-	-	(1,500,000)	24,914,043
Deposits payable	1,584,055	-	-	-	1,584,055
Compensated absences due within one year	-	7,455,873	49,632	-	7,505,505
Compensated absences due in more than one year	-	4,248,584	50,317	-	4,298,901
Claims payable due within one year	-	-	9,984,378	-	9,984,378
Claims payable due in more than one year	-	-	31,333,803	-	31,333,803
Due to Successor Agency within one year	19,149,678	-	-	-	19,149,678
Loans and bonds payable due within one year	-	6,235,000	-	-	6,235,000
Loans and bonds payable due in more than one year	-	81,453,861	-	-	81,453,861
Pollution remediation obligation due within one year	-	4,608,967	-	-	4,608,967
Pollution remediation obligation due in more than one year	-	92,771,992	-	-	92,771,992
Other long term liability	-	8,704,750	-	-	8,704,750
Net OPEB obligation	-	8,036,657	82,485	-	8,119,142
Advances from other funds	3,842,973	-	-	(3,842,973)	-
Net pension liability	-	302,056,517	1,618,557	-	303,675,074
Total liabilities	<u>77,323,680</u>	<u>516,749,792</u>	<u>43,350,199</u>	<u>(6,646,262)</u>	<u>630,777,409</u>
Deferred Inflows of Resources					
Unavailable revenue	74,109,725	-	-	(74,109,725)	-
Deferred inflows from pensions	-	64,768,231	365,877	-	65,134,108
Total deferred inflows of resources	<u>74,109,725</u>	<u>64,768,231</u>	<u>365,877</u>	<u>(74,109,725)</u>	<u>65,134,108</u>
Total fund balances/net position	<u>558,102,954</u>	<u>256,189,382</u>	<u>18,159,425</u>	<u>75,609,715</u>	<u>908,061,476</u>
Total liabilities, deferred inflows of resources and fund balance/net position	<u>\$ 709,536,359</u>	<u>837,707,405</u>	<u>61,875,501</u>	<u>(5,146,272)</u>	<u>1,603,972,993</u>

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2015

1) Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the balance sheet. Capital assets of internal service funds of \$91,119 net of accumulated depreciation, are not included in this amount.	\$ 1,171,251,893
Less accumulated depreciation/amortization	<u>(382,922,226)</u>
	788,329,667
Loss on refundings of debt	293,878
Deferred outflows from pension	49,083,860
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the balance sheet.	
General obligation bonds	(8,890,000)
Revenue bonds	(74,705,000)
Loans payable	(400,000)
Accrued interest on long-term debt	(1,177,591)
Unamortized premium on long-term debt	(3,696,101)
Unamortized issue discount on long-term debt	2,240
Employee compensated absences	(11,704,457)
Accrued pollution remediation costs	(97,380,959)
Other long term liabilities	(8,704,750)
Accrued OPEB liability	(8,036,657)
Net pension liability	<u>(302,056,517)</u>
Total long-term liabilities	(516,749,792)
Deferred inflows from pension	<u>(64,768,231)</u>
	<u>\$ 256,189,382</u>
2) Internal service funds are used by management to charge the costs of information technology and communications operations, self-insurance comprehensive, auto and workers' compensation to individual funds. The assets and liabilities of these internal service funds are included in the governmental activities on the statement of net position.	\$ 14,547,687
Adjustments for Internal Service Funds are necessary to "close" those funds by recording charges to and payments from business-type activities to completely cover the Internal Service Funds' costs for the year.	3,611,738
	<u>\$ 18,159,425</u>
3) Other adjustments and eliminations:	
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds and recognized as revenue in the statement of activities.	<u>\$ 75,609,715</u>

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2015

Amounts reported for business-type activities in the government-wide statement of net position are different from those reported for enterprise funds in the fund statement of net position. The following provides a reconciliation of those differences:

Assets	Total enterprise funds	Total business- type internal service funds (1)	Other adjustments and eliminations	Statement of net position totals
Cash and investments	\$113,269,465	36,298,350	-	149,567,815
Receivables (net, where applicable, of allowances for uncollectibles):				
Accounts	20,749,932	14,320	-	20,764,252
Interest	323,460	61,229	-	384,689
Internal balances	-	(3,611,738)	(13,085,743)	(16,697,481)
Inventory	2,680,562	76,453	-	2,757,015
Prepays	38,951	-	-	38,951
Restricted cash and investments	39,891,067	-	-	39,891,067
Advances to other funds	167,186	-	(167,186)	-
Capital assets, net	447,050,894	10,812,981	-	457,863,875
Total assets	<u>\$624,171,517</u>	<u>43,651,595</u>	<u>(13,252,929)</u>	<u>654,570,183</u>
Deferred Outflows of Resources				
Loss on refunding of debt	495,734	-	-	495,734
Deferred outflows from pension	11,520,610	569,140	-	12,089,750
Total deferred outflows of resources	<u>\$12,016,344</u>	<u>569,140</u>	<u>-</u>	<u>12,585,484</u>
Liabilities				
Accounts payable	7,635,384	662,268	-	8,297,652
Accrued liabilities	3,691,602	100,135	-	3,791,737
Accrued interest payable	124,044	-	-	124,044
Contracts payable (retained percentage)	363,975	-	-	363,975
Due to other funds	26,817	-	(26,817)	-
Unearned revenue	9,072,663	-	-	9,072,663
Liabilities payable from restricted assets	12,375,690	-	-	12,375,690
Advances from other funds	13,226,112	-	(13,226,112)	-
Due to other governments	2,648,622	-	-	2,648,622
Compensated absences due within one year	2,274,087	93,664	-	2,367,751
Compensated absences due in more than one year	1,014,290	91,657	-	1,105,947
Claims payable due within one year	-	2,306,350	-	2,306,350
Claims payable due in more than one year	-	2,383,910	-	2,383,910
Loans and bonds payable due within one year	284,383	-	-	284,383
Loans and bonds payable due in more than one year	10,817,730	-	-	10,817,730
Pollution remediation obligation due within one year	2,754,434	-	-	2,754,434
Pollution remediation obligation due in more than one year	15,389,208	-	-	15,389,208
Net OPEB obligation	2,091,365	113,266	-	2,204,631
Net pension liability	60,497,003	3,137,073	-	63,634,076
Total liabilities	<u>144,287,409</u>	<u>8,888,323</u>	<u>(13,252,929)</u>	<u>139,922,803</u>
Deferred Inflows of Resources				
Deferred Inflows of Resources	<u>\$13,675,428</u>	<u>709,140</u>	<u>-</u>	<u>14,384,568</u>
Total Net Position	<u><u>\$478,225,024</u></u>	<u><u>34,623,272</u></u>	<u><u>-</u></u>	<u><u>512,848,296</u></u>

- 1) Internal service funds are used by management to charge the costs of vehicle management, information technology and risk management to individual funds. The assets and liabilities of the vehicle management and self-insurance bus internal service funds are included in business-type activities in the statement of net position.

\$ 38,235,010

Adjustment for Internal Service Funds are necessary to "close" those funds for charges to and payments from participating governmental-type activities to completely cover the Internal Service Funds' costs for the year.

\$ 3,611,738

(4) POLLUTION REMEDIATION

The City follows the guidance of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, establishing accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2015

effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups.

On December 1, 2006, the City amended a settlement agreement that it had entered into in 2004 with a consortium of oil companies in relation to methyl tertiary butyl ether (“MTBE”) contamination that had occurred at the City’s Charnock Well Field. The Charnock Well Field is used to supply drinking water to the City. The amended 2006 agreement called for the oil companies to pay the City \$131.0 million in exchange for the City's agreement to treat to applicable drinking water standards any water produced from the Charnock Well Field, which contains MTBE, tertiary butyl alcohol (“TBA”) and related petroleum hydrocarbons. Prior to this amended 2006 agreement and under the terms of other settlement agreements with other companies, the City received an additional \$141.0 million also related to MTBE contamination of the City's Charnock Well Field. The City has received all of the proceeds from each of these agreements, including the amended 2006 agreement.

To meet its Charnock Well Field water treatment obligation, the City has constructed and is operating a water treatment remediation plant using the proceeds of the 2006 and the other earlier settlements.

On November 13, 2009, the City entered into a settlement and release agreement with The Gillette Company (Gillette), guaranteed by The Procter & Gamble Company, in relation to ground water contamination of the City’s Olympic Well Field. The Olympic Well Field is used to supply drinking water to the City. The agreement calls for Gillette to make payments to the City ranging from \$150,000 to \$11,183,175 annually, totaling \$68,000,000 to be made over 30 years which included the City receiving title to property valued at \$3,250,000. To date the City has received cash payments of \$38,029,051. Under the agreement, the City has agreed to treat to applicable drinking water standards any water that it produces from the Olympic Well Field.

The agreement also includes a provision that provides for Gillette to potentially share in the proceeds of settlement agreements, if any, that the City may receive from other parties related to their contamination of the Olympic Well Field. Under this sharing provision, in 2021 Gillette may recoup up to a maximum of \$8,704,750 of the funds it pays to the City from the proceeds of these other settlement agreements.

On May 15, 2012, the City entered into a settlement and release agreement with The Boeing Company (Boeing) also in relation to ground water contamination of the City’s Olympic Well Field. The agreement calls for Boeing to make payments to the City ranging from \$150,000 to \$5,000,000 annually to be made over a ten year period, totaling \$39,500,000. On December 12, 2012, the agreement was modified with \$21,000,000 being due from Boeing in January 2013 and payments of \$3,670,000 being due from Boeing annually beginning in 2017 through 2021. The City received Boeing's payment of \$21,000,000 on January 7, 2013. Under the agreement, the City has agreed to treat to applicable drinking water standards any water that it produces from the Olympic Well Field. To date, \$21,150,000 has been recognized as income in the fund financial statements.

Using the expected cash flow technique, the City has measured the potential water treatment liability under the agreements by the anticipated cost of construction/remediation contracts, which include a contingency of 10% for unforeseen costs.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2015

Additionally, the City engages in an ongoing program of pollution remediation related to its various properties. Two such sites are currently undergoing remediation in the form of either soil or vaporous contaminant removal or containment. By State law these occurrences are required to be reported to California Department of Health Services.

The balance of the pollution remediation liability is \$97,380,959 in the governmental activities of which \$4,608,967 is due within one year and \$18,143,642 in the business-type activities, of which \$2,754,434 is due within one year.

(5) CASH AND INVESTMENTS

Cash and investments as of June 30, 2015 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 572,401,637
Restricted cash and investments	106,286,440
Restricted cash with fiscal agent	33,186,079
Fiduciary funds:	
Restricted cash and investments	22,164,399
Restricted cash with fiscal agent	6,780,487
Total cash and investments	<u>\$ 740,819,042</u>

Cash and investments as of June 30, 2015 consist of the following:

Cash on hand	\$ 28,922
Deposits with financial institutions	85,369,077
Investments	655,421,043
Total cash and investments	<u>\$ 740,819,042</u>

All interest income legally accrues to the benefit of the General Fund in the absence of a legal provision to the contrary. Accordingly, accumulated interest income from the Special Revenue Source Fund in the amount of \$310,440 has been included as interest income in the General Fund.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2015

Investments Authorized by the California Government Code and the City’s Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code and the City’s investment policy. The table also identifies certain provisions of the California Government Code (or the City’s investment policy, if more restrictive) that address interest rate risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City’s investment policy. The table also does not address certain escrow accounts established for purposes such as construction project retention, which are governed by the specific escrow agreement(s).

<u>Investment types authorized by state law</u>	<u>Authorized by investment policy</u>	<u>*Maximum maturity</u>	<u>*Maximum percentage of portfolio</u>	<u>*Maximum investment in one issuer</u>
Local agency bonds	Yes	5 years	None	None
U.S. Treasury obligations	Yes	5 years	None	None
U.S. agency securities/obligations	Yes	5 years	None	50%
State obligations - California and others	Yes	5 years	None	None
CA Local Agency obligations	Yes	5 years	None	None
Banker's acceptances	Yes	180 days	10%	30%
Commercial paper-select agencies	Yes	270 days	15%	10%
Commercial paper-other agencies	Yes	270 days	15%	10%
Negotiable certificates of deposit	Yes	5 years	30%	10%
CD Placement services	Yes	5 years	30%	None
Repurchase agreements	Yes	1 year	None	None
Reverse repurchase agreements	Yes	92 days	20% of base value	None
Corporate medium-term notes	Yes	5 years	30%	None
Supranationals	Yes	5 years	30%	None
Mutual funds	Yes	N/A	20%	10%
Money market mutual funds	Yes	N/A	20%	10%
Mortgage pass-through securities	Yes	5 years	20%	None
Time deposits	Yes	5 years	None	None
Collateralized certificates of deposit	Yes	5 years	None	None
County pooled investment funds	Yes	N/A	None	None
Local Agency Investment Fund (LAIF)	Yes	N/A	None	None
JPA pools (other investment pools)	Yes	N/A	None	None

* Based on state law requirements or investment policy requirements, whichever is more restrictive.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2015

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are generally authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of credit risk.

Authorized investment type	Maximum maturity	Maximum percentage allowed	Maximum investment in one issuer
U.S. Treasury obligations	None	None	None
Federal Housing Administration debentures	None	None	None
U.S. agency securities	None	None	None
Time deposits	None	None	None
Unsecured certificates of deposit	180 days	None	None
Banker's acceptances	180 days	None	None
State obligations	None	None	None
Repurchase agreements	1 year	None	None
Pre-refunded municipal obligations	None	None	None
Commercial paper	270 days	None	None
Money market mutual funds	None	None	None
Investment contracts	30 years	None	None

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2015

Investments Authorized by Actions of the City Council

Cemetery and Mausoleum Perpetual Care funds are received from Woodlawn Cemetery users for the perpetual care of cemetery grounds and of the mausoleum. The funds are legally restricted to the extent that only earnings, and not principal, can be used for restricted perpetual care purposes. These funds represent the accumulation of unspent monies from non-government sources and are not considered by the City to constitute “surplus funds” of a local government. Accordingly, these funds are not considered by the City to be subject to the provisions of the California Government Code Section 53601 or the City’s investment policy. These funds have been invested per instructions of the City Council. The table below identifies the investment types generally authorized for these investments. Current City Council instructions limit amount invested in equities to 60% of the total portfolio with the balance to be invested in fixed income securities. The table also identifies certain provisions of these agreements that address interest rate risk and concentration of credit risk.

Authorized investment type	Maximum maturity	Maximum percentage allowed	Maximum investment in one issuer
U.S. Treasury obligations	None	None	None
U.S. agency securities	None	None	None
Equities	None	60%	None
Corporate bonds	None	None	None

Disclosures Relating to 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 fair value of callable securities is also sensitive to market changes in that if interest rates decrease between the time of purchase and the call date, the likelihood that a bond will be called and reinvested at a lower interest rate increases. The City’s portfolio also includes certain callable structured investments for which the coupon interest rate increases if the investments are not called on or before certain pre-determined dates. The fair value of these investments, which falls into the Federal agency security category, is also sensitive to market changes. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City’s investments (including investments held by bond trustees, Wells Fargo loan proceeds held in a custodial account with another party, and other funds held jointly with another party in escrow accounts) to market interest rate fluctuations is provided by the following table that shows the distribution of the City’s investments by maturity. For purposes of the schedule shown

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2015

below, any callable securities are assumed to be held to maturity.

Investment type	Amount	Remaining maturity (in months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Held by City:					
Federal agency securities	\$ 418,435,351	114,866,491	58,895,776	244,673,084	—
Corporate medium term notes	134,066,810	30,147,051	41,450,025	62,469,734	—
Municipal bonds	6,633,659	—	—	6,633,659	—
U.S. Treasury Notes	3,012,420	—	—	3,012,420	—
Supranationals	5,010,820	—	2,001,940	3,008,880	—
State investment pool	49,621,091	49,621,091	—	—	—
Held by others:					
Treasury notes/ bonds	1,354,874	—	619,116	306,223	429,535
Federal agency securities	2,359,162	972,709	—	835,216	551,237
Corporate medium term notes	3,787,426	97,427	99,612	2,369,207	1,221,180
Money market funds	26,572,634	26,572,634	—	—	—
Total	\$ 650,854,247	222,277,403	103,066,469	323,308,423	2,201,952

Equities of \$4,566,796 not included.

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City's investments as of June 30, 2015 (including investments held by bond trustees) do not include any investments that are highly sensitive to interest rate fluctuations to a greater degree than already indicated in the information provided above.

Disclosures Relating to Credit Risk

Generally, 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. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2015

Investment type	Amount	Minium legal rating	Actual ratings - Standard & Poor's										
			AAA/AAAm	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	Not rated
Held by City:													
Federal agency securities	\$ 418,435,351	N / A	—	373,434,626	—	—	—	—	—	—	—	—	45,000,725
Corporate medium term notes	134,066,810	A	15,561,995	13,825,484	18,086,950	55,030,915	22,559,500	9,001,966	—	—	—	—	—
Municipal bonds	6,633,659	N/A	—	—	1,115,864	5,517,795	—	—	—	—	—	—	—
U.S. Treasury notes	3,012,420	N/A	—	3,012,420	—	—	—	—	—	—	—	—	—
Supranationals	5,010,820	AA	5,010,820	—	—	—	—	—	—	—	—	—	—
State investment pool	49,621,091	N / A	—	—	—	—	—	—	—	—	—	—	49,621,091
	<u>616,780,151</u>												
Held by others:													
Treasury notes/bonds	1,354,874	N / A	—	1,354,874	—	—	—	—	—	—	—	—	—
Federal agency securities	2,359,162	N / A	—	2,359,162	—	—	—	—	—	—	—	—	—
Corporate medium term notes	3,787,426	N / A	—	—	—	192,209	38,918	1,203,908	829,658	1,009,933	102,400	410,400	—
Money market funds	26,572,634	*	26,343,036	—	—	—	—	—	—	—	—	—	229,598
	<u>\$ 650,854,247</u>		<u>46,915,851</u>	<u>393,986,566</u>	<u>19,202,814</u>	<u>60,740,919</u>	<u>22,598,418</u>	<u>10,205,874</u>	<u>829,658</u>	<u>1,009,933</u>	<u>102,400</u>	<u>410,400</u>	<u>94,851,414</u>

Equities of \$4,566,796 not included.

*Money market mutual funds must have the highest rating of at least two nationally recognized rating organizations or must have the investment advisor registered with the SEC with no less than 5 yrs. experience and have assets under management. in excess of \$500 million. The unrated money market fund amount is part of the Cemetery and Mausoleum Perpetual Care Funds and therefore is not subject to the minimum legal rating. However, it does meet the second criteria of no less than 5 year experience and have assets under management in excess of \$500 million.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2015

The Cemetery and Mausoleum perpetual care funds are funds held in trust by the City to pay for perpetual care costs at the City-owned cemetery. Investment of these funds is not covered by the State Government Code. The guidelines for investment of these funds are set by the City Council, and the funds are managed by an outside investment firm using those guidelines.

Concentration of Credit Risk

In regards to limitations on the amount that can be invested in any one issuer, the City's investment policy generally follows stipulations by the California Government Code. However, the City's policy adds an additional stipulation that no more than 50% of the portfolio may be invested in a single issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments (excluding investments held by others) are as follows:

<u>Issuer</u>	<u>Investment type</u>	<u>Reported amount</u>	<u>% of Investments</u>
FNMA (Fannie Mae)	Federal agency securities	\$ 58,013,105	9.4 %
Federal Farm Credit Bank	Federal agency securities	60,116,868	9.7
FHLMC (Freddie Mac)	Federal agency securities	120,061,205	19.5
Federal Home Loan Bank	Federal agency securities	171,234,443	27.8

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: 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 agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The collateral is held by the pledging financial institution's trust department and is considered held in the City's name. The investments held by the City were not subject to custodial credit risk at June 30, 2015.

As of June 30, 2015, no City investments were held by the same broker-dealer (counterparty) that was used by the City to buy the securities.

For investments identified herein as held by bond trustee, the bond trustee, under direction of the City/Redevelopment Successor Agency/Parking Authority selects the investment under the terms of the applicable

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2015

trust agreement, acquires the investment, and holds the investment on behalf of the applicable agency.

Investment in State Investment Pool

Both the City and the Successor Agency (SA) are voluntary participants in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of City investments in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. As of June 30, 2015, \$49,621,091 was invested in the City's account and no funds were invested in the SA account. The total amount invested by all public agencies in LAIF at that date was \$21.5 billion. The LAIF is part of the State's Pooled Money Investment Account (PMIA). As of June 30, 2015, the investments in the PMIA totaled \$69.7 billion, of which 97.9% is invested in non-derivative financial products and 2.1% in structured notes and asset-backed securities. The weighted average of LAIF investments was 239 days as of June 30, 2015. LAIF is not rated.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2015

(6) NOTES RECEIVABLE

Notes receivable related to governmental activities total \$123,470,130 as follows:

	Balance at June 30, 2014	Increases	Decreases	Balance at June 30, 2015
General Fund				
Employee housing (a)	\$ 985,473	—	985,473	—
Community Corporation of Santa Monica (b)	3,086,277	—	—	3,086,277
Community Corporation of Santa Monica (c)	448,280	—	—	448,280
Community Corporation of Santa Monica (d)	4,420,698	—	—	4,420,698
FAME Santa Monica Senior Apartments (e)	2,599,186	4,817,162	—	7,416,348
Step Up (f)	1,296,212	733,225	—	2,029,437
Mountain View Mobile Home Park resident (g)	—	87,830	—	87,830
Total General Fund	12,836,126	5,638,217	985,473	17,488,870
Special Revenue Source Fund				
Community Corporation of Santa Monica (h)	6,774,763	—	—	6,774,763
Community Corporation of Santa Monica (i)	3,350,000	—	—	3,350,000
Community Corporation of Santa Monica (j)	4,816,378	—	—	4,816,378
Santa Monica Housing Partners (k)	19,400,000	—	—	19,400,000
Total Special Revenue Source Fund	34,341,141	—	—	34,341,141
Nonmajor Governmental Funds				
Community Corporation of Santa Monica (l)	681,080	—	—	681,080
Community Corporation of Santa Monica (m)	2,900,000	—	—	2,900,000
Community Corporation of Santa Monica (n)	7,100,000	—	—	7,100,000
Low- and moderate-income housing (DPRLP) (o)	200,000	—	—	200,000
Low- and moderate-income housing (DPRLP) (o)	200,000	—	—	200,000
Low- and moderate-income housing (p)	973,406	—	—	973,406
Ocean Park Community Center (q)	1,200,000	—	—	1,200,000
Community Corporation of Santa Monica (r)	6,345,807	—	—	6,345,807
Community Corporation of Santa Monica (s)	995,696	—	995,696	—
Step Up (t)	7,170,000	—	—	7,170,000
Community Corporation of Santa Monica (u)	4,234,506	—	—	4,234,506
Community Corporation of Santa Monica (v)	841,600	—	—	841,600
Santa Monica Housing Partners (w)	5,684,455	—	—	5,684,455
Community Corporation of Santa Monica (x)	3,044,820	—	—	3,044,820
Community Corporation of Santa Monica (y)	8,958,823	—	979,167	7,979,656
Community Corporation of Santa Monica (z)	4,786,704	—	349,703	4,437,001
FAME Santa Monica Senior Apartments (aa)	4,058,652	—	—	4,058,652
MERL Program (bb)	11,085,148	—	237,696	10,847,452
Step Up (cc)	2,407,860	603,958	—	3,011,818
Community Corporation of Santa Monica (dd)	729,866	—	—	729,866
Total nonmajor governmental funds	73,598,423	603,958	2,562,262	71,640,119
Total notes receivable	\$ 120,775,690	6,242,175	3,547,735	123,470,130

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2015

General Fund

- a. On June 11, 2010, the City made a housing loan to Rodney S. Gould, City Manager, in the amount of \$1,000,000 for the purchase of a home within the City limits. The loan is secured by a deed of trust and has a term of 30 years with an interest rate of 3.27%. The outstanding principal, together with any outstanding interest, is due and payable in full on or before the 30-year anniversary date of the loan. Monthly interest payments are due on the first calendar day of each month. The City Manager retired in January 2015 and paid off the loan in October 2014. As of June 30, 2015, the total outstanding balance of the loan was \$0.
- b. A promissory note dated January 12, 2009 in the amount of \$6,223,333 was executed with Community Corporation of Santa Monica for an affordable housing project located at 430-508 Pico Boulevard. This was a 0% interest loan with the principal amount due and payable after a two-year deferral period. It was superseded by a new loan dated January 26, 2012, which increased the note to \$10,947,475, changed the interest rate to 3% and the term to 55 years. As of June 30, 2015, \$3,086,277 from the General Fund had been disbursed to the borrower. See items “j” and “x” below for amounts disbursed from the Special Revenue Source Fund and nonmajor governmental funds.
- c. A promissory note dated February 1, 2011 in the amount of \$9,407,103 was executed with Community Corporation of Santa Monica for an affordable housing project located at 2602 Broadway. This is a 55-year loan with an interest rate of 3% per annum. As of June 30, 2015, \$448,280 had been disbursed to the borrower.
- d. A promissory note dated February 2, 2009 in the amount of \$5,595,897 was executed with Community Corporation of Santa Monica for an affordable housing project located at 2802 Pico Boulevard. This was a 0% interest loan with the principal amount due and payable after a two-year deferral period. It was superseded by a new loan dated November 29, 2011, which increased the note to \$9,207,402, changed the interest rate to 3% and the term to 55 years. As of June 30, 2015, \$4,420,698 had been disbursed to the borrower.
- e. A promissory note dated June 16, 2009 in the amount of \$4,424,711 was executed with FAME Santa Monica Senior Apartments, L.P. for an affordable housing project located at 1754 19th Street. This loan was superseded by a loan in the amount of \$11,475,000 dated November 17, 2011 and it is a 0% interest loan for 55 years. As of June 30, 2015, \$7,416,348 had been disbursed to the borrower.
- f. A promissory note dated December 15, 2010 in the amount of \$3,645,422 was executed with Step Up on Second Street, Inc. for an affordable housing project at 520 Colorado Avenue. The loan is for the acquisition and predevelopment of the site. This loan was superseded by a loan in the amount of \$5,041,255 dated January 25, 2012. It is a 3% interest loan for 55 years after the project is built. As of June 30, 2015, \$2,029,437 had been disbursed to the borrower.
- g. A shared appreciation promissory note dated October 18, 2012 in the amount of \$87,830 was executed with residents for a unit purchase in Mountain View Mobile Home Park. This is a 55-year loan with a 0% interest rate. As of June 30, 2015, \$87,830 had been loaned to the borrower.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2015

Special Revenue Source Fund

- h. A revised promissory note dated March 9, 2005 in the amount of \$6,774,763 was executed with Pacific Court Limited Partnership, c/o Community Corporation of Santa Monica, for an affordable housing project located at 2209 Main Street. Forty-four low- and very low-income housing units were constructed on the site. This is a 55-year loan with 1% interest rate per annum. Payments are to be made from residual receipts. As of June 30, 2015, \$6,774,763 had been disbursed to the borrower.
- i. A revised promissory note dated October 26, 2004 in the amount of \$3,350,000 was executed with 1424 Broadway Apartments Limited Partnership, c/o Community Corporation of Santa Monica, for an affordable housing project located at 1424 Broadway/1512 15th Street. This is a 55-year loan with 3% interest rate per annum. Payments are to be made from residual receipts. As of June 30, 2015, \$3,350,000 had been disbursed to the borrower.
- j. A promissory note dated January 12, 2009 in the amount of \$6,223,333 was executed with Community Corporation of Santa Monica for the acquisition and predevelopment expenses for an affordable housing project located at 430-508 Pico Boulevard. This was a 0% interest loan with the principal amount due and payable after a two-year deferral period. It was superseded by a new loan dated January 26, 2012, which increased the note to \$10,947,475, changed the interest rate to 3% and the term to 55 years. As of June 30, 2015, \$4,816,378 had been disbursed to the borrower.
- k. A promissory note dated December 8, 2011 in the amount of \$19,400,000, was executed with Santa Monica Housing Partners for the acquisition and predevelopment expenses for an affordable housing project located at 1725 Ocean Ave. This is a 0% interest loan with the principal amount due and payable after 55-year anniversary of conversion to permanent financing. As of June 30, 2015, \$19,400,000 had been disbursed to the borrower.

Nonmajor Governmental Funds

- l. On October 22, 1998, the City executed a promissory note with Community Corporation of Santa Monica for the construction of a twenty unit, large family, affordable housing complex located at 708 Pico Boulevard. \$579,000 was funded from the City's Pico Neighborhood Trust Fund but now known as CDBG Housing Trust Fund, while \$221,000 is funded from the Community Development Block Grant (CDBG) Fund. This note is a 0% interest loan to be repaid from residual receipts of the project and is due on October 22, 2053. As of June 30, 2015, the outstanding balance is \$681,080.
- m. A revised promissory note dated October 26, 2004 in the amount of \$2,900,000 was executed with 1424 Broadway Apartments Limited Partnership, c/o Community Corporation of Santa Monica, for an affordable housing project located at 1424 Broadway/1512 15th Street. This is a 55-year loan with 3% interest rate per annum. Payments are to be made from residual receipts. As of June 30, 2015, \$2,900,000 had been disbursed to the borrower.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2015

- n. Promissory notes dated October 26, 2004, October 26, 2004 and June 12, 2007 in the amount of \$4,458,033, \$1,691,967 and \$950,000, respectively for a total of \$7,100,000 were executed with 26th and Santa Monica Family Housing Limited Partnership, c/o Community Corporation of Santa Monica, for an affordable housing project located at 1349 26th Street. Forty-four low- and very low-income housing units are to be constructed on the site. They are 55-year loans with 3% interest rate per annum. Payments are to be made from residual receipts. As of June 30, 2015, \$7,100,000 had been disbursed to the borrower.
- o. Two promissory notes dated December 22, 1988 and December 29, 1989, for \$200,000 each, one for 3 Vicente Terrace and one for 2020/30 Cloverfield Boulevard, were executed with the owners of certain rental properties. The first note was for five years at 3% interest per year, and could be renewed for five additional five-year terms as long as the rental properties are maintained for low-and moderate-income households. The first note was due December 22, 1993, and has been extended for the fifth time to December 22, 2018; the second note was due December 29, 1994, and has been extended to December 29, 2019 under the same interest rate and similar terms and conditions. The promissory notes are payable in full upon sale or transfer of the property (whichever occurs first) or upon expiration of the term of the promissory notes. Upon payment to the City, proceeds must be paid to the State of California as repayment for two \$200,000 State Department of Housing and Urban Development Deferred Payment Rehabilitation Loan Program (DPRLP) loans. There were no changes in the loan balances during the fiscal year ended June 30, 2015.
- p. These represent non-interest bearing, limited appreciation and shared appreciation loans made between 1991 and 2001 pursuant to Tenant Ownership Rights Charter Amendment (TORCA) Program guidelines to assist low- and moderate-income households to purchase their rental units. The loans are due the earlier of 20 years or 30 years as applicable or upon resale, transfer or default. As of June 30, 2015, the outstanding balances of such loans total \$973,406.
- q. A promissory note dated September 30, 2003 in the amount of \$1,200,000 was executed with Ocean Park Community Center for congregate housing and emergency shelter for very low-income use, located at 1751 Cloverfield Boulevard. This loan is for the acquisition and rehabilitation of the site. This is a 55-year loan with 5.98% interest rate per annum with a two-year deferral period. Payments are to be made from residual receipts. As of June 30, 2015, \$1,200,000 had been disbursed to the borrower.
- r. A revised promissory note dated February 8, 2006 in the amount of \$6,745,807 was executed with Community Corporation of Santa Monica for an affordable housing project located at 3021-3031 Santa Monica Boulevard. This loan is for the acquisition, predevelopment expenses and construction of future low- and very low-income housing. This is a 3% interest loan with the principal amount due and payable February 8, 2061, 55-years from February 8, 2006. As of June 30, 2015, \$6,345,807 had been disbursed to the borrower.
- s. A promissory note dated February 10, 2004, in the amount of \$1,161,185 was executed with Community Corporation of Santa Monica for the purchase of land for an affordable housing project located at 1342 Berkeley Street. This 0% interest loan was due and payable August 6, 2008, and is secured by the land at 1342 Berkeley. City Council extended the loan due date until December 2014 and the borrower paid

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2015

off the loan in December 2014. As of June 30, 2015, the outstanding balance is \$0.

- t. Two promissory notes dated February 13, 2007, one in the amount of \$5,870,000 and one for \$1,300,000 were, executed with Step Up on Fifth, L.P. for an affordable housing project located at 1548 Fifth Street. These loans are for the acquisition and construction of the site. This is a 55-year loan with a simple interest rate of 5% per annum. Payments are to be made from residual receipts. As of June 30, 2015, \$7,170,000 had been disbursed to the borrower.
- u. A promissory note dated July 24, 2006 in the amount of \$4,234,506 was executed with The Tahiti, L.P. c/o Community Corporation of Santa Monica for an affordable housing project located at 2411-2423 Centinela Avenue. The loan is for the construction of 36 affordable rental housing units. This is a 55-year loan with a simple interest rate of 3% per annum. Payments are to be made from residual receipts. As of June 30, 2015, \$4,234,506 had been disbursed to the borrower.
- v. A promissory note dated December 22, 1988 in the amount of \$841,600 was executed with Community Corporation of Santa Monica for low- and very low-income housing at 2020-2030 Cloverfield Boulevard. This is a 35-year loan with 10.44% interest rate per annum. As of June 30, 2015, \$841,600 had been disbursed to the borrower.
- w. An amended promissory note dated February 22, 2008, in the amount of \$5,207,314 and a promissory note dated March 15, 2011 for \$477,141 were executed with the Santa Monica Housing Partners, L.P. for the development of 20 units of affordable senior housing at 1458 14th Street. The loans represent land acquisition financing that achieves site control. These are 55-year loans with an interest rate of 3% per annum on the \$5,207,314 loan and 4.36% on the \$477,141 loan. As of June 30, 2015, the outstanding balance is \$5,684,455.
- x. A promissory note dated January 12, 2009 in the amount of \$6,223,333 was executed with Community Corporation of Santa Monica for an affordable housing project located at 430-508 Pico Boulevard. This was a 0% interest loan with the principal amount due and payable after a two-year deferral period. It was superseded by a new loan dated January 26, 2012, which increased the note to \$10,947,475, changed the interest rate to 3% and the term to 55 years. As of June 30, 2015, \$3,044,820 had been disbursed to the borrower.
- y. A promissory note dated February 1, 2011 in the amount of \$9,407,103 was executed with Community Corporation of Santa Monica for an affordable housing project located at 2602 Broadway. This is a 55-year loan with an interest rate of 3% per annum. As of June 30, 2015, the outstanding balance is \$7,979,656.
- z. A promissory note dated February 2, 2009 in the amount of \$5,595,897 was executed with Community Corporation of Santa Monica for an affordable housing project located at 2802 Pico Boulevard. This was a 0% interest loan with the principal amount due and payable after a two-year deferral period. It was superseded by a new loan dated November 29, 2011, which increased the note to \$9,207,402, changed the interest rate to 3% and the term to 55 years. As of June 30, 2015, the outstanding balance is \$4,437,001.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2015

- aa. A promissory note dated June 16, 2009 in the amount of \$4,424,711 was executed with FAME Santa Monica Senior Apartments, L.P. for an affordable housing project located at 1754 19th Street. This loan was superseded by a loan in the amount of \$11,475,000 dated November 17, 2011. It is 0% interest loan for 55 years. As of June 30, 2015, \$4,058,652 had been disbursed to the borrower.
- bb. The January 17, 1994 Northridge Earthquake resulted in damaged multifamily residences in the City. To facilitate repair of damaged multifamily residences, the U.S. Department of Housing and Urban Development awarded the City a total of \$33,388,000 in emergency funds to finance the City's Multifamily Earthquake Repair Loan (MERL) Program.

The funds were allocated as follows: \$2,027,000 – HOME Program Emergency Supplemental Fund, \$6,361,000 – HOME Program Presidential Contingency Fund, and \$25,000,000 – CDBG Program Emergency Supplemental Fund.

Loans were made between 1995 and 2001. As of June 30, 2015, the following summarizes the total loan amount authorized, amount disbursed since inception of the loan program, the amounts repaid by the borrowers, and the loan balances:

<u>Fund</u>	<u>Loan amount authorized</u>	<u>Loan amount disbursed</u>	<u>Amounts repaid/forgiven</u>	<u>Loan balance at June 30, 2015</u>
Miscellaneous Grants	\$ 7,790,695	7,790,695	3,374,785	4,415,910
CDBG	21,739,088	21,727,929	15,296,387	6,431,542
Total	<u>\$ 29,529,783</u>	<u>29,518,624</u>	<u>18,671,172</u>	<u>10,847,452</u>

- cc. A promissory note dated December 15, 2010 in the amount of \$3,645,422 was executed with Step Up on Second Street, Inc. for an affordable housing project at 520 Colorado Avenue. The loan is for the acquisition and predevelopment of the site. This loan was superseded by a loan in the amount of \$5,041,255 dated January 25, 2012. It is 3% interest for 55 years after the project is built. As of June 30, 2015, \$3,011,818 had been disbursed to the borrower.
- dd. A promissory note dated October 21, 1987 in the amount of \$778,603 was executed with Community Corporation of Santa Monica for affordable housing projects located at 504 Ashland, 518 Pier, 536 Ashland, 642 Marine, and 3005 Highland. The overall project is called Ocean Park 43 (OP43). This is a 40 year loan with an interest rate of 5% per annum. As of June 30, 2015, \$729,866 had been disbursed to the borrower.

Due to the length of the repayment plan and uncertainty of collection of housing loans, the City's policy is not to record interest until received.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2015

(7) CAPITAL ASSETS

Capital assets activity for the primary government for fiscal year ended June 30, 2015 is as follows:

	Balance at July 1, 2014, As Restated	Increases	Decreases	Transfers	Balance at June 30, 2015
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 206,448,024	—	—	—	206,448,024
Land held under easement	72,237,823	—	—	—	72,237,823
Construction in progress	24,675,620	13,997,007	(22,820)	(15,646,196)	23,003,611
Total capital assets, not being depreciated	<u>303,361,467</u>	<u>13,997,007</u>	<u>(22,820)</u>	<u>(15,646,196)</u>	<u>301,689,458</u>
Capital assets, being depreciated:					
Buildings	342,111,330	1,069,389	(628,558)	(297,965)	342,254,196
Improvements other than buildings	141,943,370	1,923,811	(279,624)	15,944,161	159,531,718
Utility systems	1,742,913	—	—	—	1,742,913
Machinery and equipment	39,230,284	66,327	(4,231,978)	—	35,064,633
Infrastructure	331,410,087	244,503	(56,870)	—	331,597,720
Intangibles	695,710	—	—	—	695,710
Total capital assets being depreciated	<u>857,133,694</u>	<u>3,304,030</u>	<u>(5,197,030)</u>	<u>15,646,196</u>	<u>870,886,890</u>
Less accumulated depreciation for:					
Buildings	(85,064,215)	(9,964,238)	515,721	(872,065)	(95,384,797)
Improvements other than buildings	(55,698,786)	(5,337,308)	218,839	872,065	(59,945,190)
Utility systems	(569,600)	(87,146)	—	—	(656,746)
Machinery and equipment	(30,789,138)	(995,113)	4,167,583	—	(27,616,668)
Infrastructure	(189,979,823)	(10,559,387)	42,126	—	(200,497,084)
Intangibles	(20,292)	(34,785)	—	—	(55,077)
Total accumulated depreciation	<u>(362,121,854)</u>	<u>(26,977,977)</u>	<u>4,944,269</u>	<u>—</u>	<u>(384,155,562)</u>
Total capital assets, being depreciated, net	<u>495,011,840</u>	<u>(23,673,947)</u>	<u>(252,761)</u>	<u>15,646,196</u>	<u>486,731,328</u>
Subtotal governmental activities	<u>798,373,307</u>	<u>(9,676,940)</u>	<u>(275,581)</u>	<u>—</u>	<u>788,420,786</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	64,849,212	—	—	—	64,849,212
Construction in progress	26,380,594	2,102,969	(5,002,830)	(11,270,307)	12,210,426
Total capital assets, not being depreciated	<u>91,229,806</u>	<u>2,102,969</u>	<u>(5,002,830)</u>	<u>(11,270,307)</u>	<u>77,059,638</u>
Capital assets, being depreciated:					
Buildings	148,140,138	—	(269,656)	—	147,870,482
Improvements other than buildings	28,078,305	3,216,713	(321,868)	—	30,973,150
Machinery and equipment	176,858,980	6,305,268	(11,772,859)	3,139,324	174,530,713
Infrastructure	216,187,565	3,192,832	—	8,130,983	227,511,380
Intangibles	91,332,931	2,646,314	—	—	93,979,245
Total capital assets being depreciated	<u>660,597,919</u>	<u>15,361,127</u>	<u>(12,364,383)</u>	<u>11,270,307</u>	<u>674,864,970</u>
Less accumulated depreciation for:					
Buildings	(45,645,579)	(4,134,885)	262,540	—	(49,517,924)
Improvements other than buildings	(20,772,311)	(663,124)	321,868	—	(21,113,567)
Machinery and equipment	(111,751,823)	(13,126,591)	11,234,380	—	(113,644,034)
Infrastructure	(75,894,138)	(5,722,271)	—	—	(81,616,409)
Intangibles	(25,935,021)	(2,233,778)	—	—	(28,168,799)
Total accumulated depreciation	<u>(279,998,872)</u>	<u>(25,880,649)</u>	<u>11,818,788</u>	<u>—</u>	<u>(294,060,733)</u>
Total capital assets, being depreciated, net	<u>380,599,047</u>	<u>(10,519,522)</u>	<u>(545,595)</u>	<u>11,270,307</u>	<u>380,804,237</u>
Subtotal business-type activities	<u>471,828,853</u>	<u>(8,416,553)</u>	<u>(5,548,425)</u>	<u>—</u>	<u>457,863,875</u>
Total	<u>\$ 1,270,202,160</u>	<u>(18,093,493)</u>	<u>(5,824,006)</u>	<u>—</u>	<u>1,246,284,661</u>

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2015

Depreciation and amortization expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 899,304
Public safety	1,736,263
General services	14,796,642
Cultural and recreation services	3,853,433
Library	1,297,035
Housing and community development	4,328,060
Capital assets held by the government's internal service funds are charged to the various functions based on their assets' usage	<u>67,240</u>
Total depreciation and amortization expense - governmental activities	<u><u>\$ 26,977,977</u></u>
Business-type activities:	
Water	\$ 1,153,739
Resource Recovery and Recycling	11,243
Pier	547,575
Wastewater	6,529,699
Airport	411,032
Stormwater management	301,816
Cemetery	146,501
Big Blue Bus	13,777,667
Parking authority	33,886
Capital assets held by the government's internal service funds are charged to the various programs based on their assets' usage	<u>2,967,491</u>
Total depreciation and amortization expense - business-type activities	<u><u>\$ 25,880,649</u></u>

The City's infrastructure assets are recorded at historical cost and estimated historical cost in the government-wide statements as required by GASB Statement No. 34.

(8) UNEARNED REVENUE AND DEFERRED INFLOWS OF RESOURCES

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental and enterprise funds also defer revenue recognition in connection with resources that have been received as of year-end, but not yet earned (unearned revenue).

The interest on advances reported in the General Fund and the nonmajor governmental funds represents interest on advances to the Successor Agency and the Airport Fund and is recognized in the government-wide financial statements. This interest is earned and included in promissory note balances at year-end. GASB Statement

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2015

No. 34 requires the City to recognize and present interfund activity between governmental and business-type funds on the government-wide financial statements.

The components of unearned revenue are as follows:

	Fund financial statements	Recognized in government-wide financials	Government- wide financial statements
Governmental funds:			
General Fund:			
Unearned user fees	\$ 1,089,605	—	1,089,605
Business license tax	5,120,497	—	5,120,497
Settlement proceeds	1,500,000	(1,500,000)	—
Total General Fund	<u>7,710,102</u>	<u>(1,500,000)</u>	<u>6,210,102</u>
Special Revenue Source Fund:			
Civic Center Village advanced lease payments	18,697,810	—	18,697,810
Total Special Revenue Source Fund	<u>18,697,810</u>	<u>—</u>	<u>18,697,810</u>
Nonmajor governmental funds:			
Unearned user fees	6,131	—	6,131
Total nonmajor governmental funds:	<u>6,131</u>	<u>—</u>	<u>6,131</u>
Total governmental funds	<u>26,414,043</u>	<u>(1,500,000)</u>	<u>24,914,043</u>
Enterprise funds:			
Big Blue Bus Fund:			
Unredeemed fare media	9,888	—	9,888
LACMTA funds received prior to meeting all eligibility requirements			
Total Big Blue Bus Fund	<u>9,072,663</u>	<u>—</u>	<u>9,072,663</u>
Total enterprise funds	<u>9,072,663</u>	<u>—</u>	<u>9,072,663</u>
Total unearned revenue	<u>\$ 35,486,706</u>	<u>(1,500,000)</u>	<u>33,986,706</u>

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2015

The components of deferred inflows of resources are as follows:

	Fund financial statements	Recognized in government- wide financials	Government- wide financial statements
Governmental funds:			
General Fund:			
Interest on advances	\$ 20,244,569	(20,244,569)	—
Settlement proceeds	45,070,950	(45,070,950)	—
Total General Fund	<u>65,315,519</u>	<u>(65,315,519)</u>	—
Nonmajor governmental funds:			
Interest on advances	5,994,018	(5,994,018)	—
Grants receivable	2,800,188	(2,800,188)	—
Total nonmajor governmental funds:	<u>8,794,206</u>	<u>(8,794,206)</u>	—
Total deferred inflows of resources	<u>\$ 74,109,725</u>	<u>(74,109,725)</u>	—

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2015

(9) LONG-TERM LIABILITIES

Changes in long-term liabilities:

Long-term liability activity for the fiscal year ended June 30, 2015, was as follows:

	Balance at July 1, 2014	Additions	Reductions	Balance at June 30, 2015	Due within one year	Due beyond one year
Governmental Activities:						
Loans payable	\$ 400,000	—	—	400,000	—	400,000
Revenue bonds	79,570,000	—	4,865,000	74,705,000	5,070,000	69,635,000
General obligation bonds	10,100,000	—	1,210,000	8,890,000	1,165,000	7,725,000
Less deferred amounts:						
For issuance discounts	(4,691)	—	(2,451)	(2,240)	—	(2,240)
For issuance premiums	4,044,129	—	348,028	3,696,101	—	3,696,101
Total loans and bonds payable	94,109,438	—	6,420,577	87,688,861	6,235,000	81,453,861
Compensated absences (1)	11,916,009	7,404,882	7,516,485	11,804,406	7,505,505	4,298,901
Claims payable	38,823,615	11,719,978	9,225,412	41,318,181	9,984,378	31,333,803
Subtotal governmental activities	144,849,062	19,124,860	23,162,474	140,811,448	23,724,883	117,086,565
Business-type activities:						
Loans payable	1,774,966	—	277,174	1,497,792	284,383	1,213,409
Revenue bonds	8,955,000	—	—	8,955,000	—	8,955,000
Less deferred amounts:						
For issuance premiums	749,216	—	99,895	649,321	—	649,321
Total loans and bonds payable	11,479,182	—	377,069	11,102,113	284,383	10,817,730
Compensated absences	3,528,734	2,351,730	2,406,766	3,473,698	2,367,751	1,105,947
Claims payable	3,518,401	2,210,482	1,038,623	4,690,260	2,306,350	2,383,910
Subtotal business-type activities	18,526,317	4,562,212	3,822,458	19,266,071	4,958,484	14,307,587
Total	\$ 163,375,379	23,687,072	26,984,932	160,077,519	28,683,367	131,394,152

(1) Compensated absences are predominantly liquidated by General Fund resources.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2015

A summary of long-term bonds and loans outstanding at year-end is as follows:

	<u>Date of issue</u>	<u>Original issue</u>	<u>Final maturity date</u>	<u>Interest rate</u>	<u>Balance at June 30, 2015</u>
Governmental activities:					
Revenue bonds (1):					
Parking Authority Refunding 2002	May 1, 2002	\$ 10,480,000	July 1, 2016	3.50-4.50%	\$ 2,125,000
Public Finance Authority 2011	Nov 16, 2011	32,065,000	June 1, 2031	4.00-5.00%	29,580,000
Public Finance Authority Refunding 2009	Dec 16, 2009	9,155,000	July 1, 2021	2.00-5.00%	5,845,000
Public Finance Authority Refunding 2011	Nov 16, 2011	8,625,000	Dec 1, 2020	2.00-4.00%	5,705,000
Public Finance Authority 2004	Dec 14, 2004	38,930,000	July 1, 2033	3.35-5.00%	31,450,000
Subtotal revenue bonds - governmental activities					<u>74,705,000</u>
General obligation bonds (1):					
Main Library Improvements 2012	May 30, 2012	11,325,000	July 1, 2022	0.20-4.00%	8,890,000
Subtotal general obligation bonds - governmental activities					<u>8,890,000</u>
Loans payable:					
State Dept. of Housing and Community Development loan (2)	Dec 22, 1988	200,000	Dec 22, 2018	0.00%	200,000
State Dept. of Housing and Community Development loan (2)	Dec 29, 1989	200,000	Dec 29, 2019	0.00%	200,000
Subtotal loans payable					<u>400,000</u>
Subtotal governmental activities					<u>83,995,000</u>
Business-type activities (3):					
Revenue bonds:					
Hyperion Project Revenue Refunding 2012	May 30, 2012	8,955,000	Feb 1, 2022	2.00-4.00%	8,955,000
Subtotal revenue bonds - business-type activities					<u>8,955,000</u>
Loans:					
State Water Resources Control Board loan	Jan 29, 1999	5,000,000	July 1, 2019	2.60%	1,497,792
Subtotal business-type activities					<u>10,452,792</u>
Total					<u>\$ 94,447,792</u>

- (1) For construction of City facilities.
- (2) To fund promissory note receivable from the owner of certain rental property.
- (3) To fund capital contribution towards wastewater treatment facility.

Management believes it is in compliance with all debt covenants. See Note 17.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2015

Annual debt service requirements to maturity are as follows:

Governmental Activities								
Fiscal year ending June 30,	Revenue bonds		General obligation bonds		Loans payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 5,070,000	3,264,051	1,165,000	309,700	—	—	6,235,000	3,573,751
2017	5,270,000	3,056,623	1,135,000	275,350	—	—	6,405,000	3,331,973
2018	4,350,000	2,864,344	1,130,000	230,050	200,000	—	5,680,000	3,094,394
2019	4,525,000	2,690,594	1,120,000	185,050	200,000	—	5,845,000	2,875,644
2020	4,690,000	2,515,015	1,110,000	140,450	—	—	5,800,000	2,655,465
2021-2025	19,030,000	9,868,581	3,230,000	186,925	—	—	22,260,000	10,055,506
2026-2030	20,180,000	5,695,234	—	—	—	—	20,180,000	5,695,234
2031-2034	11,590,000	1,059,500	—	—	—	—	11,590,000	1,059,500
	<u>\$ 74,705,000</u>	<u>31,013,942</u>	<u>8,890,000</u>	<u>1,327,525</u>	<u>400,000</u>	<u>—</u>	<u>83,995,000</u>	<u>32,341,467</u>

Business-type activities						
Fiscal year ending June 30,	Revenue bonds		Loans payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ —	266,550	284,383	38,943	284,383	305,493
2017	—	266,550	291,775	31,549	291,775	298,099
2018	—	266,550	299,361	23,963	299,361	290,513
2019	2,130,000	266,550	307,144	16,179	2,437,144	282,729
2020	2,210,000	181,350	315,129	8,193	2,525,129	189,543
2021-2025	4,615,000	161,850	—	—	4,615,000	161,850
	<u>\$ 8,955,000</u>	<u>1,409,400</u>	<u>1,497,792</u>	<u>118,827</u>	<u>10,452,792</u>	<u>1,528,227</u>

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2015

Pledged Revenue

The City has a number of debt issues that involve the pledging of revenues. The amounts and terms of the remainder of these commitments and the purposes for which the proceeds of the debt issuances are utilized are indicated in the summary of long-term bonds and loans and notes outstanding at year-end presented in this note. For the current year, debt service payments as a percentage of the pledged gross revenue (net of certain expenses where so specified in debt covenants) are indicated in the table below. These percentages also approximate the relationship of debt service to pledged revenue for the remainder of the term of the commitment.

Description of pledged revenue/debt:	Annual amount of pledged revenue (net of expenses, where required)	Annual debt service payments (of all debt secured by this revenue)	Debt service as a percentage of pledged revenue	Future amount of pledged revenue
Base rental payments				
Parking Authority Refunding 2002	\$ 1,134,585	1,134,585	100%	1,133,825
Public Finance Authority 2011, Refunding 2009	2,027,200	2,027,200	100%	12,206,725
Public Finance Authority 2004	2,551,583	2,551,583	100%	45,920,200
Public Finance Authority 2011	2,667,131	2,667,131	100%	42,692,225
Library bond tax revenue				
Main Library Improvements Refunding 2012	1,443,663	1,486,350	103%	8,891,850
Wastewater charges for services				
Hyperion Project Revenue Refunding 2012	9,631,029	266,550	3%	10,364,400

(10) FUND DEFICITS

Special Revenue Funds. A deficit fund balance in the amount of \$814,287 exists in the Disaster Relief Fund. This fund deficit represents deferred inflows from reimbursable grant expenditures which have already been disbursed. Once cash is received from the grantor, the deficit fund balance will be eliminated.

Proprietary Funds. A net deficit in the amount of \$5,497,033 exists in the Airport Fund. This fund deficit is a result of reductions in lease revenue, increases in expenditures to maintain the airport's infrastructure and the City's implementation of GASB Statement No. 68 in the current year which has required reporting of the fund's proportionate share of the City's net pension liability. It is expected that the fund deficit will continue to decrease as landing fee revenues are collected.

A net deficit in the amount of \$2,727,970 exists in the Resource Recovery and Recycling Fund. This fund deficit is a result of the City's implementation of GASB Statement No. 68 in the current year which has required reporting of the fund's proportionate share of the City's net pension liability. This net pension liability and corresponding net deficit will be reduced by continued pension contributions in future years.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2015

Internal Service Funds. A net deficit in the amount of \$1,059,983 exists in the Self-Insurance Risk Management Administration Fund. This fund deficit is a result of the City’s implementation of GASB Statement No. 68 in the current year which has required reporting of the fund’s proportionate share of the City’s net pension liability. This net pension liability and corresponding net deficit will be reduced by continued pension contributions in future years.

A net deficit in the amount of \$831,487 exists in the Self-Insurance Workers’ Compensation Fund due to adverse development on new and existing claims related to prior years. This fiscal year the City made an additional \$5,000,000 contribution to the fund. Management expects to continue to carefully monitor this fund and intends to alleviate this net deficit through future user charges, instituting cost containment measures, and continuing evaluation of reserve balances. \$8,330,000 remains in an assignment in the General Fund to help manage this deficit.

(11) INTERFUND TRANSACTIONS

The following tables summarize the due to/from other funds, interfund advances to/from, and transfers in/out as of and for the fiscal year ended June 30, 2015.

Advances to/from

Advances to/from other funds at June 30, 2015 are as follows:

Advances to (receivable fund)	Advances from (payable fund)	Amount
General Fund	Nonmajor governmental funds	\$ 3,842,973
	Nonmajor enterprise funds	13,058,926
	Private-Purpose Trust Fund	24,155,332
	Total General Fund	41,057,231
Nonmajor governmental funds	Private-Purpose Trust Fund	7,864,674
Wastewater Fund	Nonmajor enterprise funds	167,186
	Total advances to/from	\$ 49,089,091

Advances represent loans made to provide financing resources for capital projects. These amounts are expected to be repaid in future years, subject to the various loan terms.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2015

Due from/to

Balances due to/from other funds at June 30, 2015 are as follows:

<u>Due from</u> <u>(receivable fund)</u>	<u>Due to</u> <u>(payable fund)</u>	<u>Amount</u>	
General Fund	Nonmajor governmental funds	\$ 1,303,299	
	Nonmajor enterprise funds	26,817	
	Total General Fund	<u>1,330,116</u>	
Private-Purpose Trust Fund	General Fund	<u>19,149,678</u>	(1)
	Total due to/from	<u>\$ 20,479,794</u>	

(1) Represents interfund receivable due to the Successor Agency based on the California State Controller's Office Asset Transfer Review. See note 17.

Due to/from other funds are primarily short-term loans made to eliminate negative cash balances at year-end. These amounts are expected to be repaid in one year.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2015

Transfers

Transfers to/from other funds for the fiscal year ended June 30, 2015 are as follows:

<u>Transfer in (receivable fund)</u>	<u>Transfer out (payable fund)</u>	<u>Amount</u>
General Fund	Special Revenue Source Fund	\$ 4,407,204 (1)
	Non-major governmental funds	546,614 (2)
	Water Fund	1,649,429 (3)
	Resource Recovery and Recycling Fund	408,079 (3)
	Big Blue Bus Fund	380,818 (4)
	Wastewater Fund	852,892 (3)
	Non-major enterprise funds	966,438 (5)
	Internal service funds	146,646 (6)
	Total General Fund	<u>9,358,120</u>
	Nonmajor governmental funds	General Fund
Non-major governmental funds		62,245 (8)
Total non-major governmental funds		<u>10,420,089</u>
Big Blue Bus Fund	Non-major governmental funds	74,200 (9)
	Total Big Blue Bus Fund	<u>74,200</u>
Non-major enterprise funds	Water Fund	26,190 (10)
	Non-major governmental funds	1,841,782 (11)
	Non-major enterprise funds	261,661 (12)
	Total non-major enterprise funds	<u>2,129,633</u>
	Total transfers	<u><u>\$ 21,982,042</u></u>

- (1) Transfer of monies to subsidize housing, transportation management and cultural affairs program expenditures; ERP system expenditures and loan payments on City TV property.
- (2) Transfer of monies to subsidize engineering, housing, human services, and public works expenditures; return of excess debt service funding.
- (3) Transfer of monies to subsidize environmental program expenditures.
- (4) Transfer of monies to subsidize counting room operation, transit mall maintenance, and Human Resources staff time.
- (5) Transfer of monies to subsidize environmental program expenditures and Housing and Economic Development staff time.
- (6) Transfer of monies to subsidize Workers' Compensation Self-Insurance Fund staff time.
- (7) Transfer of monies to subsidize housing program expenditures and for the payment of debt service.
- (8) Transfer of monies to subsidize housing program expenditures.
- (9) Transfer of monies to subsidize WISE Paratransit services and other transportation related expenditures.
- (10) Transfer of monies received from Metropolitan Water District Recycled Water Rebate program.
- (11) Transfer to subsidize operating and maintenance expenditures associated with the Santa Monica Urban Runoff Recycling Facility Transfer and cemetery management expenditures.
- (12) Transfer of monies to close Special Aviation.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2015

(12) RESTRICTED NET POSITION

Restricted components of net position are subject to external legal constraints. The following categories of net position are restricted as to use by agreements with creditors, developers, grantors, laws or regulations of other governments or enabling legislation: Debt service, Clean Beaches and Ocean Parcel Tax, Beach Recreation, Parks and Recreation, Housing Authority, Community Development Block Grant, Citizens Option for Public Safety, Air Quality Management District, Development projects, Asset Seizure, Streets projects, General Fund housing loan and Other, Low and Moderate Income Housing projects, perpetual care, and construction of rail system. The remaining categories of funds, Tenant Ownership Rights Charter Amendment and Rent Control, are restricted as to use by law.

Net position for governmental and business-type activities at June 30, 2015 is restricted as follows:

Housing Authority (1)	\$ 45,595
Disaster Relief	1,985,901
Tenant Ownership Rights Charter Amendment (2)	8,861,170
Community Development Block Grant (1)	17,813,298
Citizens Option for Public Safety (1)	162,681
Rent Control (2)	1,001,295
Air Quality Management District (1)	618,131
Asset Seizure (1)	371,723
Street Projects (2)	78,221
General fund housing loan (1)	17,488,870
Low and Moderate Income Housing Asset Fund (1)	<u>50,557,811</u>
Total housing and community development	98,984,696
Clean Beaches and Ocean Parcel Tax (2)	8,101,808
Beach and Parks Recreation (2)	8,250,332
Miscellaneous Grants (1)	11,705,833
Debt Service	5,091,427
Development Projects (1)	34,609,461
Perpetual Care - nonexpendable	11,418,771
Other (1)	<u>462,429</u>
Total governmental restricted net position	<u>\$ 178,624,757</u>

Net position for business-type activities at June 30, 2015 is restricted as follows:

Construction of Rail System (1)	\$ 1,759,377
Prop 1B (2)	<u>13,343,103</u>
Total business-type restricted net position	<u>\$ 15,102,480</u>

(1) Net position restricted by grantors

(2) Net position restricted by enabling legislation

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2015

(13) FUND BALANCES

In the fund financial statements, nonspendable, restricted for, committed to, assigned to, and unassigned segregate portions of fund balances that are either not available or have been earmarked for specific purposes. These fund balance categories are in accordance with GASB Statement No. 54.

In governmental funds, nonspendable fund balances are presented as a component of fund balances as follows:

	General Fund	Special Revenue Source Fund	Nonmajor governmental funds	Total governmental funds
<u>Nonspendable</u>				
Prepays	\$ 2,913,201	—	45,078	2,958,279
Advances to other funds	20,812,663	—	—	20,812,663
Perpetual care	—	—	11,418,771	11,418,771
Total nonspendable	\$ 23,725,864	—	11,463,849	35,189,713

Prepays

Since these assets represent goods or services already purchased, the related fund balance is not in spendable form.

Advances to other funds

Reflects the balances due, net of deferred interest revenues, from other funds that are long-term in nature. These funds are not in spendable form and are not available for appropriation.

Perpetual care

Represents balance of funds held by the City restricted for use for expenditures associated with perpetual care of the City's cemetery and mausoleum.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2015

In governmental funds, restricted fund balances are presented as a component of fund balances as follows:

	General Fund	Special Revenue Source Fund	Nonmajor governmental funds	Total governmental funds
<u>Restricted for</u>				
Notes receivable	\$ 17,488,870	14,941,141	71,640,119	104,070,130
Continuing capital projects	—	4,790,276	5,432,141	10,222,417
Encumbrances	—	—	47,666	47,666
Advances to other funds	—	—	1,870,656	1,870,656
Special purposes	462,429	911,819	17,937,965	19,312,213
Low- and moderate income housing	—	1,788,640	4,645,332	6,433,972
Childcare center	—	2,306,936	—	2,306,936
Parks	—	741,151	—	741,151
Historical Preservation	—	100,000	—	100,000
Traffic	—	2,221,790	—	2,221,790
Arts	—	938,432	—	938,432
Parking	—	2,473,337	—	2,473,337
Roads	—	1,799,875	—	1,799,875
Transit	—	1,596,064	—	1,596,064
Debt service	—	—	8,718,698	8,718,698
Total restricted	\$ 17,951,299	34,609,461	110,292,577	162,853,337

Notes receivable

Reflects the balances due on loans that are long-term in nature. Amounts, when collected, will be restricted as to use.

Continuing capital projects

Reflects the amount needed to fund the full cost of uncompleted capital projects at June 30, 2015.

Encumbrances

Reflects the amount set aside for future payments on unperformed contracts and open purchase orders at June 30, 2015.

Advances to other funds

Reflects the balances due, net of deferred interest revenues, from other funds that are long-term in nature and do not represent available expendable resources of the City.

Special purposes

Represents amounts restricted externally by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2015

Low- and moderate-income housing

Represents funds restricted for low- and moderate-income housing.

Childcare center

Represents unspent balance of developer fees restricted for future childcare center.

Parks

Represents unspent balance of developers fees restricted for parks projects.

Historical preservation

Represents unspent balance of developers fees restricted for historical preservation projects.

Traffic

Represents balance of developer fees restricted for traffic mitigation projects.

Arts

Represents balance of funds received from various sources to be used for arts projects.

Parking

Represents balance of developer fees restricted for additional parking improvements.

Roads

Represents balance of funds received from various sources for road projects.

Transit

Represents balance of fund received from developer contributions for bicycle and light rail infrastructure projects.

Debt service

Represents balance of funds held by trustees for future debt service and associated payments in the Debt Service Fund.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2015

In governmental funds, committed fund balances are presented as a component of fund balances as follows:

	General Fund	Special Revenue Source Fund	Nonmajor governmental funds	Total governmental funds
<u>Committed to</u>				
Low-and moderate-income housing	\$ 30,574	5,250,000	—	5,280,574
Continuing capital projects	—	9,970,652	—	9,970,652
Parks	—	8,276	—	8,276
Overnight accommodations	490,000	2,032,542	—	2,522,542
Transportation	—	564,264	—	564,264
Other purposes	—	—	51,975	51,975
Total committed	\$ 520,574	17,825,734	51,975	18,398,283

Low- and moderate-income housing

Represents funds committed for affordable low- and moderate-income housing and funds from the sale of City owned properties committed to affordable housing production.

Continuing capital projects

Reflects the amount needed to fund the full cost of uncompleted capital projects at June 30, 2015.

Parks

Represents funds from the Parks and Recreation Impact Fee committed for development of new parks and recreation facilities and the improvement of existing and new parkland.

Overnight accommodations

Represents funds committed to overnight accommodations per the 1990 Low Cost Lodging Mitigation Fee Ordinance.

Transportation

Represents funds from the Transportation Impact Fee committed for traffic mitigation and constructing transportation improvements.

Other purposes

Represents funds committed to the lifeguard headquarters and to legal expenses related to rent control.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2015

In governmental funds, assigned fund balances are presented as a component of fund balances as follows:

<u>Assigned to</u>	General Fund	Special Revenue Source Fund	Nonmajor governmental funds	Total governmental funds
Continuing capital projects	\$ 62,752,146	1,723,875	6,482,785	70,958,806
Future capital projects	32,951,218	—	—	32,951,218
Expenditure control budget account	8,318,916	—	—	8,318,916
Encumbrances	3,436,659	—	630,403	4,067,062
Project equity/PERS	20,000,000	—	131,980	20,131,980
Compensated absences	11,244,427	—	460,031	11,704,458
Pollution remediation	56,908,806	—	—	56,908,806
Workers' compensation/OPEB	10,095,166	—	—	10,095,166
Strategic initiatives	5,413,526	—	—	5,413,526
Other purposes	7,509,319	220,543	—	7,729,862
Total assigned	<u>\$ 218,630,183</u>	<u>1,944,418</u>	<u>7,705,199</u>	<u>228,279,800</u>

Continuing capital projects

Reflects the amount needed to fund the full cost of uncompleted capital projects at June 30, 2015.

Future capital projects

Represents funds set aside for future capital projects or project contingency.

Expenditure control budget account

Represents expenditure control budget amounts for department use.

Encumbrances

Reflects the amount set aside for future payments on unperformed contracts and open purchase orders at June 30, 2015.

Project equity/PERS

Resources set aside for potential additional payments to CalPERS or use as project financing equity to generate future operating savings.

Compensated absences

Resources set aside for future payments of compensated absences.

Pollution remediation

Resources held for use in environmental and pollution remediation, involving the Olympic Well Field Restoration Project.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2015

Workers' Compensation/OPEB

Resources set aside for future contributions to workers' compensation fund and postemployment benefits irrevocable trust.

Strategic initiatives

Resources set aside for projects to advance council priorities.

Other purposes

Represents funds assigned for other purposes including amounts set aside for low- and moderate-income housing, Civic Auditorium closeout, RDA dissolution payments, airport litigation, and other purposes.

In governmental funds, unassigned fund balances are presented as a component of fund balances as follows:

	General Fund	Special Revenue Source Fund	Nonmajor governmental funds	Total governmental funds
<u>Unassigned</u>				
Operating and capital contingency	\$ 51,015,000	—	—	51,015,000
Future expenditures	50,190,847	—	—	50,190,847
Economic uncertainty	9,700,000	—	—	9,700,000
Other unassigned	3,290,261	—	(814,287)	2,475,974
Total unassigned	\$ 114,196,108	—	(814,287)	113,381,821

Operating and capital contingency

Represents funds for operating and capital contingency.

Future expenditures

Represents funds for future expenditures.

Economic uncertainty

Represents funds to mitigate potential revenue losses due to economic uncertainty.

Other unassigned

Represents residual classification for the General Fund. In other governmental funds, expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned, therefore it was necessary to report a negative unassigned fund balance.

(14) COMMITMENTS AND CONTINGENCIES

Litigation

The City is regularly subject to certain legal proceedings and claims that arise in the normal course of City operations. Many of these have not yet been fully adjudicated. In the opinion of the City Attorney, there are

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2015

adequate legal defenses to these actions and it is not anticipated that there will be any adverse material effect on the financial position of the City.

Grants

The City recognizes as revenue grant monies received as reimbursement for costs incurred in certain Federal and State programs it administers. Although the City’s Federal grant programs have been audited through June 30, 2014 in accordance with the requirements of the Federal Single Audit Act Amendments of 1996 and the related U.S. Office of Management and Budget Circular A-133, these programs may be subject to financial and compliance audits by the reimbursing agencies. The amount, if any, of expenditures, which may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Construction Commitments

The City has a number of construction projects currently underway. Purchase orders, contracts and other commitments for these projects are recorded in order to reserve the portion of the applicable appropriation and are recorded at year-end as assignments of fund balances. Approximately \$91.2 million will be payable upon future performance under these contracts.

Encumbrances

The City uses “encumbrances” to control expenditure commitments for the year. Encumbrances represent commitments related to contracts not yet performed and purchase orders not yet filled. Commitments for such expenditures are encumbered to reserve applicable appropriations. Encumbrances are reported as part of restricted or assigned fund balance on the governmental funds balance sheet. As of June 30, 2015 the restricted and assigned encumbrance fund balances for the governmental funds are reported as follows:

General Fund	\$ 3,436,659
Nonmajor governmental funds	678,069
Total	<u>\$ 4,114,728</u>

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2015

Operating Lease Revenue/Expenses

The City has entered into operating lease arrangements as lessor for property. The following schedule is an analysis of the City's investment in property under operating leases by major classes as of June 30, 2015:

Land	\$ 189,065,432
Buildings	38,470,463
Improvements other than buildings	10,021,096
Machinery and equipment	1,782,774
Infrastructure	8,213,438
	<u>247,553,203</u>
Less: Accumulated depreciation	<u>(39,482,282)</u>
Total	<u><u>\$ 208,070,921</u></u>

The following is a schedule of both future minimum lease rental revenue to be received by the City as lessor and lease payments to be made by the City as lessee under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2015:

<u>Fiscal year ending June 30</u>	<u>Rental revenue</u>	<u>Lease payments</u>
2016	\$ 9,343,857	2,431,795
2017	9,247,170	2,278,351
2018	7,776,927	1,745,441
2019	7,008,968	1,740,643
2020	6,360,064	1,417,714
2021 - 2025	17,853,958	3,035,141
2026 - 2030	14,233,123	161,128
2031 - 2035	11,015,360	-
2036 - 2040	7,480,916	-
2041 - 2045	6,227,430	-
2046 - 2050	4,453,749	-
2051 - 2055	3,792,776	-
2056 - 2060	3,179,576	-
2061 - 2065	3,179,576	-
2066 - 2070	158,979	-
Total	<u><u>\$ 111,312,429</u></u>	<u><u>12,810,213</u></u>

The total long-term lease rental revenues and expenditures/expenses for the year ended June 30, 2015, were \$9,213,388 and \$2,431,796, respectively.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2015

(15) SELF-INSURANCE

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and others; and natural disasters. The City has chosen to establish risk financing internal service funds where assets are set aside for claim settlements associated with such risks of loss up to certain limits and has obtained excess liability coverage through the Authority for California Cities Excess Liability (ACCEL), a joint powers authority of twelve medium-size California municipalities. ACCEL is a member of the California State Association of Counties Excess Insurance Authority for the purpose of providing access to excess workers' compensation coverage for major employee injury risks through a program of pooled self-insurance/re-insurance and insurance on a risk sharing basis.

The City retains self-insurance up to \$1,000,000 for general liability, automobile liability, and bus operations liability. The ACCEL pool covers all general liability losses between \$1,000,000 and \$5,000,000, and purchases excess liability insurance to cover losses over \$5,000,000 and up to \$150,000,000. The City shares limits with two other California cities to cover losses over \$100,000,000 and up to \$150,000,000. The City retains self-insurance up to \$750,000 for workers' compensation. California State Association of Counties Excess Insurance Authority covers up to an additional \$4,250,000 for workers' compensation and arranges for excess of workers' compensation over \$5,000,000 and up to statutory limits. No claim settlements have exceeded insurance coverage in any of the past three years.

In order to provide funds to pay claims, ACCEL collects premiums from each member. The premiums paid are credited with investment income at the rate earning on the Authority's investments. Based on ACCEL's June 30, 2015 audited financial statements, the net reserves amounts related to the City were \$5,811,377 (16% of ACCEL's total net reserves and incurred but not reported). Total assets of ACCEL at June 30, 2015 were \$52,990,324. ACCEL has no capital contributions.

The City's unpaid claims liabilities are based on the results of actuarial studies. The unpaid claims liabilities are compiled by the Risk Manager of the City and include amounts for claims incurred but not reported as of year-end. Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors. Net present values of the unpaid claims liabilities are estimated for the year ended June 30, 2015, based on interest rates of 2.0% for general, automobile, and transit and 5.0% for workers' compensation. Revenues of the risk management funds, together with funds to be provided in the future, are expected to provide adequate resources to meet liabilities as they come due. Nonincremental claims expenses have not been included as part of the liability for claims.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2015

Changes in the liability for claims during the past two fiscal years for the self-insurance funds follow:

Fund (by fiscal year)	Beginning of year	Current-year claims and changes in estimates	Claims payments	End of year	Due within one year
June 30, 2014:					
General Liability and Automobile	\$ 3,654,090	4,350,739	(1,551,482)	6,453,347	2,343,569
Bus	3,944,023	1,347,258	(1,772,880)	3,518,401	1,961,401
Workers' Compensation	29,524,844	9,962,630	(7,117,206)	32,370,268	6,913,544
	<u>\$ 37,122,957</u>	<u>15,660,627</u>	<u>(10,441,568)</u>	<u>42,342,016</u>	<u>11,218,514</u>
June 30, 2015:					
General Liability and Automobile	\$ 6,453,347	1,987,583	(2,383,995)	6,056,935	2,436,553
Bus	3,518,401	2,210,482	(1,038,623)	4,690,260	2,306,350
Workers' Compensation	32,370,268	9,732,395	(6,841,417)	35,261,246	7,547,825
	<u>\$ 42,342,016</u>	<u>13,930,460</u>	<u>(10,264,035)</u>	<u>46,008,441</u>	<u>12,290,728</u>

(16) EMPLOYEE BENEFIT PROGRAMS

Santa Monica Public Employees' Retirement Plan

General Information about the Pension Plan

The City's defined benefit pension plan, Santa Monica Public Employees' Retirement Plan (Plan) provides retirement and disability benefits, annual cost-of living adjustments, and death benefits to plan members and beneficiaries. The Plan is part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. State statutes within the Public Employees' Retirement Law establish a menu of benefit provisions as well as other requirements. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through City resolution. CalPERS issues a separate comprehensive annual financial report available from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95811.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2015

Plan Description

All full-time employees of the City and part-time employees who have worked over 1,000 hours during a fiscal year are eligible to participate in either one of the Safety Plans (Police and Fire) or the Miscellaneous Plan (all others). The City is authorized by statute to establish and amend all plan provisions. Related benefits vest after five years of service. Upon five years of service, employees who retire are entitled to receive an annual retirement benefit according to the following Plan provision chart for each employee group:

	Miscellaneous		
		Between July 1, 2012 and December 31, 2012	On or after January 1, 2013
Hire Date	Prior to July 1, 2012		
Benefit formula	2.70% @ 55	2.00% @ 55	2.00% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefits payments	monthly for life	monthly for life	monthly for life
Retirement age	50-55	50-62	52-67
Monthly benefits, as a % of eligible compensation	2.70%	1.43% to 2.42%	1.00% to 2.50%
Cost of living adjustment	2.00%	2.00%	2.00%
Required employee contribution rate	8.00%	7.00%	6.25%
Required employer contribution rate*	18.51%	18.51%	18.51%

*Rates for fiscal year 2014-15

	Police	
	Prior to December 31, 2012	On or after January 1, 2013
Hire Date		
Benefit formula	3.00% @ 50	2.70% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefits payments	monthly for life	monthly for life
Retirement age	50	50-57
Monthly benefits, as a % of eligible compensation	3.00%	2.00% - 2.70%
Cost of living adjustment	2.00%	2.00%
Required employee contribution rate	9.00%	12.75%
Required employer contribution rate	40.42%	40.42%

	Fire	
	Prior to December 31, 2012	On or after January 1, 2013
Hire Date		
Benefit formula	3.00% @ 55	2.70% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefits payments	monthly for life	monthly for life
Retirement age	50-55	50-57
Monthly benefits, as a % of eligible compensation	2.40% - 3.00%	2.00% - 2.70%
Cost of living adjustment	2.00%	2.00%
Required employee contribution rate	9.00%	11.25%
Required employer contribution rate	30.49%	30.49%

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2015

Funding Policy

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. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS.

Active full-time members in the Plan are required to contribute 6.25% to 8.00% (for miscellaneous employees), 9.00% to 12.75% (for Police safety employees), and 9.00% to 11.25% (for Fire safety employees), of their annual covered salary. The City makes such employee contributions on behalf and for employees hired before January 1, 2013 for police safety and before July 1, 2012 for miscellaneous employees. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members earned during the year with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS. The miscellaneous members reimburse the City for the cost of an enhanced benefit at a rate of 6.70%. Police safety employees reimburse the City for the cost of an enhanced benefit at a rate of 3.50% and fire safety employees reimburse the City at a rate of 1.00%. In addition, starting July 1, 2014, Fire plan members began paying the employee contribution at a rate of 9.00%.

Employees Covered

At June 30, 2013, the following employees were covered by the benefit terms for each Plan:

Employees	Miscellaneous	Public Safety	
		Fire	Police
Inactive employees or their beneficiaries currently receiving benefits	1,057	138	291
Inactive employees entitled to but not yet receiving benefits	535	14	24
Active members	1,830	106	205
Total	<u>3,422</u>	<u>258</u>	<u>520</u>

Note: Information derived from 2013 Census Data

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2015

Net Pension Liability

The City’s net pension liability for each Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The total pension liability of each of the Plans is measured as of June 30, 2014, using an annual actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2014 (the measurement date), the total pension liability was determined using the following actuarial methods and assumptions:

	Miscellaneous	Safety - Police	Safety - Fire
Valuation date	June 30, 2013	June 30, 2013	June 30, 2013
Measurement date	June 30, 2014	June 30, 2014	June 30, 2014
Actuarial cost method	Entry-Age Normal		
Actuarial assumptions:			
Discount rate	7.50%	7.50%	7.50%
Inflation	2.75%	2.75%	2.75%
Payroll growth	3.00%	3.00%	3.00%
Projected salary increase ¹	3.30% - 14.20%	3.30% - 14.20%	3.30% - 14.20%
Investment rate of return ²	7.50%	7.50%	7.50%
Mortality ³	Derived using CalPERS' membership data for all funds		
Post retirement benefit increase	Contract COLA up to 2.75% until Purchasing Power Protections Allowance Floor on Purchasing Power applies, 2.75% thereafter		

¹ Depending on age, service and type of employment.

² Net of pension plan investment expenses, including inflation.

³ The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 Experience Study report.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website under “Forms and Publications.”

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2015

7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at the CalPERS website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the City's financial statements. Refer to the information on the Sensitivity of the Net Pension Liability to Changes in the Discount Rate which calculates the net pension liability based on 1 percentage-point higher and lower than the current rate.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as the methodology is changed.

The long-term expected rate of return on pension plan investments 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.

In determining the long-term expected rate of return, both short- and long-term market return expectations were considered by CalPERS as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2015

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation %	Real Return % Years 1 - 10 ¹	Real Return % Years 11+ ²
Global Equity	47.00	5.25	5.71
Global Fixed Income	19.00	0.99	2.43
Inflation Sensitive	6.00	0.45	3.36
Private Equity	12.00	6.83	6.95
Real Estate	11.00	4.50	5.13
Infrastructure and Forestland	3.00	4.50	5.09
Liquidity	2.00	(0.55)	(1.05)
Total	100.00		
¹ An expected inflation of 2.50% used for this period			
² An expected inflation of 3.00% used for this period			

Changes in Net Pension Liability

The following tables display the changes in net pension liability recognized over the measurement period for each of the City's Plans:

Miscellaneous Plan:	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(c)=(a)-(b)
Balance at 6/30/2013 (VD) ¹	\$ 856,285,199	\$ 586,695,124	\$ 269,590,075
Changes recognized for the measurement period			
Service cost	24,972,667	-	24,972,667
Interest on total pension liability	63,926,580	-	63,926,580
Contribution - employer	-	27,433,064	(27,433,064)
Contribution - employee	-	11,418,160	(11,418,160)
Net investment income ³	-	104,724,175	(104,724,175)
Benefit payments, includes employee contribution refunds	(32,834,279)	(32,834,279)	-
Net changes	\$ 56,064,968	\$ 110,741,120	\$ (54,676,152)
Balance at 6/30/2014 (MD)²	\$ 912,350,167	\$ 697,436,244	\$ 214,913,922

¹ VD = Valuation Date

² MD = Measurement Date

³ Net of administrative expenses of \$888,896.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2015

Public Safety - Fire Plan:	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(c)=(a)-(b)
Balance at 6/30/2013 (VD) ¹	\$ 199,527,764	\$ 133,936,461	\$ 65,591,303
Changes recognized for the measurement period			
Service cost	3,975,757	-	3,975,757
Interest on total pension liability	14,735,448	-	14,735,448
Contribution - employer	-	4,954,271	(4,954,271)
Contribution - employee	-	1,421,733	(1,421,733)
Net investment income ³	-	23,479,329	(23,479,329)
Benefit payments, includes employee contribution refunds	(10,085,994)	(10,085,994)	-
Net changes	\$ 8,625,211	\$ 19,769,339	\$ (11,144,128)
Balance at 6/30/2014 (MD) ²	\$ 208,152,975	\$ 153,705,800	\$ 54,447,175

³ Net of administrative expenses of \$194,446.

Public Safety - Police Plan:	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(c)=(a)-(b)
Balance at 6/30/2013 (VD) ¹	\$ 365,587,519	\$ 244,062,260	\$ 121,525,259
Changes recognized for the measurement period			
Service cost	8,493,146	-	8,493,146
Interest on total pension liability	27,132,667	-	27,132,667
Contribution - employer	-	12,515,162	(12,515,162)
Contribution - employee	-	3,372,358	(3,372,358)
Net investment income ³	-	43,315,499	(43,315,499)
Benefit payments, includes employee contribution refunds	(16,130,411)	(16,130,411)	-
Net changes	\$ 19,495,402	\$ 43,072,608	\$ (23,577,206)
Balance at 6/30/2014 (MD) ²	\$ 385,082,921	\$ 287,134,868	\$ 97,948,053

³ Net of administrative expenses of \$361,114.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2015

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plans as of the Measurement Date, calculated using the discount rate of 7.50 percent, as well as the net pension liability if it were calculated using a discount rate that is 1 percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

Discount Rate	Plan		
	Miscellaneous	Safety - Fire	Safety - Police
1% Decrease	6.50%	6.50%	6.50%
Net Pension Liability	\$ 338,401,333	\$ 80,749,033	\$ 150,162,372
Current Discount Rate	7.50%	7.50%	7.50%
Net Pension Liability	\$ 214,913,923	\$ 54,447,175	\$ 97,948,053
1% Increase	8.50%	8.50%	8.50%
Net Pension Liability	\$ 112,314,767	\$ 32,579,325	\$ 54,985,452

Pension Plan Fiduciary Net Position

Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.

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

For the year ended June 30, 2015, the City recognized pension expense as follows:

Plan	Pension Expense
Miscellaneous	\$ 32,756,650
Fire	6,097,289
Police	12,381,999
Total	\$ 51,235,938

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2015

As of June 30, 2015, the City has deferred outflows and deferred inflows of resources related to pensions as follows:

	Miscellaneous		Fire		Police	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 39,155,736	\$ -	\$ 6,548,136	\$ -	\$ 15,788,775	\$ -
Net difference between projected and actual earnings on pension plan investments	-	(48,581,578)	-	(10,865,413)	-	(20,071,685)
Total	\$ 39,155,736	\$ (48,581,578)	\$ 6,548,136	\$ (10,865,413)	\$ 15,788,775	\$ (20,071,685)

The amounts above are net of outflows and inflows recognized in the pension expense for the fiscal year ended June 30, 2015. The \$61.5 million reported as deferred outflows of resources is related to contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in fiscal year end 2016.

The net differences between projected and actual earnings on pension plan investments will be recognized in future pension expense as follows:

Fiscal Year ended June 30	Deferred Inflows of Resources		
	Miscellaneous	Fire	Police
2016	\$ (12,145,394)	\$ (2,716,353)	\$ (5,017,921)
2017	(12,145,394)	(2,716,353)	(5,017,921)
2018	(12,145,394)	(2,716,353)	(5,017,921)
2019	(12,145,396)	(2,716,354)	(5,017,922)

Deferred Compensation Plans

The City offers to its employees an optional deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code. This plan is available to substantially all employees and allows participants to defer a portion of their current income until future years to shelter such funds and earnings from state and federal taxation until withdrawal. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

The City offers an employer discretionary, defined contribution plan established and governed under Internal Revenue Code Section 401(a). Employee-only contributions are calculated based upon a percentage of employee compensation under agreements with employee bargaining groups and unions. For the fiscal year ended June 30, 2015 the total employee contributions were \$535,417.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2015

The City offers to its as-needed employees a separate Section 457 deferred compensation plan under the Omnibus Budget Reconciliation Act (OBRA). This plan is available to all as-needed employees who are not eligible to participate in CalPERS. This plan requires equal employer and employee contributions based on a percentage of earnings. For the fiscal year ended June 30, 2015 the combined employee/employer contributions were \$373,994.

These plans are administered through third-party administrators. The City does not perform the investing function and has no fiduciary accountability for the plans. Thus, plan assets and any related liabilities to plan participants have been excluded from the City's basic financial statements.

Other Postemployment Benefits

In addition to providing pension benefits through CalPERS, the City, in accordance with agreements with various bargaining units and groups, provides medical insurance benefits that are considered other postemployment benefits (OPEB) to certain retired employees under a single employer benefit plan. These benefits are subject to negotiations between the City and each bargaining unit and the related memorandum of understanding (MOU) is approved by the City Council. Employees of the Executive Pay Plan group and management employees of the Rent Control Board are eligible for a City paid medical insurance benefit if their combined retirement age and years of City service equals or exceeds 70. Under the terms of a MOU between the City and a coalition of the various non-sworn bargaining units (Coalition), all non-sworn permanent retirees are allowed to continue participating in one of the City's health plans at the same rate as active employees. As with other MOU's, this benefit is subject to bargaining between the City and the Coalition. The City also maintains minimum benefits for public safety employees provided by the City's contract with its healthcare provider. The City pays for OPEB through employer only contributions and has begun contributing to the unfunded liability, with no contribution required from employees. The Plan does not issue a stand-alone financial statement.

Annual OPEB Cost and Net OPEB Obligation

The City's OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance within the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that if paid on an ongoing basis is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years utilizing the level percentage of projected payroll method. The amortization period is open. The City has begun prefunding its OPEB obligation utilizing the CalPERS Employer's Retirement Benefit Trust. The City's annual required contribution for FY 2014-15 was 1.6% of covered payroll.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2015

The following table shows the components of the City’s annual OPEB cost for the year, the amount contributed to the plan, and changes in the City’s OPEB obligation to the plan.

Net OPEB Obligation and Annual OPEB Cost (dollars in thousands)

Annual required contribution	\$ 2,507
Interest on OPEB obligation	664
Adjustment to annual required contribution	<u>(548)</u>
Annual OPEB expense	2,623
Contributions made	<u>(2,507)</u>
Increase in net OPEB obligation	116
Net OPEB obligation - beginning of the year	<u>10,208</u>
Net OPEB obligation - end of the year	<u><u>\$ 10,324</u></u>

Schedule of Employer Contributions (dollars in thousands)

Fiscal Year Ended June 30	Annual OPEB Costs	Annual Contribution	Percentage Contribution	Net OPEB Obligation
2015	\$ 2,623	\$ 2,507	95.6 %	\$ 10,324
2014	2,715	987	36.3	10,208
2013	2,451	711	29.0	8,480

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
 For the fiscal year ended June 30, 2015

The funded status of the plan as of July 1, 2013, the most recent actuarial valuation date, is as follows:

OPEB funding information (dollars in thousands):

<u>Valuation date (July 1)</u>	<u>Actuarial value of assets</u>	<u>Actuarial accrued liability</u>	<u>Unfunded actuarial accrued liability (UAAL)</u>	<u>Funded ratio</u>	<u>Annual covered payroll</u>	<u>UAAL as a percentage of payroll</u>
2013	\$ -	\$ 28,293	\$ 28,293	0%	\$ 154,532	18.31%

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2015

Historical data for the funding progress of the Plan is presented as required supplementary information following the notes to the financial statements. This schedule presents multiyear trend information about whether the actuarial values of the plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial methods and assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the City and its employees and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing costs between the employer and plan member at that point.

In the July 1, 2013 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 5.00% rate of return, which is a blended rate of expected long-term return on plan assets on the City's own investments calculated based on the funded level of the plan at the valuation date, and an annual health care cost trend of 9.50% initially, reduced by decrements to an ultimate rate of 5.00% after 11 years. Both rates include a 3.25% inflation assumption. The remaining amortization period (the amortization period is open) at July 1, 2013 was thirty years. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Medical Trusts

The City contributes, consistent with bargaining unit agreements, monies to medical trusts, defined contribution plan, that provide postemployment medical benefits to employees. The amount of benefits provided to employees under these plans is limited solely to the amount contributed (determined by negotiations between the various bargaining groups and the City) related investment earnings, and forfeitures. For the fiscal year ended June 30, 2015 the City contributed \$3,560,419 towards the retiree medical trusts. These are administered through third-party administrators and the City does not perform the investing function or have other significant responsibility relating to the management of plan assets. Thus, plan assets and any related liabilities have been excluded from the City's basic financial statements.

(17) SUCCESSOR AGENCY TRUST FUND FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld AB 1X26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Santa Monica that previously reported a redevelopment agency within the reporting entity of the City as a blended component unit.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2015

The Bill provides that upon dissolution of a redevelopment agency (RDA), either the sponsoring city or another unit of local government will agree to serve as the “successor agency” to hold the former RDA’s non-housing assets until they are distributed to other units of state and local government and all enforceable obligations have been paid. In accordance with the Bill, the successor agency is a separate legal entity from the sponsoring city or other local government unit. The Bill also provides for the transfer of the former RDA's housing assets to the City, acting in its municipal capacity.

On January 10, 2012, the City Council elected to become the Successor Agency for the Redevelopment Agency of the City of Santa Monica in accordance with the Bill as part of City resolution number 10647.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012. The assets and activities of the dissolved redevelopment agency are reported in a private-purpose trust fund in the financial statements of the City.

Cash and Investments

Cash and investments as of June 30, 2015 are classified in the accompanying financial statements as follows:

Statement of Fiduciary Net Position:	
Restricted cash	\$ 14,442,806
Restricted cash and investments with fiscal agent	<u>6,780,487</u>
Total cash and investments	\$ <u><u>21,223,293</u></u>

Investments of the Successor Agency are governed by Government Code Section 53601 and the City’s Investment Policy, which restrict the term and types of investments that can be made. See Note 5.

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Successor Agency’s investment policy.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2015

The table below identifies the investment types that are authorized for investments held by the bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
U.S Treasury Obligations	None	None	None
Federal Housing Administration Debentures	None	None	None
U.S. Agency Securities	None	None	None
Time Deposits	None	None	None
Unsecured Certificates of Deposit	180 days	None	None
Banker's Acceptances	180 days	None	None
State Obligations	None	None	None
Repurchase Agreements	1 year	None	None
Pre-refunded Municipal Obligations	None	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	None	None	None
Investment Contracts	30 years	None	None

Disclosures Relating to 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. One of the ways that the Successor Agency manages its exposure to interest rate risk is by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the Successor Agency's investments held by bond trustee to market interest rate fluctuations is provided by the following table that shows the distribution of these investments by maturity.

<u>Investment Type</u>	<u>Maturity</u>
Held by bond trustee:	12 Months or less
Money market mutual funds	<u>\$ 6,780,487</u>

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2015

Disclosures Relating to Credit Risk

Generally, 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. Presented below is the minimum rating required by (where applicable) the California Government Code, the City’s investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

<u>Investment Type</u>	<u>Total</u>	Minimum Legal Rating	<u>AAAm</u>
Held by bond trustee:			
Money market mutual funds \$	<u>6,780,487</u>	AAAm*	<u>6,780,487</u>

Concentration of Credit Risk

No investments in any one issuer (other than U.S. Treasury securities, mutual funds, and investment pools) represent 5% or more of total investments.

Custodial Credit Risk

The Successor Agency does not have significant separate certificates of deposit or demand accounts held by bond trustee that have disclosable custodial credit risk (as defined by GASB Statement No. 40).

For the investments held by bond trustee, the bond trustee selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the reporting government.

Due to other governments

Due to other governments consists of amounts due under various pass-through agreements.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2015

SUCCESSOR AGENCY LONG-TERM LIABILITIES

Changes in long-term liabilities:

Long-term liability activity for the fiscal year ended June 30, 2015 was as follows:

	<u>Balance at July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2015</u>	<u>Due within one year</u>	<u>Due beyond one year</u>
Loans and notes payable	\$ 79,639,448	—	8,832,276	70,807,172	9,089,219	61,717,953
Term loan	43,939,396	—	3,030,302	40,909,094	3,030,303	37,878,791
Tax allocation bonds (1)	98,435,000	—	9,780,000	88,655,000	2,320,000	86,335,000
Advances from other funds of the city	35,279,561	75,690	3,335,245	32,020,006	11,158,105	20,861,901
Less deferred amounts:						
For issuance discounts	(121,250)	—	(8,083)	(113,167)	—	(113,167)
For issuance premiums	379,678	—	24,629	355,049	—	355,049
Total loans, notes and bonds payable	<u>\$ 257,551,833</u>	<u>75,690</u>	<u>24,994,369</u>	<u>232,633,154</u>	<u>25,597,627</u>	<u>207,035,527</u>

(1) On January 1, 2015, the Ocean Park Redevelopment Refunding Bonds Series 2002 were redeemed.

A summary of long-term bonds and loans outstanding at year-end is as follows:

	<u>Date of issue</u>	<u>Original issue</u>	<u>Final maturity date</u>	<u>Interest rate</u>	<u>Balance at June 30, 2015</u>
Tax allocation bonds:					
Earthquake Recovery Project 2011 *	June 7, 2011	41,050,000	July 1, 2042	5.00-5.875%	\$ 41,050,000
Earthquake Recovery Project Refunding 2006 *	April 1, 2006	64,720,000	July 1, 2030	4.00-5.50%	47,605,000
Subtotal tax allocation bonds					<u>88,655,000</u>
Loans and notes:					
Wells Fargo Bank (1)	Mar 11, 2011	60,000,000	Jan 1, 2018	70.00% LIBOR plus 1.50%	30,000,000
Bank of America Term Loan (2)	May 1, 2008	50,000,000	July 15, 2028	LIBOR plus 1.25%	40,909,094
Promissory note to the City of Santa Monica (3)	June 30, 1981	871,840	June 29, 2028	7.00%	1,893,179
Promissory note to the City of Santa Monica (3)	Oct 24, 1978	4,400,000	June 29, 2028	7.00%	22,262,153
Promissory note to the City of Santa Monica (3)	June 30, 1981	1,243,266	June 29, 2021	12.00%	6,171,995
Promissory note to the City of Santa Monica (3)	Sept 14, 1983	280,837	June 29, 2021	12.00%	1,118,160
Promissory note to the City of Santa Monica (3)	July 1, 1996	346,552	Demand	LAIF	574,519
Promissory notes (4)	Nov 1, 2010	42,500,000	Jan 1, 2042	6.82%	40,807,172
Subtotal loans and notes					<u>143,736,272</u>
Total					<u>\$ 232,391,272</u>

*Final and conclusive determination received from the Department of Finance

- (1) To fund various capital projects
- (2) To fund low moderate income housing projects
- (3) For project area costs including the purchase of land and other capital assets. Revisions to the Health and Safety Code changed the interest rate on all City Agency Loans to the historical LAIF rate.
- (4) For purchase of real estate

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2015

Annual debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Tax allocation bonds		Loans and notes payable		Promissory notes payable City of Santa Monica		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 2,320,000	4,346,806	12,119,528	4,113,413	11,158,105	62,704	25,597,633	8,522,923
2017	2,415,000	4,246,188	12,154,831	4,017,699	3,609,281	53,719	18,179,112	8,317,606
2018	2,520,000	4,141,949	12,192,541	3,915,293	5,517,575	44,425	20,230,116	8,101,667
2019	2,625,000	4,033,248	7,947,107	3,561,206	2,702,223	30,218	13,274,330	7,624,672
2020	2,730,000	3,918,771	3,704,421	3,204,377	2,131,740	23,260	8,566,161	7,146,408
2021-2025	15,575,000	17,634,966	19,277,480	14,330,427	6,901,082	36,865	41,753,562	32,002,258
2026-2030	19,420,000	13,680,244	16,443,872	11,199,635	—	—	35,863,872	24,879,879
2031-2035	12,475,000	9,769,106	8,691,397	8,408,602	—	—	21,166,397	18,177,708
2036-2040	16,395,000	5,714,778	12,659,759	4,940,240	—	—	29,054,759	10,655,018
2041-2042	12,180,000	1,026,666	6,525,329	674,671	—	—	18,705,329	1,701,337
	<u>\$ 88,655,000</u>	<u>68,512,722</u>	<u>111,716,265</u>	<u>58,365,563</u>	<u>32,020,006</u>	<u>251,191</u>	<u>232,391,271</u>	<u>127,129,476</u>

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2015

Pledged Revenue

The Former Redevelopment Agency had a number of debt issues that were assumed by the Successor Agency that involve the pledging of revenues. The amounts and terms of the remainder of these commitments and the purposes for which the proceeds of the debt issuances are utilized are indicated in the summary of long-term bonds and loans and notes outstanding at year-end presented in this note. AB1X26 only allows sufficient tax revenues to be allocated to the Successor Agency in an amount equal to pay debt service that is deemed to be an enforceable obligation and debt service payments as a percentage of the pledged gross revenue (net of certain expenses where so specified in debt covenants) will always be 100%. These percentages also approximate the relationship of debt service to pledged revenue for the remainder of the term of the commitment.

Description of pledged revenue/debt:	Annual amount of pledged revenue (net of expenses, where required)	Annual debt service payments (of all debt secured by this revenue)	Debt service as a percentage of pledged revenue	Future amount of pledged revenue
Tax increment				
Earthquake Recovery Project Refunding 2006	\$ 4,453,694	\$ 4,453,694	100%	\$ 62,284,136
Earthquake Recovery Project 2011	2,262,413	2,262,413	100%	90,365,531
Loan Payable	9,115,399	9,115,399	100%	26,614,284
Note Payable	3,300,000	3,300,000	100%	91,500,000
Term Loan	3,702,623	3,702,623	100%	44,889,169

Settlement with the Department of Finance

On October 28, 2013, the City and the Successor Agency entered into a settlement agreement with the Department of Finance, the State Controller and the Board of Equalization (collectively “the State”). The agreement resolves the lawsuit filed by the City and the Successor Agency against the State relating to the State’s implementation of AB1X26 and AB 1484.

The agreement called for the Successor Agency’s payment of \$56,784,229 to the County Auditor-Controller, payable in equal installments due January 15, 2014, July 15, 2014, January 15, 2015 and July 15, 2015. The Successor Agency accelerated the schedule and all remaining payments were made on January 14, 2015. The FY 2014-15 payments less the previous balance owed to the Successor Agency is recorded as an extraordinary loss in the General Fund. As such, the DOF issued a finding of completion to the Successor Agency on January 16, 2015.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2015

State Controller Asset Transfer Review

The Governor and Legislature directed the State Controller's Office (SCO) to review all Redevelopment Agency (RDA) asset transfers made to a city, county or other local agency after January 1, 2011. Any asset transferred to a public agency that was not contractually committed to a third party by June 28, 2011 must be sent to the RDA's successor agency and be used to retire debt or support local services.

On June 30, 2015 the SCO issued its final findings on its review of asset transfers. The findings identified two transfers that purportedly did not comply with the redevelopment dissolution statute. Although the City disagreed with the findings, the Successor Agency has recorded a receivable from the City in the amount of \$19,149,678 as of June 30, 2015. As of the date of the audit report, the State has not provided any further direction to the Successor Agency as to the final resolution of this item.

Repayments of Loan Agreements between the Successor Agency and the City

Health and Safety Code Section 34191.4(b)(1) allows for the repayment of loans between the City and the Successor Agency if the following are met:

- The Successor Agency has received a finding of completion.
- The Successor Agency's Oversight Board approved the loan is an enforceable obligation.
- The Oversight Board makes a finding that the loan was for legitimate redevelopment purposes.

Section 34191.4(b)(2) requires recalculation of the accumulated interest on the remaining principal amount from the loan origination at the interest rate earned by funds deposited in the Local Agency Investment Fund. As such the accrued interest on the loans was recalculated using the historical LAIF rate in effect during the outstanding period of the note. This resulted in a \$3,335,245 reduction in the accrued interest on the notes. This amount, in addition to \$1,771,583 of payments by the City, was recorded as an extraordinary item in both the Government-Wide and Successor Agency financial statements.

Subsequent events

On September 22, 2015, the Governor signed SB107 into law which allows for the repayment of loans from the City to the Redevelopment Agency in which the City loaned money or transferred real property to the Redevelopment Agency. Additionally, loan interest is now calculated at 3% simple interest which reduces the balance of the notes by \$23,253,888 to \$8,191,599 which will be recorded in fiscal year 2015-16. It also defines the calculation of funds available to fund loan repayments.

On November 6, 2015, the California Department of Finance (DOF) approved the re-establishment of Promissory Note A related to the former Agency's purchase of 6 parking structures from the Parking Authority. The SB107 allows for the first payment for FY 2015-2016 of \$7,937,437 and that amount has been approved by the DOF. The Successor Agency will continue to submit. Repayment of the full loan is subject to a revised repayment formula and requires interest on the remaining principal amount to be recalculated from the date of

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2015

origination of the loan on a quarterly basis at a simple interest rate of 3%. Money will be applied first to principal and second to interest.

(18) SUBSEQUENT EVENTS

On July 9, 2015 The City refunded its 2004 Public Finance Authority Bonds.

On September 25, 2015, Standard and Poors affirmed its AAA rating on the 2012A Wastewater Refunding Bonds.

On November 12, 2015, Fitch Ratings affirmed its AA- rating assigned to the Earthquake Recovery Redevelopment Project Series 2011 and Earthquake Recovery Redevelopment Project Series 2006A bonds. Standard and Poors also affirmed their AA / Stable rating in November 2015 for the previously mentioned Redevelopment Agency bonds.

(19) PRIOR PERIOD ADJUSTMENTS

The accompanying financial statements reflect adjustments resulting from a restatement of beginning net positions as of June 30, 2014 as follows:

Changes in Accounting Principle

- Decrease in Net Positions of the: Water Fund \$6,243,413, Resource Recovery & Recycling \$10,007,313, Wastewater Fund \$2,354,136, Big Blue Bus Fund \$46,165,882, Nonmajor Enterprise Funds \$4,686,578, Internal Service Funds \$5,470,361, Business-Type Activities \$73,064,925, and Governmental Activities \$344,396,227 to record beginning net pension liability as a result of the implementation of GASB Statements No. 68 and 71.

Correction of Errors

- Increase in Net Position of Governmental Activities and decrease in Net Position of the Business-Type Activities of \$2,179,971 to allocate net OPEB obligation from the Governmental Type to Business-Type Activities.
- Decrease in Net Positions of the: Water Fund \$261,550, Resource Recovery & Recycling \$402,593, Wastewater Fund \$81,668, Big Blue Bus Fund \$1,213,246, Nonmajor Enterprise Funds \$108,915, Internal Service Funds \$193,561 to record net OPEB obligation.
- Decrease in Net Position of Governmental Activities of \$3,491,179 to correct FEMA grants receivables.
- Increase in Net Position of Governmental Activities and decrease in Net Position of the Business-Type Activities of \$11,887,021 represents transfer of capital assets from the Parking Authority Nonmajor Enterprise Fund to Governmental Activities for assets owned and maintained by the City.

As a result of the prior period adjustments, the restated balance for the Enterprise Funds are: Water Fund \$47,232,785, Resource Recovery & Recycling \$(3,697,694), Wastewater Fund \$198,023,419, Big Blue Bus

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2015

Fund \$215,008,176, and Nonmajor Enterprise Funds \$22,512,052. The restated balance for Internal Service Funds is \$50,338,739.

The combined effect of these prior period adjustments on the government-wide financial statements is to decrease Governmental Activities Net Position from \$1,211,717,977 to \$877,897,602 and decrease Business-Type Activities Net Position from \$600,110,889 to \$512,978,972.

Reclassifications

A reclassification of the Airport Fund was made from major enterprise fund to nonmajor enterprise fund as it did not meet the major fund classification threshold. Resource Recovery & Recycling was reclassified from a nonmajor enterprise fund to a major enterprise fund because it met the major fund classification threshold.

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City of Santa Monica, California
Year Ended June 30, 2015

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SANTA MONICA, CALIFORNIA
 Required Supplementary Information
 Schedule of Changes in the Net Pension Liability and Related Ratios
 As of June 30, 2015 (Unaudited)

	2015¹			
	Miscellaneous	Police	Fire	Total
Total Pension Liability				
Service Cost	\$ 24,972,667	8,493,146	3,975,757	37,441,570
Interest on the total pension liability	63,926,580	27,132,667	14,735,448	105,794,695
Benefit payments, including refunds of employee contributions	(32,834,279)	(16,130,411)	(10,085,994)	(59,050,684)
Net change in total pension liability	56,064,968	19,495,402	8,625,211	84,185,581
Total pension liability - beginning	856,285,199	365,587,519	199,527,764	1,421,400,482
Total pension liability - ending (a)	\$ 912,350,167	385,082,921	208,152,975	1,505,586,063
Plan fiduciary net position				
Contribution - employer	\$ 27,433,064	12,515,162	4,954,271	44,902,497
Contribution - employee	11,418,160	3,372,358	1,421,733	16,212,251
Net investment income ²	104,724,175	43,315,499	23,479,329	171,519,003
Benefit payments	(32,834,279)	(16,130,411)	(10,085,994)	(59,050,684)
Net change in plan fiduciary - net position	110,741,120	43,072,608	19,769,339	173,583,067
Plan fiduciary net position - beginning	586,695,124	244,062,260	133,936,461	964,693,845
Plan fiduciary net position - ending (b)	697,436,244	287,134,868	153,705,800	1,138,276,912
Net pension liability - ending (a)-(b)	\$ 214,913,922	97,948,053	54,447,175	367,309,150
Plan fiduciary net position as a percentage of the total pension liability	76.44%	74.56%	73.84%	75.60%
Covered - employee payroll	\$ 139,422,993	33,591,328	21,186,183	194,200,504
Net pension liability as a percentage of covered-employee payroll	154.15%	291.59%	256.99%	189.14%

¹Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

²Net of administrative expenses: Miscellaneous - \$888,896; Police - 361,114; Fire - \$194,446

Notes to Schedule:

Benefit Changes: There were no changes in benefits.

Changes of Assumptions: There were no changes in assumptions.

CITY OF SANTA MONICA, CALIFORNIA

Required Supplementary Information
Schedule of Contributions - Pension Plans
As of June 30, 2015 (Unaudited)

	<u>Miscellaneous</u>	<u>Police</u>	<u>Fire</u>	<u>Total</u>
Actuarially determined contribution	\$ 24,422,700	11,036,924	4,345,057	39,804,681
Contributions in relation to actuarially determined contributions	(27,433,064)	(12,515,162)	(4,954,271)	(44,902,497)
Contribution excess	<u>\$ (3,010,364)</u>	<u>(1,478,238)</u>	<u>(609,214)</u>	<u>(5,097,816)</u>
 Covered employee payroll	 \$ 139,422,993	 33,591,328	 21,186,183	 194,200,504
 Contributions as a percentage of covered- employee payroll	 19.68%	 37.26%	 23.38%	 23.12%

Notes to Schedule

Valuation date

6/30/2013

Actuarial Cost Method

Entry Age Normal

Amortization Method

Level Percent Payroll

Asset Valuation Method

Market Value

Inflation

2.75%

Salary increases

A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

Payroll Growth

3.00%

Investments Rate of Return

7.5% Net of Pension Plan Investment and Administration Expenses, includes Inflation

Retirement Age

The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007

Mortality

The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

CITY OF SANTA MONICA, CALIFORNIA

Required Supplementary Information – OPEB Funding Information
For the fiscal year ended June 30, 2015
(Unaudited)

OPEB FUNDING INFORMATION (dollars in thousands):

<u>Valuation date (July 1)</u>	<u>Actuarial value of assets</u>	<u>Actuarial accrued liability</u>	<u>Unfunded actuarial accrued liability (UAAL)</u>	<u>Funded ratio</u>	<u>Annual covered payroll</u>	<u>UAAL as a percentage of payroll</u>
2013	-	\$ 28,293	\$ 28,293	0%	\$ 154,532	18.31%
2011	-	23,841	23,841	0%	167,724	14.21%
2009	-	18,747	18,747	0%	156,214	12.00%

The schedule of funding progress, presents multi-year trend information, which shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The valuation for FY 2014-15 was not available by the date of the audit report.

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City of Santa Monica, California
Year Ended June 30, 2015

SUPPLEMENTARY INFORMATION

CITY OF SANTA MONICA, CALIFORNIA

Nonmajor Governmental Fund Financial Statements

Special Revenue Funds are used to account for specific revenue sources that are restricted or committed to expenditures for particular purposes. The nonmajor special revenue funds used in this report are listed below:

Beach Recreation Fund – To account for beach parking and concession revenues restricted or committed for expenditures related to beach maintenance and recreation activities.

Housing Authority Fund – To account for the receipt and expenditure of Federal and State funds related to housing programs.

Tenant Ownership Rights Charter Amendment (TORCA) Fund – To account for filing fee and conversion tax revenues and expenditures related to various housing programs authorized by Chapter XX of the City Charter.

Low and Moderate Income Housing Asset Fund – Under Senate Bill 341, housing assets transferred to the City's Housing Successor Agency together with any funds generated from housing assets, shall be maintained in a separate Low and Moderate Income Housing Asset Fund. These funds can be used as previously allowed under the Low and Moderate Income Housing Fund established under Community Redevelopment Law, program monitoring and preserving the long-term affordability of units subject to affordability restrictions, homeless prevention and rapid rehousing services, and for the development of affordable housing for lower income households.

Asset Seizure Fund – To account for the receipt and expenditure of equitable sharing program funds.

Citizens Option for Public Safety Fund – To account for the receipt and expenditure of the Citizens Option for Public Safety program established by AB3229 of 1996.

Rent Control Fund – To account for revenues and expenditures that are restricted or committed for rent control activities.

Gas Tax Fund – To account for State and County gasoline tax allocations and any Federal funds provided to the City for street-related purposes.

Disaster Relief Fund – To account for Federal and State disaster relief revenues and expenditures associated with recovery from the January 17, 1994 Northridge Earthquake.

Capital Projects Funds are used to account for the accumulation of resources that are restricted, committed or assigned for the acquisition or construction of major capital facilities of the City other than those financed by proprietary funds and trust funds. The nonmajor capital projects funds used in this report are listed below:

Clean Beaches and Ocean Parcel Tax Fund – To account for activity related to implementation of Watershed Management Plan and the passage of Measure V in November 2006.

CITY OF SANTA MONICA, CALIFORNIA

Community Development Block Grant (CDBG) Fund – To account for Federal entitlements under the Housing and Community Development Act of 1974, as amended. The City Council annually allocates CDBG funds to various programs.

Miscellaneous Grants Fund – To account for the receipt and expenditure of Federal, State and County awarded grants and special allocations provided to the City.

South Coast Air Quality Management District (SCAQMD) Fund – To account for the receipt and expenditure of Air Quality Management District funds.

Parks and Recreation Fund – To account for funds collected under the City's Unit Dwelling Tax. These funds are to be used for the acquisition, improvement and expansion of public parks, playgrounds and recreational facilities.

Debt Service Funds are used to accumulate resources that are restricted, committed, or assigned for, and the payment of, general long-term debt principal, interest and related costs. The debt service funds used by the City in this report are listed below:

Debt Service Fund – To account for accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs for public facilities.

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for restricted purposes. The specific permanent funds used by the City in this report are listed below:

Cemetery Perpetual Care Fund – To account for all funds received by the City from cemetery users for the perpetual care of the cemetery grounds.

Mausoleum Perpetual Care Fund – To account for all funds designated for perpetual care of the mausoleum located at the City cemetery.

CITY OF SANTA MONICA, CALIFORNIA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015

	Special Revenue					
	Beach Recreation	Housing Authority	TORCA	Low and Moderate Income Housing Asset	Asset Seizure	Citizens Option for Public Safety
Assets						
Cash and investments	\$ 15,408,506	25,789	5,061,920	3,194,331	835,481	277,747
Restricted cash and investments	69,015	306,982	-	-	-	-
Receivables (net, where applicable, of allowances for uncollectibles):						
Accounts	243,290	3,636	-	-	13,440	-
Notes	-	-	7,719,214	47,358,809	-	-
Interest	31,897	-	9,600	4,762	1,751	443
Other governments	-	472,835	-	-	-	-
Deposits	-	-	-	-	-	-
Prepays	-	14,481	-	-	-	-
Restricted cash and investments with fiscal agent	-	-	-	-	-	-
Advances to Successor Agency trust fund	-	-	-	-	-	-
Total assets	<u>\$ 15,752,708</u>	<u>823,723</u>	<u>12,790,734</u>	<u>50,557,902</u>	<u>850,672</u>	<u>278,190</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficit)						
Liabilities						
Accounts payable	\$ 826,697	163,697	394	90	21,440	10,446
Accrued liabilities	167,264	45,547	-	-	-	-
Contracts payable (retained percentage)	1,622	-	-	-	-	-
Due to other funds	-	467,656	-	-	-	-
Unearned revenue	3,156	-	-	-	-	-
Deposits payable	69,015	-	-	-	-	-
Advances from other funds	3,842,973	-	-	-	-	-
Total liabilities	<u>4,910,727</u>	<u>676,900</u>	<u>394</u>	<u>90</u>	<u>21,440</u>	<u>10,446</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances (deficit)						
Nonspendable	-	14,481	-	-	-	-
Restricted	8,235,285	45,595	8,861,170	50,557,811	371,723	162,681
Committed	10,000	-	-	-	-	-
Assigned	2,596,696	86,747	3,929,170	1	457,509	105,063
Unassigned	-	-	-	-	-	-
Total fund balances (deficit)	<u>10,841,981</u>	<u>146,823</u>	<u>12,790,340</u>	<u>50,557,812</u>	<u>829,232</u>	<u>267,744</u>
Total liabilities, deferred inflows of resources, and fund balances (deficit)	<u>\$ 15,752,708</u>	<u>823,723</u>	<u>12,790,734</u>	<u>50,557,902</u>	<u>850,672</u>	<u>278,190</u>

continued

CITY OF SANTA MONICA, CALIFORNIA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015

	Special Revenue			Capital Projects		
	Rent Control	Gas Tax	Disaster Relief	Clean Beaches and Ocean Parcel Tax	Community Development Block Grant	Miscellaneous Grants
Assets						
Cash and investments	\$ 1,463,552	95,058	15,082	8,088,585	98,258	159
Restricted cash and investments	-	-	-	-	332,757	5,687,977
Receivables (net, where applicable, of allowances for uncollectibles):						
Accounts	75,269	-	-	41,021	4,057	1,210,117
Notes	-	-	-	-	9,646,188	6,915,908
Interest	5,395	1,636	30	17,978	533	21,139
Other governments	-	-	2,800,188	-	-	125,316
Deposits	-	-	-	-	3,257	-
Prepays	30,033	-	-	564	-	-
Restricted cash and investments with fiscal agent	-	-	-	-	-	-
Advances to Successor Agency trust fund	-	-	-	-	7,864,674	-
Total assets	\$ 1,574,249	96,694	2,815,300	8,148,148	17,949,724	13,960,616
Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficit)						
Liabilities						
Accounts payable	\$ 25,822	36	-	41,788	71,370	1,971,128
Accrued liabilities	121,388	-	-	238	-	23,942
Contracts payable (retained percentage)	-	18,437	-	3,750	65,056	253,469
Due to other funds	-	-	829,399	-	-	6,244
Unearned revenue	2,975	-	-	-	-	-
Deposits payable	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-
Total liabilities	150,185	18,473	829,399	45,776	136,426	2,254,783
Deferred inflows of resources	-	-	2,800,188	-	5,994,018	-
Fund balances (deficit)						
Nonspendable	30,033	-	-	564	-	-
Restricted	1,001,295	78,221	-	8,101,808	11,819,280	11,705,833
Committed	41,975	-	-	-	-	-
Assigned	350,761	-	-	-	-	-
Unassigned	-	-	(814,287)	-	-	-
Total fund balances (deficit)	1,424,064	78,221	(814,287)	8,102,372	11,819,280	11,705,833
Total liabilities, deferred inflows of resources, and fund balances (deficit)	\$ 1,574,249	96,694	2,815,300	8,148,148	17,949,724	13,960,616

continued

CITY OF SANTA MONICA, CALIFORNIA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015

	<u>Capital Projects</u>		<u>Debt Service</u>	<u>Permanent</u>		<u>Total nonmajor governmental funds</u>
	<u>SCAQMD</u>	<u>Parks and Recreation</u>	<u>Debt Service</u>	<u>Cemetery Perpetual Care</u>	<u>Mausoleum Perpetual Care</u>	
Assets						
Cash and investments	\$ 586,514	217,535	-	23,109	10,187	35,401,813
Restricted cash and investments	-	-	-	-	-	6,396,731
Receivables (net, where applicable, of allowances for uncollectibles):						
Accounts	-	-	-	-	-	1,590,830
Notes	-	-	-	-	-	71,640,119
Interest	1,607	449	-	84,221	10,458	191,899
Other governments	30,012	-	-	-	-	3,428,351
Deposits	-	-	-	-	-	3,257
Prepays	-	-	-	-	-	45,078
Restricted cash and investments with fiscal agent	-	-	8,718,697	10,145,942	1,179,209	20,043,848
Advances to Successor Agency trust fund	-	-	-	-	-	7,864,674
Total assets	<u>\$ 618,133</u>	<u>217,984</u>	<u>8,718,697</u>	<u>10,253,272</u>	<u>1,199,854</u>	<u>146,606,600</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficit)						
Liabilities						
Accounts payable	\$ 2	23,685	-	24,694	9,661	3,190,950
Accrued liabilities	-	-	-	-	-	358,379
Contracts payable (retained percentage)	-	-	-	-	-	342,334
Due to other funds	-	-	-	-	-	1,303,299
Unearned revenue	-	-	-	-	-	6,131
Deposits payable	-	-	-	-	-	69,015
Advances from other funds	-	-	-	-	-	3,842,973
Total liabilities	<u>2</u>	<u>23,685</u>	<u>-</u>	<u>24,694</u>	<u>9,661</u>	<u>9,113,081</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,794,206</u>
Fund balances (deficit)						
Nonspendable	-	-	-	10,228,578	1,190,193	11,463,849
Restricted	618,131	15,047	8,718,697	-	-	110,292,577
Committed	-	-	-	-	-	51,975
Assigned	-	179,252	-	-	-	7,705,199
Unassigned	-	-	-	-	-	(814,287)
Total fund balances (deficit)	<u>618,131</u>	<u>194,299</u>	<u>8,718,697</u>	<u>10,228,578</u>	<u>1,190,193</u>	<u>128,699,313</u>
Total liabilities, deferred inflows of resources, and fund balances (deficit)	<u>\$ 618,133</u>	<u>217,984</u>	<u>8,718,697</u>	<u>10,253,272</u>	<u>1,199,854</u>	<u>146,606,600</u>

CITY OF SANTA MONICA, CALIFORNIA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2015

	Special Revenue					
	Beach Recreation	Housing Authority	TORCA	Low and Moderate Income Housing Asset	Asset Seizure	Citizens Option for Public Safety
Revenues:						
Other taxes	\$ -	-	43,944	-	-	-
Licenses and permits	120,652	-	-	-	-	-
Intergovernmental	-	15,695,788	-	-	180,726	161,820
Charges for services	12,897,600	-	-	-	-	-
Investment income	123,971	297	34,451	10,198	6,646	1,353
Rental income	1,098,613	-	-	-	-	-
Other revenue and special assessments	748,958	-	76,436	1,519,673	-	-
Total revenues	<u>14,989,794</u>	<u>15,696,085</u>	<u>154,831</u>	<u>1,529,871</u>	<u>187,372</u>	<u>163,173</u>
Expenditures:						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	264,684	105,536
General services	4,643,897	-	2,216	505	-	-
Cultural and recreation services	8,255,761	-	-	-	-	-
Housing and community development	-	16,576,959	30,640	-	-	-
Debt service expenditures:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	<u>12,899,658</u>	<u>16,576,959</u>	<u>32,856</u>	<u>505</u>	<u>264,684</u>	<u>105,536</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,090,136</u>	<u>(880,874)</u>	<u>121,975</u>	<u>1,529,366</u>	<u>(77,312)</u>	<u>57,637</u>
Other financing sources (uses)						
Transfers in	-	553,645	-	-	-	-
Transfers out	-	-	(72,749)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>553,645</u>	<u>(72,749)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	2,090,136	(327,229)	49,226	1,529,366	(77,312)	57,637
Fund balances (deficit) at the beginning of year	<u>8,751,845</u>	<u>474,052</u>	<u>12,741,114</u>	<u>49,028,446</u>	<u>906,544</u>	<u>210,107</u>
Fund balances (deficit) at end of year	<u>\$ 10,841,981</u>	<u>146,823</u>	<u>12,790,340</u>	<u>50,557,812</u>	<u>829,232</u>	<u>267,744</u>

continued

CITY OF SANTA MONICA, CALIFORNIA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2015

	Special Revenue			Capital Projects		
	Rent Control	Gas Tax	Disaster Relief	Clean Beaches and Ocean Parcel Tax	Community Development Block Grant	Miscellaneous Grants
Revenues:						
Other taxes	\$ -	-	-	2,898,594	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	2,581,822	151,759	-	1,440,427	8,942,398
Charges for services	4,643,379	-	-	-	-	-
Investment income	27,604	5,924	111	60,349	942	71,570
Rental income	-	-	-	-	-	-
Other revenue and special assessments	1,626	-	-	-	-	516
Total revenues	<u>4,672,609</u>	<u>2,587,746</u>	<u>151,870</u>	<u>2,958,943</u>	<u>1,441,369</u>	<u>9,014,484</u>
Expenditures:						
Current:						
General government	-	-	-	-	6,706	641,441
Public safety	-	-	-	-	-	1,868,226
General services	-	2,935,643	-	786,216	421,424	8,889,635
Cultural and recreation services	-	-	-	-	317,660	565,641
Housing and community development	4,570,489	-	-	-	726,847	932,782
Debt service expenditures:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	<u>4,570,489</u>	<u>2,935,643</u>	<u>-</u>	<u>786,216</u>	<u>1,472,637</u>	<u>12,897,725</u>
Excess (deficiency) of revenues over (under) expenditures	<u>102,120</u>	<u>(347,897)</u>	<u>151,870</u>	<u>2,172,727</u>	<u>(31,268)</u>	<u>(3,883,241)</u>
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	(1,519,812)	(116,401)	(248,100)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,519,812)</u>	<u>(116,401)</u>	<u>(248,100)</u>
Net change in fund balances	102,120	(347,897)	151,870	652,915	(147,669)	(4,131,341)
Fund balances (deficit) at the beginning of year	1,321,944	426,118	(966,157)	7,449,457	11,966,949	15,837,174
Fund balances (deficit) at end of year	<u>\$ 1,424,064</u>	<u>78,221</u>	<u>(814,287)</u>	<u>8,102,372</u>	<u>11,819,280</u>	<u>11,705,833</u>

continued

CITY OF SANTA MONICA, CALIFORNIA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2015

	Capital Projects		Debt Service	Permanent		Total nonmajor governmental funds
	SCAQMD	Parks and Recreation	Debt Service	Cemetery Perpetual Care	Mausoleum Perpetual Care	
Revenues:						
Other taxes	\$ -	26,568	-	-	-	2,969,106
Licenses and permits	-	-	-	-	-	120,652
Intergovernmental	264,230	-	-	-	-	29,418,970
Charges for services	-	-	-	162,197	38,405	17,741,581
Investment income	6,223	1,615	51,012	250,141	20,441	672,848
Rental income	-	-	-	-	-	1,098,613
Other revenue and special assessments	-	-	-	-	-	2,347,209
Total revenues	270,453	28,183	51,012	412,338	58,846	54,368,979
Expenditures:						
Current:						
General government	5,591	-	-	-	-	653,738
Public safety	-	-	-	-	-	2,238,446
General services	556,434	-	-	-	-	18,235,970
Cultural and recreation services	-	51,487	-	-	-	9,190,549
Housing and community development	-	-	-	-	-	22,837,717
Debt service expenditures:						
Principal	-	-	6,075,000	-	-	6,075,000
Interest	-	-	3,785,591	-	-	3,785,591
Total expenditures	562,025	51,487	9,860,591	-	-	63,017,011
Excess (deficiency) of revenues over (under) expenditures	(291,572)	(23,304)	(9,809,579)	412,338	58,846	(8,648,032)
Other financing sources (uses)						
Transfers in	-	-	9,866,444	-	-	10,420,089
Transfers out	-	-	(13,518)	(497,850)	(56,411)	(2,524,841)
Total other financing sources (uses)	-	-	9,852,926	(497,850)	(56,411)	7,895,248
Net change in fund balances	(291,572)	(23,304)	43,347	(85,512)	2,435	(752,784)
Fund balances (deficit) at the beginning of year	909,703	217,603	8,675,350	10,314,090	1,187,758	129,452,097
Fund balances (deficit) at end of year	\$ 618,131	194,299	8,718,697	10,228,578	1,190,193	128,699,313

CITY OF SANTA MONICA, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Basis)
Beach Recreation Special Revenue Fund

For the fiscal year ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Licenses and permits	\$ 87,911	120,652	—	120,652	32,741
Charges for services	11,129,712	12,897,600	—	12,897,600	1,767,888
Investment income	68,250	123,971	—	123,971	55,721
Rental income	1,450,322	1,098,613	—	1,098,613	(351,709)
Other revenue and special assessments	693,000	748,958	—	748,958	55,958
Total revenues	<u>13,429,195</u>	<u>14,989,794</u>	<u>—</u>	<u>14,989,794</u>	<u>1,560,599</u>
Expenditures:					
General services:					
Public Works	4,824,173	4,434,497	32,801	4,467,298	356,875
Other	—	—	—	—	—
Capital improvement	369,400	209,400	160,000	369,400	—
Total general services	<u>5,193,573</u>	<u>4,643,897</u>	<u>192,801</u>	<u>4,836,698</u>	<u>356,875</u>
Cultural and recreation services:					
Community and cultural services	8,195,199	7,553,606	30,918	7,584,524	610,675
Capital improvement	2,918,116	702,155	311,642	1,013,797	1,904,319
Total cultural and recreation services	<u>11,113,315</u>	<u>8,255,761</u>	<u>342,560</u>	<u>8,598,321</u>	<u>2,514,994</u>
Total expenditures	<u>16,306,888</u>	<u>12,899,658</u>	<u>535,361</u>	<u>13,435,019</u>	<u>2,871,869</u>
Excess (deficiency) of revenues over (under) expenditures	(2,877,693)	2,090,136	(535,361)	1,554,775	4,432,468
Net change in fund balance	(2,877,693)	2,090,136	(535,361)	1,554,775	4,432,468
Fund balance at beginning of year	<u>8,751,845</u>	<u>8,751,845</u>	<u>—</u>	<u>8,751,845</u>	<u>—</u>
Fund balance at end of year	<u>\$ 5,874,152</u>	<u>10,841,981</u>	<u>(535,361)</u>	<u>10,306,620</u>	<u>4,432,468</u>

CITY OF SANTA MONICA, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Basis)
Housing Authority Special Revenue Fund
For the fiscal year ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Intergovernmental	\$ 16,338,646	15,695,788	—	15,695,788	(642,858)
Investment income	29,500	297	—	297	(29,203)
Total revenues	<u>16,368,146</u>	<u>15,696,085</u>	<u>—</u>	<u>15,696,085</u>	<u>(672,061)</u>
Expenditures:					
Housing and community development:					
Housing and economic development	17,547,846	16,564,588	—	16,564,588	983,258
Other	11,609	—	—	—	11,609
Capital improvement	12,371	12,371	—	12,371	—
Total housing and community development	<u>17,571,826</u>	<u>16,576,959</u>	<u>—</u>	<u>16,576,959</u>	<u>994,867</u>
Cultural and recreation services:					
Other	23,464	—	—	—	23,464
Total cultural and recreation services	<u>23,464</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>23,464</u>
Total expenditures	<u>17,595,290</u>	<u>16,576,959</u>	<u>—</u>	<u>16,576,959</u>	<u>1,018,331</u>
Deficiency of revenues under expenditures	(1,227,144)	(880,874)	—	(880,874)	346,270
Other financing sources:					
Transfers in	509,044	553,645	—	553,645	44,601
Net change in fund balance	(718,100)	(327,229)	—	(327,229)	390,871
Fund balance at beginning of year	474,052	474,052	—	474,052	—
Fund balance at end of year	<u>\$ (244,048)</u>	<u>146,823</u>	<u>—</u>	<u>146,823</u>	<u>390,871</u>

CITY OF SANTA MONICA, CALIFORNIA

Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Basis)
Tenant Ownership Rights Charter Amendment
(TORCA) Special Revenue Fund

For the fiscal year ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Other taxes	\$ 40,000	43,944	—	43,944	3,944
Investment income	31,000	34,451	—	34,451	3,451
Other revenue and special assessments	50,000	76,436	—	76,436	26,436
Total revenues	<u>121,000</u>	<u>154,831</u>	<u>—</u>	<u>154,831</u>	<u>33,831</u>
Expenditures:					
General services:					
Other	4,000	2,216	—	2,216	1,784
Total general services	<u>4,000</u>	<u>2,216</u>	<u>—</u>	<u>2,216</u>	<u>1,784</u>
Housing and community development:					
Capital improvement	3,959,810	30,640	165,490	196,130	3,763,680
Total housing and community development	<u>3,959,810</u>	<u>30,640</u>	<u>165,490</u>	<u>196,130</u>	<u>3,763,680</u>
Total expenditures	<u>3,963,810</u>	<u>32,856</u>	<u>165,490</u>	<u>198,346</u>	<u>3,765,464</u>
Excess (deficiency) of revenues over (under) expenditures	(3,842,810)	121,975	(165,490)	(43,515)	3,799,295
Other financing uses:					
Transfers out	(98,910)	(72,749)	—	(72,749)	26,161
Net change in fund balance	<u>(3,941,720)</u>	<u>49,226</u>	<u>(165,490)</u>	<u>(116,264)</u>	<u>3,825,456</u>
Fund balance at beginning of year	<u>12,741,114</u>	<u>12,741,114</u>	<u>—</u>	<u>12,741,114</u>	<u>—</u>
Fund balance at end of year	<u><u>\$ 8,799,394</u></u>	<u><u>12,790,340</u></u>	<u><u>(165,490)</u></u>	<u><u>12,624,850</u></u>	<u><u>3,825,456</u></u>

CITY OF SANTA MONICA, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Basis)
Low and Moderate Income Housing Asset Special Revenue Fund
For the fiscal year ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Investment income	\$ 2,500	10,198	—	10,198	7,698
Other revenue and special assessments	400,000	1,519,673	—	1,519,673	1,119,673
Total revenues	<u>402,500</u>	<u>1,529,871</u>	<u>—</u>	<u>1,529,871</u>	<u>1,127,371</u>
Expenditures:					
General services					
Other	—	505	—	505	(505)
Total general services	—	505	—	505	(505)
Housing and community development:					
Capital improvements	603,958	—	—	—	603,958
Total housing and community development	603,958	—	—	—	603,958
Total expenditures	<u>603,958</u>	<u>505</u>	<u>—</u>	<u>505</u>	<u>603,453</u>
Excess (deficiency) of revenues over (under) expenditures	(201,458)	1,529,366	—	1,529,366	1,730,824
Net change in fund balance	(201,458)	1,529,366	—	1,529,366	1,730,824
Fund balance at beginning of year	49,028,446	49,028,446	—	49,028,446	—
Fund balance at end of year	<u>\$ 48,826,988</u>	<u>50,557,812</u>	<u>—</u>	<u>50,557,812</u>	<u>1,730,824</u>

CITY OF SANTA MONICA, CALIFORNIA

Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Basis)
Citizens Option for Public Safety Special Revenue Fund

For the fiscal year ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Intergovernmental	\$ 255,473	161,820	—	161,820	(93,653)
Investment income	2,300	1,353	—	1,353	(947)
Total revenues	<u>257,773</u>	<u>163,173</u>	<u>—</u>	<u>163,173</u>	<u>(94,600)</u>
Expenditures:					
Public safety:					
Police	267,023	105,536	105,063	210,599	56,424
Total public safety	<u>267,023</u>	<u>105,536</u>	<u>105,063</u>	<u>210,599</u>	<u>56,424</u>
Total expenditures	<u>267,023</u>	<u>105,536</u>	<u>105,063</u>	<u>210,599</u>	<u>56,424</u>
Excess (deficiency) of revenues under expenditures	<u>(9,250)</u>	<u>57,637</u>	<u>(105,063)</u>	<u>(47,426)</u>	<u>(38,176)</u>
Net change in fund balance	<u>(9,250)</u>	<u>57,637</u>	<u>(105,063)</u>	<u>(47,426)</u>	<u>(38,176)</u>
Fund balance at beginning of year	<u>210,107</u>	<u>210,107</u>	<u>—</u>	<u>210,107</u>	<u>—</u>
Fund balance at end of year	<u>\$ 200,857</u>	<u>267,744</u>	<u>(105,063)</u>	<u>162,681</u>	<u>(38,176)</u>

CITY OF SANTA MONICA, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Basis)
Gas Tax Special Revenue Fund

For the fiscal year ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Intergovernmental	\$ 2,395,940	2,581,822	—	2,581,822	185,882
Investment income	9,000	5,924	—	5,924	(3,076)
Total revenues	<u>2,404,940</u>	<u>2,587,746</u>	<u>—</u>	<u>2,587,746</u>	<u>182,806</u>
Expenditures:					
General services:					
Other	2,401,240	2,585,643	—	2,585,643	(184,403)
Capital improvements	350,000	350,000	—	350,000	—
Total general services	<u>2,751,240</u>	<u>2,935,643</u>	<u>—</u>	<u>2,935,643</u>	<u>(184,403)</u>
Total expenditures	<u>2,751,240</u>	<u>2,935,643</u>	<u>—</u>	<u>2,935,643</u>	<u>(184,403)</u>
Deficiency of revenues under expenditures	<u>(346,300)</u>	<u>(347,897)</u>	<u>—</u>	<u>(347,897)</u>	<u>(1,597)</u>
Net change in fund balance	<u>(346,300)</u>	<u>(347,897)</u>	<u>—</u>	<u>(347,897)</u>	<u>(1,597)</u>
Fund balance at beginning of year	<u>426,118</u>	<u>426,118</u>	<u>—</u>	<u>426,118</u>	<u>—</u>
Fund balance at end of year	<u><u>\$ 79,818</u></u>	<u><u>78,221</u></u>	<u><u>—</u></u>	<u><u>78,221</u></u>	<u><u>(1,597)</u></u>

CITY OF SANTA MONICA, CALIFORNIA

Statement of Revenues, Expenditures and Changes in
Fund (Deficit) – Budget and Actual (Non-GAAP Basis)
Disaster Relief Special Revenue Fund

For the fiscal year ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Intergovernmental	\$ —	151,759	—	151,759	151,759
Investment income	—	111	—	111	111
Total revenues	<u>—</u>	<u>151,870</u>	<u>—</u>	<u>151,870</u>	<u>151,870</u>
Excess of revenues over expenditures	<u>—</u>	<u>151,870</u>	<u>—</u>	<u>151,870</u>	<u>151,870</u>
Net change in fund balance	—	151,870	—	151,870	151,870
Fund deficit at beginning of year	<u>(966,157)</u>	<u>(966,157)</u>	<u>—</u>	<u>(966,157)</u>	<u>—</u>
Fund deficit at end of year	<u>\$ (966,157)</u>	<u>(814,287)</u>	<u>—</u>	<u>(814,287)</u>	<u>151,870</u>

CITY OF SANTA MONICA, CALIFORNIA

Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Basis)
Clean Beaches and Ocean Parcel Tax Capital Projects Fund

For the fiscal year ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Other taxes	\$ 3,011,040	2,898,594	—	2,898,594	(112,446)
Investment income	67,000	60,349	—	60,349	(6,651)
Total revenues	<u>3,078,040</u>	<u>2,958,943</u>	<u>—</u>	<u>2,958,943</u>	<u>(119,097)</u>
Expenditures:					
General services:					
Public works	855,169	444,639	47,666	492,305	362,864
Capital improvement	5,773,718	341,577	687,181	1,028,758	4,744,960
Total general services	<u>6,628,887</u>	<u>786,216</u>	<u>734,847</u>	<u>1,521,063</u>	<u>5,107,824</u>
Total expenditures	<u>6,628,887</u>	<u>786,216</u>	<u>734,847</u>	<u>1,521,063</u>	<u>5,107,824</u>
Excess (deficiency) of revenues over (under) expenditures	(3,550,847)	2,172,727	(734,847)	1,437,880	4,988,727
Other financing uses:					
Transfers out	(1,147,725)	(1,519,812)	—	(1,519,812)	(372,087)
Net change in fund balance	<u>(4,698,572)</u>	<u>652,915</u>	<u>(734,847)</u>	<u>(81,932)</u>	<u>4,616,640</u>
Fund balance at beginning of year	<u>7,449,457</u>	<u>7,449,457</u>	<u>—</u>	<u>7,449,457</u>	<u>—</u>
Fund balance at end of year	<u>\$ 2,750,885</u>	<u>8,102,372</u>	<u>(734,847)</u>	<u>7,367,525</u>	<u>4,616,640</u>

CITY OF SANTA MONICA, CALIFORNIA

Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Basis)
Community Development Block Grant
(CDBG) Capital Projects Fund

For the fiscal year ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Intergovernmental	\$ 1,515,441	1,440,427	—	1,440,427	(75,014)
Investment income	1,000	942	—	942	(58)
Total revenues	<u>1,516,441</u>	<u>1,441,369</u>	<u>—</u>	<u>1,441,369</u>	<u>(75,072)</u>
Expenditures:					
General government:					
Other	6,424	6,706	—	6,706	(282)
Total general government	6,424	6,706	—	6,706	(282)
General services:					
Other	—	27,522	—	27,522	(27,522)
Capital improvement	436,498	393,902	94,177	488,079	(51,581)
Total general government	436,498	421,424	94,177	515,601	(79,103)
Cultural and recreation services:					
Community and cultural services	199,010	199,010	—	199,010	—
Capital improvement	319,573	118,650	52,140	170,790	148,783
Total cultural and recreation services	518,583	317,660	52,140	369,800	148,783
Housing and community development:					
Other	869,114	379,003	120,000	499,003	370,111
Capital improvement	360,895	347,844	—	347,844	13,051
Total housing and community development	1,230,009	726,847	120,000	846,847	383,162
Total expenditures	<u>2,191,514</u>	<u>1,472,637</u>	<u>266,317</u>	<u>1,738,954</u>	<u>452,560</u>
Excess (deficiency) of revenues over (under) expenditures	(675,073)	(31,268)	(266,317)	(297,585)	377,488
Other financing uses:					
Transfer out	(216,500)	(116,401)	—	(116,401)	100,099
Net change in fund balance	(891,573)	(147,669)	(266,317)	(413,986)	477,587
Fund balance at beginning of year	11,966,949	11,966,949	—	11,966,949	—
Fund balance at end of year	<u>\$ 11,075,376</u>	<u>11,819,280</u>	<u>(266,317)</u>	<u>11,552,963</u>	<u>477,587</u>

CITY OF SANTA MONICA, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Basis)
Miscellaneous Grants Capital Projects Fund
For the fiscal year ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Intergovernmental	\$ 37,463,581	8,942,398	—	8,942,398	(28,521,183)
Investment income	66,000	71,570	—	71,570	5,570
Other	—	516	—	516	516
Total revenues	<u>37,529,581</u>	<u>9,014,484</u>	<u>—</u>	<u>9,014,484</u>	<u>(28,515,097)</u>
Expenditures:					
General government:					
City manager	835,000	209,392	235,000	444,392	390,608
Community and cultural services	794,500	385,840	187,500	573,340	221,160
Public works	53,290	46,209	—	46,209	7,081
Total general government	<u>1,682,790</u>	<u>641,441</u>	<u>422,500</u>	<u>1,063,941</u>	<u>618,849</u>
Public safety:					
Police	768,022	490,727	—	490,727	277,295
Fire	726,291	583,953	—	583,953	142,338
Capital improvement	892,544	793,546	—	793,546	98,998
Total public safety	<u>2,386,857</u>	<u>1,868,226</u>	<u>—</u>	<u>1,868,226</u>	<u>518,631</u>
General services:					
Public works	438,064	153,809	—	153,809	284,255
Big Blue Bus	387,538	815,742	—	815,742	(428,204)
Capital improvement	43,309,013	7,920,084	18,229,715	26,149,799	17,159,214
Total general services	<u>44,134,615</u>	<u>8,889,635</u>	<u>18,229,715</u>	<u>27,119,350</u>	<u>17,015,265</u>
Cultural and recreation services:					
Community and cultural services	626,599	565,501	4,731	570,232	56,367
Public works	—	140	—	140	(140)
Total cultural and recreation services	<u>626,599</u>	<u>565,641</u>	<u>4,731</u>	<u>570,372</u>	<u>56,227</u>
Housing and community development:					
Planning and community development	225,000	(314)	—	(314)	225,314
Big Blue Bus	96,000	96,000	—	96,000	—
Housing and economic development	560,273	258,219	—	258,219	302,054
Capital improvement	6,509,775	578,877	5,295,923	5,874,800	634,975
Total housing and community development	<u>7,391,048</u>	<u>932,782</u>	<u>5,295,923</u>	<u>6,228,705</u>	<u>1,162,343</u>
Total expenditures	<u>56,221,909</u>	<u>12,897,725</u>	<u>23,952,869</u>	<u>36,850,594</u>	<u>19,371,315</u>
Deficiency of revenues under expenditures	(18,692,328)	(3,883,241)	(23,952,869)	(27,836,110)	(9,143,782)
Other financing uses:					
Transfers out	(905,445)	(248,100)	—	(248,100)	657,345
Total other financing uses	<u>(905,445)</u>	<u>(248,100)</u>	<u>—</u>	<u>(248,100)</u>	<u>657,345</u>
Net change in fund balance	(19,597,773)	(4,131,341)	(23,952,869)	(28,084,210)	(8,486,437)
Fund balance at beginning of year	15,837,174	15,837,174	—	15,837,174	—
Fund balance at end of year	<u>\$ (3,760,599)</u>	<u>11,705,833</u>	<u>(23,952,869)</u>	<u>(12,247,036)</u>	<u>(8,486,437)</u>

CITY OF SANTA MONICA, CALIFORNIA

Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Basis)
South Coast Air Quality Management District (SCAQMD) Capital Projects Fund

For the fiscal year ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Intergovernmental	\$ 259,925	264,230	—	264,230	4,305
Investment income	4,000	6,223	—	6,223	2,223
Total revenues	<u>263,925</u>	<u>270,453</u>	<u>—</u>	<u>270,453</u>	<u>6,528</u>
Expenditures:					
General government:					
Other	—	5,591	—	5,591	(5,591)
Total general government	<u>—</u>	<u>5,591</u>	<u>—</u>	<u>5,591</u>	<u>(5,591)</u>
General services:					
Other	—	390,873	—	390,873	(390,873)
Capital improvement	522,619	165,561	162,232	327,793	194,826
Total general services	<u>522,619</u>	<u>556,434</u>	<u>162,232</u>	<u>718,666</u>	<u>(196,047)</u>
Total expenditures	<u>522,619</u>	<u>562,025</u>	<u>162,232</u>	<u>724,257</u>	<u>(201,638)</u>
Deficiency of revenues under expenditures	<u>(258,694)</u>	<u>(291,572)</u>	<u>(162,232)</u>	<u>(453,804)</u>	<u>(195,110)</u>
Net change in fund balance	<u>(258,694)</u>	<u>(291,572)</u>	<u>(162,232)</u>	<u>(453,804)</u>	<u>(195,110)</u>
Fund balance at beginning of year	<u>909,703</u>	<u>909,703</u>	<u>—</u>	<u>909,703</u>	<u>—</u>
Fund balance at end of year	<u>\$ 651,009</u>	<u>618,131</u>	<u>(162,232)</u>	<u>455,899</u>	<u>(195,110)</u>

CITY OF SANTA MONICA, CALIFORNIA

Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Basis)
Parks and Recreation Capital Projects Fund

For the fiscal year ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Other taxes	\$ 25,000	26,568	—	26,568	1,568
Investment income	1,000	1,615	—	1,615	615
Total revenues	<u>26,000</u>	<u>28,183</u>	<u>—</u>	<u>28,183</u>	<u>2,183</u>
Expenditures:					
Cultural and recreation services:					
Capital improvement	230,739	51,487	43,553	95,040	135,699
Total cultural and recreation services	<u>230,739</u>	<u>51,487</u>	<u>43,553</u>	<u>95,040</u>	<u>135,699</u>
Total expenditures	<u>230,739</u>	<u>51,487</u>	<u>43,553</u>	<u>95,040</u>	<u>135,699</u>
Deficiency of revenues under expenditures	<u>(204,739)</u>	<u>(23,304)</u>	<u>(43,553)</u>	<u>(66,857)</u>	<u>137,882</u>
Net change in fund balance	<u>(204,739)</u>	<u>(23,304)</u>	<u>(43,553)</u>	<u>(66,857)</u>	<u>137,882</u>
Fund balance at beginning of year	<u>217,603</u>	<u>217,603</u>	<u>—</u>	<u>217,603</u>	<u>—</u>
Fund balance at end of year	<u><u>\$ 12,864</u></u>	<u><u>194,299</u></u>	<u><u>(43,553)</u></u>	<u><u>150,746</u></u>	<u><u>137,882</u></u>

CITY OF SANTA MONICA, CALIFORNIA

Nonmajor Enterprise Fund Financial Statements

Enterprise Funds are used to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met: (a) The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit – even if that government is not expected to make any payments – is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable “solely” from the revenues of the activity.) (b) Laws or regulations require that the activity’s costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues. (c) The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

Airport Fund – To account for revenues and expenses connected with management of the Santa Monica Municipal Airport.

Pier Fund – To account for revenues and expenses connected with management and development of the Santa Monica Pier.

Stormwater Management Fund – To account for revenues and expenses associated with storm water management.

Cemetery Fund – To account for revenues and expenses associated with operation of Woodlawn Cemetery and Mausoleum.

Special Aviation Fund – To account for revenues and expenses associated with aviation-related State funds provided to the City.

Parking Authority Fund – To account for acquisition of parking lots or contributing to the construction of parking structures by the City Parking Authority.

CITY OF SANTA MONICA, CALIFORNIA
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2015

Business-Type Activities - Enterprise Funds							Total nonmajor enterprise funds
Assets	Airport	Pier	Stormwater Management	Cemetery	Special Aviation	Parking Authority	
Assets							
Current assets:							
Cash and investments	\$ 4,204,518	2,848,813	25	-	-	3,081,302	10,134,658
Restricted cash and investments	398,630	528,449	2,252,575	-	-	-	3,179,654
Receivables (net, where applicable, of allowances for uncollectibles):							
Accounts	218,784	63,086	16,537	144,520	-	-	442,927
Interest	10,055	6,203	3,282	43	-	6,920	26,503
Prepaids	3,168	-	-	-	-	-	3,168
Total current assets	4,835,155	3,446,551	2,272,419	144,563	-	3,088,222	13,786,910
Noncurrent assets:							
Restricted cash and investments	-	-	-	-	-	300,000	300,000
Capital assets:							
Land	8	-	-	4	-	1,362,700	1,362,712
Construction in progress	-	43,931	-	-	-	-	43,931
Buildings	7,769,091	5,916,024	-	1,723,603	-	946,242	16,354,960
Improvements other than buildings	13,216,394	4,456,986	147,299	782,158	-	142,591	18,745,428
Machinery and equipment	734,444	289,426	35,750	379,554	-	7,237	1,446,411
Infrastructure	-	16,566,587	10,739,803	-	-	-	27,306,390
Less: accumulated depreciation	(16,727,075)	(12,153,551)	(3,856,761)	(2,072,083)	-	(457,398)	(35,266,868)
Net capital assets	4,992,862	15,119,403	7,066,091	813,236	-	2,001,372	29,992,964
Total noncurrent assets	4,992,862	15,119,403	7,066,091	813,236	-	2,301,372	30,292,964
Total assets	9,828,017	18,565,954	9,338,510	957,799	-	5,389,594	44,079,874
DEFERRED OUTFLOWS OF RESOURCES							
Deferred outflows from pensions	237,394	375,615	-	133,965	-	-	746,974
Liabilities							
Current liabilities:							
Accounts payable	171,112	280,810	25	63,214	-	859	516,020
Accrued liabilities	51,927	73,150	-	23,685	-	70	148,832
Contracts payable (retained percentage)	15,780	-	-	-	-	-	15,780
Compensated absences due within one year	51,872	62,146	-	27,604	-	-	141,622
Accrued interest payable	-	-	12,981	-	-	-	12,981
Loans and bonds payable due within one year	-	-	284,383	-	-	-	284,383
Due to other funds	-	-	969	25,848	-	-	26,817
Liabilities payable from restricted assets - deposits	398,630	528,449	-	-	-	-	927,079
Total current liabilities	689,321	944,555	298,358	140,351	-	929	2,073,514
Long-term liabilities:							
Compensated absences due in more than one year	16,730	102,146	-	5,658	-	-	124,534
Advances from other funds	13,058,926	-	167,186	-	-	-	13,226,112
Loans and bonds payable due in more than one year	-	-	1,213,409	-	-	-	1,213,409
Net OPEB obligation	31,274	39,803	-	39,070	-	-	110,147
Net pension liability	1,440,554	2,004,394	-	640,149	-	-	4,085,097
Total long-term liabilities	14,547,484	2,146,343	1,380,595	684,877	-	-	18,759,299
Total liabilities	15,236,805	3,090,898	1,678,953	825,228	-	929	20,832,813
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows from pensions	325,639	453,096	-	144,707	-	-	923,442
Net position							
Net investment in capital assets	4,992,862	15,119,403	5,568,299	813,236	-	2,001,372	28,495,172
Unrestricted	(10,489,895)	278,172	2,091,258	(691,407)	-	3,387,293	(5,424,579)
Total net position	\$ (5,497,033)	15,397,575	7,659,557	121,829	-	5,388,665	23,070,593

CITY OF SANTA MONICA, CALIFORNIA
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Nonmajor Enterprise Funds
For the fiscal year ended June 30, 2015

	Business-Type Activities - Enterprise Funds						
	Airport	Pier	Stormwater Management	Cemetery	Special Aviation	Parking Authority	Total nonmajor enterprise funds
Operating revenues							
Charges for services	\$ 5,897,240	6,648,574	1,458,352	1,604,607	-	-	15,608,773
Total operating revenues	<u>5,897,240</u>	<u>6,648,574</u>	<u>1,458,352</u>	<u>1,604,607</u>	<u>-</u>	<u>-</u>	<u>15,608,773</u>
Operating expenses							
Personnel services	1,227,955	2,058,361	1,127,231	714,970	-	770	5,129,287
Administrative indirect	645,982	388,592	-	393,821	-	-	1,428,395
Contractual services	300,328	1,404,355	-	329,646	-	-	2,034,329
Repairs and maintenance	277,411	551,121	640,423	64,861	-	-	1,533,816
Materials and supplies	610,136	250,108	-	269,418	-	2,525	1,132,187
Utilities	279,684	228,824	-	150,664	-	-	659,172
Casualty property and liability costs	148,262	273,472	-	67,255	-	-	488,989
Miscellaneous fees and costs	353	202	151	94	-	-	800
Depreciation and amortization	411,032	547,575	301,816	146,501	-	33,886	1,440,810
Other	869,382	951,790	51,310	18,434	-	-	1,890,916
Total operating expenses	<u>4,770,525</u>	<u>6,654,400</u>	<u>2,120,931</u>	<u>2,155,664</u>	<u>-</u>	<u>37,181</u>	<u>15,738,701</u>
Operating income (loss)	<u>1,126,715</u>	<u>(5,826)</u>	<u>(662,579)</u>	<u>(551,057)</u>	<u>-</u>	<u>(37,181)</u>	<u>(129,928)</u>
Nonoperating revenues (expenses)							
Investment income	37,191	13,167	15,667	256	992	25,373	92,646
Interest expense	(529,911)	-	(51,185)	-	-	-	(581,096)
Loss on disposal of capital assets	(8)	(268,680)	-	(1,469)	-	(366,641)	(636,798)
Other nonoperating revenues	87,777	165,523	637,547	21,336	-	-	912,183
Total nonoperating revenues (expenses) net	<u>(404,951)</u>	<u>(89,990)</u>	<u>602,029</u>	<u>20,123</u>	<u>992</u>	<u>(341,268)</u>	<u>(213,065)</u>
Income (loss) before transfers	721,764	(95,816)	(60,550)	(530,934)	992	(378,449)	(342,993)
Transfers in	261,661	-	1,313,711	554,261	-	-	2,129,633
Transfers out	-	(192,038)	(774,400)	-	(261,661)	-	(1,228,099)
Change in net position	983,425	(287,854)	478,761	23,327	(260,669)	(378,449)	558,541
Net position at beginning of year, as restated	(6,480,458)	15,685,429	7,180,796	98,502	260,669	5,767,114	22,512,052
Net position at end of year	<u>\$ (5,497,033)</u>	<u>15,397,575</u>	<u>7,659,557</u>	<u>121,829</u>	<u>-</u>	<u>5,388,665</u>	<u>23,070,593</u>

CITY OF SANTA MONICA, CALIFORNIA

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the fiscal year ended June 30, 2015

	<u>Airport</u>	<u>Pier</u>	<u>Stormwater Management</u>	<u>Cemetery</u>	<u>Special Aviation</u>	<u>Parking Authority</u>	Total nonmajor enterprise funds
Cash flows from operating activities:							
Cash received from customers	\$ 5,888,602	6,853,944	1,541,561	1,605,596	—	—	15,889,703
Cash payments for materials and services	(3,025,291)	(4,675,490)	(691,868)	(1,267,781)	—	(1,666)	(9,662,096)
Cash payments to employees for services	(1,229,192)	(2,122,400)	(1,127,231)	(767,297)	—	(700)	(5,246,820)
Other revenue received	<u>87,777</u>	<u>165,523</u>	<u>637,547</u>	<u>21,336</u>	<u>—</u>	<u>—</u>	<u>912,183</u>
Net cash provided by (used in) operating activities	<u>1,721,896</u>	<u>221,577</u>	<u>360,009</u>	<u>(408,146)</u>	<u>—</u>	<u>(2,366)</u>	<u>1,892,970</u>
Cash flows from noncapital financing activities:							
Repayment of advances from other funds	(500,001)	—	(106,411)	(146,369)	—	—	(752,781)
Transfers in	261,661	—	1,313,711	554,261	—	—	2,129,633
Transfers out	<u>—</u>	<u>(192,038)</u>	<u>(774,400)</u>	<u>—</u>	<u>(261,661)</u>	<u>—</u>	<u>(1,228,099)</u>
Net cash provided by (used in) noncapital financing activities	<u>(238,340)</u>	<u>(192,038)</u>	<u>432,900</u>	<u>407,892</u>	<u>(261,661)</u>	<u>—</u>	<u>148,753</u>
Cash flows from capital and related financing activities:							
Acquisition and construction of capital assets	—	(358,650)	—	—	—	—	(358,650)
Reduction in long-term obligations	—	—	(277,174)	(1)	—	—	(277,175)
Interest paid on long-term obligations	<u>(529,911)</u>	<u>—</u>	<u>(53,587)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(583,498)</u>
Net cash used in capital and related financing activities	<u>(529,911)</u>	<u>(358,650)</u>	<u>(330,761)</u>	<u>(1)</u>	<u>—</u>	<u>—</u>	<u>(1,219,323)</u>
Cash flows from investing activities:							
Interest on investments	<u>33,078</u>	<u>17,050</u>	<u>13,762</u>	<u>255</u>	<u>1,387</u>	<u>23,098</u>	<u>88,630</u>
Net cash provided by investing activities	<u>33,078</u>	<u>17,050</u>	<u>13,762</u>	<u>255</u>	<u>1,387</u>	<u>23,098</u>	<u>88,630</u>
Net increase (decrease) in cash and cash equivalents	986,723	(312,061)	475,910	—	(260,274)	20,732	911,030
Cash and cash equivalents at beginning of year	<u>3,616,425</u>	<u>3,689,323</u>	<u>1,776,690</u>	<u>—</u>	<u>260,274</u>	<u>3,360,570</u>	<u>12,703,282</u>
Cash and cash equivalents at end of year	<u>\$ 4,603,148</u>	<u>3,377,262</u>	<u>2,252,600</u>	<u>—</u>	<u>—</u>	<u>3,381,302</u>	<u>13,614,312</u>
Cash and investments	\$ 4,204,518	2,848,813	25	—	—	3,081,302	10,134,658
Restricted cash and investments	<u>398,630</u>	<u>528,449</u>	<u>2,252,575</u>	<u>—</u>	<u>—</u>	<u>300,000</u>	<u>3,479,654</u>
Total cash and cash equivalents	<u>\$ 4,603,148</u>	<u>3,377,262</u>	<u>2,252,600</u>	<u>—</u>	<u>—</u>	<u>3,381,302</u>	<u>13,614,312</u>

(Continued)

CITY OF SANTA MONICA, CALIFORNIA

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the fiscal year ended June 30, 2015

	<u>Airport</u>	<u>Pier</u>	<u>Stormwater Management</u>	<u>Cemetery</u>	<u>Special Aviation</u>	<u>Parking Authority</u>	<u>Total nonmajor enterprise funds</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:							
Operating income (loss)	\$ 1,126,715	(5,826)	(662,579)	(551,057)	—	(37,181)	(129,928)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Add depreciation	411,032	547,575	301,816	146,501	—	33,886	1,440,810
Other nonoperating revenue received	87,777	165,523	637,547	21,336	—	—	912,183
Changes in assets and liabilities and deferred outflows and inflows of resources:							
Decrease in accounts receivable	41,989	205,370	83,209	989	—	—	331,557
Decrease (increase) in prepaids	(2,689)	5,145	—	—	—	—	2,456
Increase (decrease) in accounts payable	93,156	(632,171)	16	26,412	—	859	(511,728)
Decrease in unearned revenue	(56,132)	—	—	-	—	—	(56,132)
Increase (decrease) in accrued liabilities	16,242	5,626	—	(16,369)	—	70	5,569
Increase in deposits	5,505	—	—	—	—	—	5,505
Net OPEB obligation	350	445	—	437	—	—	1,232
Net pension liability and related changes in deferred outflows and inflows of resources	(17,829)	(70,110)	—	(36,395)	—	—	(124,334)
Increase in contracts payable	15,780	—	—	—	—	—	15,780
Total adjustments	<u>595,181</u>	<u>227,403</u>	<u>1,022,588</u>	<u>142,911</u>	<u>—</u>	<u>34,815</u>	<u>2,022,898</u>
Net cash provided by (used in) operating activities	\$ <u>1,721,896</u>	<u>221,577</u>	<u>360,009</u>	<u>(408,146)</u>	<u>—</u>	<u>(2,366)</u>	<u>1,892,970</u>

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CITY OF SANTA MONICA, CALIFORNIA

Internal Service Fund Financial Statements

Internal Service Funds are used to account for the financing of goods or services provided by one department to other departments of the City or to other governments, on a cost-reimbursement basis.

Vehicle Management Fund – To account for user charges from other funds and expenses related to the replacement, maintenance and the fueling of various City vehicles, including specialized mechanical equipment.

Information Technology Replacement and Services Fund – To account for user charges from other funds and expenses related to replacement of computer equipment.

Self-Insurance, General Liability and Auto Fund – To account for user charges from other funds and expenses related to the administration and payment of general liability and auto claims.

Self-Insurance, Bus Fund – To account for user charges from the Big Blue Bus Fund and expenses related to the administration and payment of municipal bus lines liability claims.

Self-Insurance, Risk Management Administration Fund – To account for user charges from other funds and expenses related to the administration of the risk management division.

Self-Insurance, Workers' Compensation Fund – To account for user charges from other funds and expenses related to the administration and payment of workers' compensation claims.

CITY OF SANTA MONICA, CALIFORNIA

Combining Statement of Net Position

Internal Service Funds

June 30, 2015

	Vehicle Management	Information Technology Replacement and Services	Self - Insurance General Liability / Auto	Self - Insurance Bus	Self - Insurance Risk Management Admin	Self - Insurance Workers' Compensation	Total internal service funds
Assets							
Current assets:							
Cash and investments	\$ 30,230,867	7,092,625	15,410,517	6,067,483	826,422	34,397,428	94,025,342
Receivables:							
Accounts	14,320	-	-	-	20,586	-	34,906
Interest	51,013	14,642	30,406	10,216	352	51,214	157,843
Inventory	76,453	-	-	-	-	-	76,453
Prepays	-	-	-	-	9,415	-	9,415
Total current assets	<u>30,372,653</u>	<u>7,107,267</u>	<u>15,440,923</u>	<u>6,077,699</u>	<u>856,775</u>	<u>34,448,642</u>	<u>94,303,959</u>
Noncurrent assets:							
Capital assets:							
Machinery and equipment	35,601,080	1,310,622	2,849	7,386	919	10,065	36,932,921
Less: accumulated depreciation	(24,788,099)	(1,219,503)	(2,849)	(7,386)	(919)	(10,065)	(26,028,821)
Net capital assets	10,812,981	91,119	-	-	-	-	10,904,100
Total assets	<u>41,185,634</u>	<u>7,198,386</u>	<u>15,440,923</u>	<u>6,077,699</u>	<u>856,775</u>	<u>34,448,642</u>	<u>105,208,059</u>
DEFERRED OUTFLOWS OF RESOURCES							
Deferred outflows from pensions	569,140	-	-	-	319,037	-	888,177
Liabilities							
Current liabilities:							
Accounts payable	571,168	95,040	48,177	91,100	2,578	18,883	826,946
Accrued liabilities	100,135	-	-	-	66,349	-	166,484
Compensated absences due within one year	93,664	-	-	-	49,632	-	143,296
Claims payable due within one year	-	-	2,436,553	2,306,350	-	7,547,825	12,290,728
Total current liabilities	<u>764,967</u>	<u>95,040</u>	<u>2,484,730</u>	<u>2,397,450</u>	<u>118,559</u>	<u>7,566,708</u>	<u>13,427,454</u>
Long-term liabilities:							
Compensated absences due in more than one year	91,657	-	-	-	50,317	-	141,974
Claims payable due in more than one year	-	-	3,620,382	2,383,910	-	27,713,421	33,717,713
Net OPEB obligation	113,266	-	-	-	82,485	-	195,751
Net pension liability	3,137,073	-	-	-	1,618,557	-	4,755,630
Total long-term liabilities	<u>3,341,996</u>	<u>-</u>	<u>3,620,382</u>	<u>2,383,910</u>	<u>1,751,359</u>	<u>27,713,421</u>	<u>38,811,068</u>
Total liabilities	<u>4,106,963</u>	<u>95,040</u>	<u>6,105,112</u>	<u>4,781,360</u>	<u>1,869,918</u>	<u>35,280,129</u>	<u>52,238,522</u>
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows from pensions	709,140	-	-	-	365,877	-	1,075,017
Net position							
Net investment in capital assets	10,812,981	91,119	-	-	-	-	10,904,100
Unrestricted	26,125,690	7,012,227	9,335,811	1,296,339	(1,059,983)	(831,487)	41,878,597
Total net position	<u>\$ 36,938,671</u>	<u>7,103,346</u>	<u>9,335,811</u>	<u>1,296,339</u>	<u>(1,059,983)</u>	<u>(831,487)</u>	<u>52,782,697</u>

CITY OF SANTA MONICA, CALIFORNIA
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
For the fiscal year ended June 30, 2015

	Vehicle Management	Information Technology Replacement and Services	Self - Insurance General Liability / Auto	Self - Insurance Bus	Self - Insurance Risk Management Admin	Self - Insurance Workers' Compensation	Total internal service funds
Operating revenues							
Charges for services	\$ 10,345,090	2,054,848	3,164,491	2,500,250	2,702,009	14,973,131	35,739,819
Total operating revenues	<u>10,345,090</u>	<u>2,054,848</u>	<u>3,164,491</u>	<u>2,500,250</u>	<u>2,702,009</u>	<u>14,973,131</u>	<u>35,739,819</u>
Operating expenses							
Personnel services	3,129,083	-	89,677	89,677	828,202	484,199	4,620,838
Administrative indirect	591,353	-	18,634	18,634	191,103	100,612	920,336
Contractual services	235,598	-	24,910	17,323	47,094	185,395	510,320
Repairs and maintenance	1,554,087	-	57	57	(285)	306	1,554,222
Materials and supplies	1,732,523	1,931,034	909	909	6,085	31,419	3,702,879
Utilities	65,399	-	119	119	492	643	66,772
Casualty property and liability costs	52,590	-	520	520	5,331	2,806	61,767
Claims expense net of claims reserve adjustment	-	-	1,987,583	2,210,482	-	9,732,395	13,930,460
Insurance and bonds	-	-	918,384	911,904	1,402,495	1,458,959	4,691,742
Miscellaneous fees and costs	2,170	-	556,492	123,022	55,524	325,952	1,063,160
Depreciation and amortization	2,967,491	67,240	-	-	-	-	3,034,731
Total operating expenses	<u>10,330,294</u>	<u>1,998,274</u>	<u>3,597,285</u>	<u>3,372,647</u>	<u>2,536,041</u>	<u>12,322,686</u>	<u>34,157,227</u>
Operating income (loss)	<u>14,796</u>	<u>56,574</u>	<u>(432,794)</u>	<u>(872,397)</u>	<u>165,968</u>	<u>2,650,445</u>	<u>1,582,592</u>
Nonoperating revenues (expenses)							
Investment income	193,210	53,660	101,133	32,454	(1)	180,480	560,936
Loss on disposal of capital assets	(170,368)	(64,413)	-	-	-	-	(234,781)
Other nonoperating revenues	591,664	-	79,689	-	-	10,504	681,857
Total nonoperating revenues (expenses)	<u>614,506</u>	<u>(10,753)</u>	<u>180,822</u>	<u>32,454</u>	<u>(1)</u>	<u>190,984</u>	<u>1,008,012</u>
Income (loss) before transfers	<u>629,302</u>	<u>45,821</u>	<u>(251,972)</u>	<u>(839,943)</u>	<u>165,967</u>	<u>2,841,429</u>	<u>2,590,604</u>
Transfers out	-	-	(146,646)	-	-	-	(146,646)
Change in net position	<u>629,302</u>	<u>45,821</u>	<u>(398,618)</u>	<u>(839,943)</u>	<u>165,967</u>	<u>2,841,429</u>	<u>2,443,958</u>
Net position at beginning of year, as restated	<u>36,309,369</u>	<u>7,057,525</u>	<u>9,734,429</u>	<u>2,136,282</u>	<u>(1,225,950)</u>	<u>(3,672,916)</u>	<u>50,338,739</u>
Net position at end of year	<u>\$ 36,938,671</u>	<u>7,103,346</u>	<u>9,335,811</u>	<u>1,296,339</u>	<u>(1,059,983)</u>	<u>(831,487)</u>	<u>52,782,697</u>

CITY OF SANTA MONICA, CALIFORNIA

Combining Statement of Cash Flows

Internal Service Funds

For the fiscal year ended June 30, 2015

	Vehicle Management	Information Technology Replacement and Services	Self-Insurance General Liability / Auto	Self-Insurance Bus	Self-Insurance Risk Management Administration	Self-Insurance Workers' Compensation	Total internal service funds
Cash flows from operating activities:							
Cash received from customers	\$ 10,395,883	2,054,848	3,164,491	2,500,250	2,681,423	14,973,131	35,770,026
Cash payments for materials and services	(4,177,815)	(2,025,127)	(2,417,764)	(983,538)	(1,715,049)	(2,095,446)	(13,414,739)
Cash payments for claims and related expenses	—	—	(2,383,995)	(1,038,623)	—	(6,841,417)	(10,264,035)
Cash payments to employees for services	(3,250,009)	—	(89,677)	(89,677)	(900,484)	(484,199)	(4,814,046)
Other nonoperating revenue received	591,664	—	79,689	—	—	10,504	681,857
Net cash provided by (used in) operating activities	3,559,723	29,721	(1,647,256)	388,412	65,890	5,562,573	7,959,063
Cash flows from noncapital financing activities:							
Transfers out	—	—	(146,646)	—	—	—	(146,646)
Net cash used in noncapital financing activities	—	—	(146,646)	—	—	—	(146,646)
Cash flows from capital and related financing activities:							
Acquisition and construction of capital assets	(3,187,775)	(66,326)	—	—	—	—	(3,254,101)
Net cash used in capital and related financing activities	(3,187,775)	(66,326)	—	—	—	—	(3,254,101)
Cash flows from investing activities – interest on investments	178,850	48,164	95,242	31,279	(101)	170,254	523,688
Net increase (decrease) in cash and cash equivalents	550,798	11,559	(1,698,660)	419,691	65,789	5,732,827	5,082,004
Cash and cash equivalents at beginning of year	29,680,069	7,081,066	17,109,177	5,647,792	760,633	28,664,601	88,943,338
Cash and cash equivalents at end of year	\$ 30,230,867	7,092,625	15,410,517	6,067,483	826,422	34,397,428	94,025,342
Reconciliation of operating income (loss) to net cash provided by (used in) operating income (loss):							
Operating income (loss)	\$ 14,796	56,574	(432,794)	(872,397)	165,968	2,650,445	1,582,592
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Add depreciation	2,967,491	67,240	—	—	—	—	3,034,731
Other nonoperating revenue received	591,664	—	79,689	—	—	10,504	681,857
Changes in assets and liabilities and deferred outflows and inflows of resources:							
(Increase) decrease in accounts receivable	50,793	—	—	—	(20,586)	—	30,207
Increase in prepaids	—	—	—	—	(9,415)	—	(9,415)
Increase in inventory	(7,902)	—	—	—	—	—	(7,902)
Increase (decrease) in accounts payable	63,807	(94,093)	(897,739)	88,950	2,205	10,646	(826,224)
Decrease in accrued liabilities	(31,198)	—	—	—	(864)	—	(32,062)
Increase (decrease) in claims payable	—	—	(396,412)	1,171,859	—	2,890,978	3,666,425
Net pension liability and related changes in deferred outflows and inflows of resources	(90,995)	—	—	—	(72,341)	—	(163,336)
Net OPEB obligation	1,267	—	—	—	923	—	2,190
Total adjustments	3,544,927	(26,853)	(1,214,462)	1,260,809	(100,078)	2,912,128	6,376,471
Net cash provided by (used in) operating activities	\$ 3,559,723	29,721	(1,647,256)	388,412	65,890	5,562,573	7,959,063

CITY OF SANTA MONICA, CALIFORNIA

Fiduciary Fund Financial Statements

Agency Funds are custodial in nature and used to receive and disburse funds for an entity/individual, which is not part of the City.

General Trust Fund - To account for funds given to the City for restricted purposes whereby the City is only acting as a pass-through agent.

Street Light Fund - To account for all receipts and disbursements associated with 1911 Act Street Light Assessment Bonds.

CITY OF SANTA MONICA, CALIFORNIA

Combining Statement of Fiduciary Net Position

Agency Funds

June 30, 2015

	<u>General Trust</u>	<u>Street Light</u>	<u>Total Agency Funds</u>
Assets			
Restricted cash and investments	\$ 7,716,917	4,676	7,721,593
Accounts receivable	139,241	—	139,241
Total assets	<u>7,856,158</u>	<u>4,676</u>	<u>7,860,834</u>
Liabilities			
Accounts payable and accrued liabilities	<u>7,856,158</u>	<u>4,676</u>	<u>7,860,834</u>
Total liabilities	<u>7,856,158</u>	<u>4,676</u>	<u>7,860,834</u>
Net Position	<u><u>\$ —</u></u>	<u><u>—</u></u>	<u><u>—</u></u>

CITY OF SANTA MONICA, CALIFORNIA

Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

For the fiscal year ended June 30, 2015

	<u>June 30, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2015</u>
Fiduciary Funds				
Agency Funds:				
General Trust				
Assets:				
Restricted cash and investments	\$ 6,544,795	63,932,722	62,760,600	7,716,917
Accounts receivable	89,174	237,735	187,668	139,241
Total assets	<u>\$ 6,633,969</u>	<u>64,170,457</u>	<u>62,948,268</u>	<u>7,856,158</u>
Liabilities:				
Accounts payable and accrued liabilities	\$ 6,633,969	121,189,455	119,967,266	7,856,158
Total liabilities	<u>\$ 6,633,969</u>	<u>121,189,455</u>	<u>119,967,266</u>	<u>7,856,158</u>
Street Light				
Assets:				
Restricted cash and investments	\$ 4,676	17,744	17,744	4,676
Total assets	<u>\$ 4,676</u>	<u>17,744</u>	<u>17,744</u>	<u>4,676</u>
Liabilities:				
Accounts payable and accrued liabilities	\$ 4,676	17,744	17,744	4,676
Total liabilities	<u>\$ 4,676</u>	<u>17,744</u>	<u>17,744</u>	<u>4,676</u>
Total Fiduciary Funds				
Total Agency Funds				
Assets:				
Restricted cash and investments	\$ 6,549,471	63,950,466	62,778,344	7,721,593
Accounts receivable	89,174	237,735	187,668	139,241
Total assets	<u>\$ 6,638,645</u>	<u>64,188,201</u>	<u>62,966,012</u>	<u>7,860,834</u>
Liabilities:				
Accounts payable and accrued liabilities	\$ 6,638,645	121,207,199	119,985,010	7,860,834
Total liabilities	<u>\$ 6,638,645</u>	<u>121,207,199</u>	<u>119,985,010</u>	<u>7,860,834</u>

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City of Santa Monica, California
Year Ended June 30, 2015

STATISTICAL SECTION

CITY OF SANTA MONICA, CALIFORNIA

For the fiscal year ended June 30, 2015

STATISTICAL SECTION (unaudited)

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CITY OF SANTA MONICA, CALIFORNIA

For the fiscal year ended June 30, 2015

STATISTICAL SECTION (unaudited), *continued*

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TABLE 1

CITY OF SANTA MONICA, CALIFORNIA

Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07 *</u>	<u>2005-06 *</u>
Governmental activities										
Net investment in capital assets	\$ 705,144,194	698,223,620	702,392,065	708,564,360	565,402,905	561,308,717	579,367,093	573,971,975	506,307,676	481,678,996
Restricted	178,624,757	136,510,661	126,827,943	171,964,389	198,990,741	190,302,568	187,103,831	232,281,102	273,104,503	196,818,353
Unrestricted	24,292,525	376,983,696	372,285,005	379,302,789	248,977,209	238,856,963	242,542,375	209,438,522	243,036,538	230,154,215
Total governmental activities net position	<u>908,061,476</u>	<u>1,211,717,977</u>	<u>1,201,505,013</u>	<u>1,259,831,538</u>	<u>1,013,370,855</u>	<u>990,468,248</u>	<u>1,009,013,299</u>	<u>1,015,691,599</u>	<u>1,022,448,717</u>	<u>908,651,564</u>
Business-type activities										
Net investment in capital assets	447,257,495	472,808,694	450,345,204	448,028,200	442,305,322	426,367,876	418,157,537	389,409,515	374,598,609	324,108,646
Restricted	15,102,480	11,665,453	13,739,411	16,024,235	13,527,238	10,855,611	1,661,758	1,625,057	2,503,448	37,365,926
Unrestricted	50,488,321	115,636,742	126,804,668	104,588,473	102,753,866	107,670,491	112,067,386	104,955,422	114,601,165	129,288,372
Total business-type activities net position	<u>512,848,296</u>	<u>600,110,889</u>	<u>590,889,283</u>	<u>568,640,908</u>	<u>558,586,426</u>	<u>544,893,978</u>	<u>531,886,681</u>	<u>495,989,994</u>	<u>491,703,222</u>	<u>490,762,944</u>
Primary government										
Net investment in capital assets	1,152,401,689	1,171,032,314	1,152,737,269	1,156,592,560	1,007,708,227	987,676,593	997,524,630	963,381,490	880,906,285	805,787,642
Restricted	193,727,237	148,176,114	140,567,354	187,988,624	212,517,979	201,158,179	188,765,589	233,906,159	275,607,951	234,184,279
Unrestricted	74,780,846	492,620,438	499,089,673	483,891,262	351,731,075	346,527,454	354,609,761	314,393,944	357,637,703	359,442,587
Total primary government net position	<u>\$ 1,420,909,772</u>	<u>1,811,828,866</u>	<u>1,792,394,296</u>	<u>1,828,472,446</u>	<u>1,571,957,281</u>	<u>1,535,362,226</u>	<u>1,540,899,980</u>	<u>1,511,681,593</u>	<u>1,514,151,939</u>	<u>1,399,414,508</u>

* Before restatement

TABLE 2

CITY OF SANTA MONICA, CALIFORNIA

Changes in Net Position
Last Ten Fiscal Years

	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>
Expenses										
Governmental activities:										
General government	\$ 74,025,357	73,188,788	56,319,178	65,640,271	61,586,151	61,396,079	46,670,826	38,849,626	45,323,227	31,288,910
Public safety	112,278,370	113,899,354	103,594,567	108,205,471	99,949,848	97,744,567	100,709,990	91,862,403	87,830,433	82,886,707
General services	71,906,263	69,637,595	64,654,131	55,341,929	43,762,251	74,233,708	161,224,085	111,168,586	41,404,237	64,777,602
Cultural and recreation services	53,694,823	54,339,022	94,635,112	62,145,219	57,163,928	40,891,483	44,031,895	33,776,210	43,646,843	40,022,151
Library	12,678,896	13,286,929	16,179,779	11,899,948	11,803,735	11,324,327	11,422,789	11,458,259	10,681,518	7,974,534
Housing and community development	53,831,747	53,652,994	54,539,141	181,970,013	89,321,590	110,251,868	115,827,555	91,966,369	74,988,387	56,708,298
Other (1)	—	—	—	—	—	—	—	—	469,285	2,212,186
Interest on long-term debt	3,521,630	3,915,313	3,898,325	6,585,618	10,461,700	7,075,187	7,252,197	7,628,437	7,934,428	7,514,924
Total governmental activities	<u>381,937,086</u>	<u>381,919,995</u>	<u>393,820,233</u>	<u>491,788,469</u>	<u>374,049,203</u>	<u>402,917,219</u>	<u>487,139,337</u>	<u>386,709,890</u>	<u>312,278,358</u>	<u>293,385,312</u>
Business-type activities:										
Water	21,356,497	24,750,234	20,244,099	19,665,696	16,430,207	16,419,201	15,958,328	15,489,230	14,830,595	13,855,863
Resource recovery and recycling	23,819,237	24,115,496	22,743,427	25,065,338	21,338,133	20,293,510	19,219,079	16,277,710	18,630,141	17,459,310
Pier	6,909,632	6,310,236	6,145,567	5,803,944	5,299,875	5,122,011	5,200,065	4,867,415	9,485,709	7,544,001
Wastewater	17,335,625	20,479,514	16,853,861	18,186,844	16,546,844	16,844,271	19,603,411	20,063,420	19,579,035	19,008,944
Civic auditorium (2)	—	—	4,691,051	3,239,999	3,638,257	3,663,427	3,933,159	3,718,652	3,535,624	2,898,853
Airport	5,293,714	5,440,949	5,188,707	5,270,688	5,970,916	4,640,782	5,737,927	5,199,701	5,325,190	3,882,639
Storm water management	2,172,116	651,361	406,721	411,985	422,048	424,122	721,728	474,683	502,183	648,374
Cemetery	2,154,147	2,077,486	1,852,839	1,812,098	2,431,791	2,633,893	1,956,609	1,715,605	1,481,238	989,274
Big Blue Bus	83,106,447	79,215,680	79,238,668	79,835,156	75,219,425	70,899,277	70,855,809	65,185,007	59,627,736	59,180,481
Special aviation	—	—	—	—	—	—	28,904	18,333	69,374	52,329
Parking authority	403,822	369,367	295,651	315,736	474,629	554,117	1,598,765	349,576	709,982	16,189
Total business-type activities	<u>162,551,237</u>	<u>163,410,323</u>	<u>157,660,591</u>	<u>159,607,484</u>	<u>147,772,125</u>	<u>141,494,611</u>	<u>144,813,784</u>	<u>133,359,332</u>	<u>133,776,807</u>	<u>125,536,257</u>
Total primary governmental activities expenses	<u>\$ 544,488,323</u>	<u>545,330,318</u>	<u>551,480,824</u>	<u>651,395,953</u>	<u>521,821,328</u>	<u>544,411,830</u>	<u>631,953,121</u>	<u>520,069,222</u>	<u>446,055,165</u>	<u>418,921,569</u>
Program revenues										
Governmental activities:										
Charges for services:										
General government	\$ 56,875,636	55,834,348	51,075,759	48,239,920	42,771,812	34,681,601	19,198,345	17,188,876	17,326,675	12,567,222
Public safety	22,601,990	22,736,167	21,329,504	22,033,156	21,456,284	22,759,704	17,064,322	17,298,741	17,202,256	15,754,085
General services	2,144,800	2,236,781	2,463,402	2,429,537	2,004,958	3,067,408	20,291,439	19,650,237	18,841,288	17,880,336
Cultural and recreation services	21,359,942	20,448,165	17,921,711	16,083,451	13,523,507	14,219,229	10,608,948	9,492,174	9,002,084	8,556,557
Library	601,618	614,715	486,204	465,891	488,279	468,385	410,908	363,987	349,139	232,025
Housing and community development	26,957,697	19,276,227	28,217,736	16,712,921	14,304,279	16,224,777	12,416,654	14,430,326	13,925,980	12,553,269
Operating grants and contributions	26,332,256	27,773,525	25,798,880	26,739,187	29,111,918	27,556,715	30,164,300	34,803,655	28,362,525	25,133,124
Capital grants and contributions	5,381,978	12,583,594	5,082,847	3,369,221	3,997,076	6,506,765	20,379,864	4,862,387	4,839,925	5,838,885
Total governmental activities program revenues	<u>162,255,917</u>	<u>161,503,522</u>	<u>152,376,043</u>	<u>136,073,284</u>	<u>127,658,113</u>	<u>125,484,584</u>	<u>130,534,780</u>	<u>118,090,383</u>	<u>109,849,872</u>	<u>98,515,503</u>

(continues next page)

TABLE 2

CITY OF SANTA MONICA, CALIFORNIA

Changes in Net Position
Last Ten Fiscal Years

	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>
<i>(continues from previous page)</i>										
Business-type activities:										
Charges for services:										
Water	22,664,712	22,902,640	22,254,867	19,897,464	17,507,315	15,771,081	15,774,047	16,130,044	15,323,653	13,868,390
Resource recovery and recycling	24,425,879	23,271,775	23,526,423	22,253,758	21,870,554	21,514,219	21,631,313	18,842,702	18,766,107	17,097,813
Pier	6,813,625	5,953,173	4,589,503	6,004,005	4,729,725	3,777,219	3,518,145	3,107,349	3,081,338	2,693,200
Wastewater	20,162,516	21,033,699	21,126,054	20,007,219	17,820,805	15,198,022	13,751,588	12,797,786	12,472,073	11,175,051
Civic auditorium (2)	—	—	1,468,300	1,667,172	2,603,146	2,620,897	2,975,749	3,117,033	2,789,196	2,608,759
Airport	5,897,240	5,396,797	4,185,172	3,891,716	3,748,674	3,768,426	3,989,851	4,279,268	3,992,190	3,862,455
Storm water management	1,458,352	1,395,628	1,439,522	1,419,980	1,167,073	1,613,426	1,885,142	1,301,350	1,376,672	1,610,715
Cemetery	1,604,607	1,325,778	1,315,119	1,133,990	856,141	952,972	1,009,595	1,080,532	735,718	665,398
Big Blue Bus	16,664,916	17,060,923	16,869,809	16,614,711	16,370,290	14,160,133	14,391,300	13,898,980	13,078,630	13,333,584
Parking authority	—	—	—	161,504	152,200	152,200	149,200	145,600	141,600	138,100
Operating grants and contributions	47,098,487	40,691,095	38,229,718	38,424,357	36,001,870	38,843,722	34,203,607	32,188,569	31,723,528	32,297,732
Capital grants and contributions	10,333,281	28,431,734	21,489,216	25,609,158	32,046,978	29,299,894	53,209,039	20,030,403	12,185,518	19,061,484
Business-type activities program revenues	<u>157,123,615</u>	<u>167,463,242</u>	<u>156,493,703</u>	<u>157,085,034</u>	<u>154,874,771</u>	<u>147,672,211</u>	<u>166,488,576</u>	<u>126,919,616</u>	<u>115,666,223</u>	<u>118,412,681</u>
Total primary government program revenues	<u>319,379,532</u>	<u>328,966,764</u>	<u>308,869,746</u>	<u>293,158,318</u>	<u>282,532,884</u>	<u>273,156,795</u>	<u>297,023,356</u>	<u>245,009,999</u>	<u>225,516,095</u>	<u>216,928,184</u>
Net (expense):										
Governmental activities	(219,681,169)	(220,416,473)	(241,444,190)	(355,715,185)	(246,391,090)	(277,432,635)	(356,604,557)	(268,619,507)	(202,428,486)	(194,869,809)
Business-type activities	<u>(5,427,622)</u>	<u>4,052,919</u>	<u>(1,166,888)</u>	<u>(2,522,450)</u>	<u>7,102,646</u>	<u>6,177,600</u>	<u>21,674,792</u>	<u>(6,439,716)</u>	<u>(18,110,584)</u>	<u>(7,123,576)</u>
Total primary government net expense	<u>(225,108,791)</u>	<u>(216,363,554)</u>	<u>(242,611,078)</u>	<u>(358,237,635)</u>	<u>(239,288,444)</u>	<u>(271,255,035)</u>	<u>(334,929,765)</u>	<u>(275,059,223)</u>	<u>(220,539,070)</u>	<u>(201,993,385)</u>
General revenues and other changes in net position										
Governmental activities:										
Taxes:										
Business	31,468,959	30,847,105	28,467,477	27,382,495	26,531,627	27,582,398	28,821,688	26,211,226	24,232,707	21,775,442
Property	52,771,401	47,729,105	43,477,118	59,161,313	108,995,358	110,188,615	107,255,345	101,323,706	89,845,591	79,951,933
Sales and use	51,089,716	49,210,039	47,880,634	45,831,961	31,689,531	26,636,653	28,296,696	32,356,941	33,267,253	31,871,593
Other	101,677,478	95,604,341	91,384,006	84,935,499	80,376,978	75,397,844	76,146,388	81,762,203	77,036,651	71,788,854
Settlement income	—	—	9,608,247	3,750,000	—	—	89,910,872	1,012,863	69,153,512	6,453,804
Other revenues	11,518,022	18,092,058	19,917,250	120,208,757	12,173,094	9,043,114	9,128,899	8,428,266	6,213,329	9,638,813
Investment earnings	4,084,621	6,613,322	1,431,317	5,791,811	7,995,401	10,062,739	16,198,386	22,021,977	25,505,798	11,995,355
Extraordinary gain (loss)	(5,106,828)	(19,149,679)	(48,185,126)	261,255,080	—	—	—	—	—	—
Transfers	2,341,674	1,683,146	(10,863,258)	(6,141,048)	1,531,708	(23,779)	(5,832,017)	(2,815,040)	(9,029,202)	(8,394,702)
Total governmental activities	<u>249,845,043</u>	<u>230,629,437</u>	<u>183,117,665</u>	<u>602,175,868</u>	<u>269,293,697</u>	<u>258,887,584</u>	<u>349,926,257</u>	<u>270,302,142</u>	<u>316,225,639</u>	<u>225,081,092</u>

(continues next page)

TABLE 2

CITY OF SANTA MONICA, CALIFORNIA

Changes in Net Position
Last Ten Fiscal Years

	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>
<i>(continues from previous page)</i>										
Business-type activities:										
Other revenues	6,230,537	5,207,445	12,540,746	5,310,643	6,767,730	3,912,725	4,162,283	3,421,837	4,111,407	6,028,516
Investment earnings	1,408,083	1,644,388	11,259	1,125,241	1,353,780	2,893,193	4,227,595	4,489,611	7,439,759	2,673,080
Transfers	(2,341,674)	(1,683,146)	10,863,258	6,141,048	(1,531,708)	23,779	5,832,017	2,815,040	9,029,202	8,394,702
Total business-type activities	<u>5,296,946</u>	<u>5,168,687</u>	<u>23,415,263</u>	<u>12,576,932</u>	<u>6,589,802</u>	<u>6,829,697</u>	<u>14,221,895</u>	<u>10,726,488</u>	<u>20,580,368</u>	<u>17,096,298</u>
Total primary government	<u>255,141,989</u>	<u>235,798,124</u>	<u>206,532,928</u>	<u>614,752,800</u>	<u>275,883,499</u>	<u>265,717,281</u>	<u>364,148,152</u>	<u>281,028,630</u>	<u>336,806,007</u>	<u>242,177,390</u>
Changes in net position										
Governmental activities	30,163,874	10,212,964	(58,326,525)	246,460,683	22,902,607	(18,545,051)	(6,678,300)	1,682,635	113,797,153	30,211,283
Business-type activities	(130,676)	9,221,606	22,248,375	10,054,482	13,692,448	13,007,297	35,896,687	4,286,772	2,469,784	9,972,722
Total primary government	<u>\$ 30,033,198</u>	<u>19,434,570</u>	<u>(36,078,150)</u>	<u>256,515,165</u>	<u>36,595,055</u>	<u>(5,537,754)</u>	<u>29,218,387</u>	<u>5,969,407</u>	<u>116,266,937</u>	<u>40,184,005</u>

(1) Other expenses allocated to programs in FY 07-08.
(2) Civic auditorium merged with General services in FY 13-14.

TABLE 3

CITY OF SANTA MONICA, CALIFORNIA
 Fund Balance of Governmental Funds
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)

	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>
General Fund										
Reserved	\$ —	—	—	—	—	36,257,776	41,432,273	81,056,800	91,843,183	97,044,588
Unreserved	—	—	—	—	—	179,212,920	155,521,957	67,745,079	63,826,421	55,923,644
* Nondspendable	23,725,864	22,257,819	22,179,119	22,181,490	26,249,121	—	—	—	—	—
* Restricted	17,951,299	12,371,619	23,808,940	43,056,449	503,645	—	—	—	—	—
* Committed	520,574	519,937	519,506	640,000	710,000	—	—	—	—	—
* Assigned	218,630,183	212,669,876	220,409,168	233,153,471	159,430,759	—	—	—	—	—
* Unassigned	114,196,108	118,192,052	117,324,362	117,225,871	108,382,191	—	—	—	—	—
Total General Fund	<u>375,024,028</u>	<u>366,011,303</u>	<u>384,241,095</u>	<u>416,257,281</u>	<u>295,275,716</u>	<u>215,470,696</u>	<u>196,954,230</u>	<u>148,801,879</u>	<u>155,669,604</u>	<u>152,968,232</u>
All other governmental funds										
Reserved	—	—	—	—	—	138,504,430	134,770,865	217,888,723	314,507,732	229,263,232
Unreserved, reported in:										
Special revenue funds	—	—	—	—	—	37,657,180	42,902,430	67,387,055	11,027,475	5,569,484
Capital project funds	—	—	—	—	—	50,427,715	66,021,140	(7,937,337)	(5,053,769)	(10,434,018)
* Nondspendable	11,463,849	30,932,430	31,524,610	23,331,591	10,788,188	—	—	—	—	—
* Restricted	144,902,038	128,610,718	124,852,862	123,658,262	170,449,269	—	—	—	—	—
* Committed	17,877,709	4,404,491	4,372,829	872,830	51,975	—	—	—	—	—
* Assigned	9,649,617	18,033,673	15,057,474	32,550,023	125,697,278	—	—	—	—	—
* Unassigned	(814,287)	(966,157)	(1,148,932)	(187,396)	(16,868,340)	—	—	—	—	—
Total all other governmental funds	<u>\$ 183,078,926</u>	<u>181,015,155</u>	<u>174,658,843</u>	<u>180,225,310</u>	<u>290,118,370</u>	<u>226,589,325</u>	<u>243,694,435</u>	<u>277,338,441</u>	<u>320,481,438</u>	<u>224,398,698</u>

* Fund Balance descriptions changed due to GASB Statement No. 54 implementation effective July 1, 2010.

TABLE 4

CITY OF SANTA MONICA, CALIFORNIA
 Changes in Fund Balance of Governmental Funds
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)

	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>
Revenues										
Property taxes	\$ 55,044,307	50,113,693	44,392,416	40,226,124	36,048,260	37,419,658	36,763,026	36,067,632	32,586,134	28,031,618
Incremental property taxes (1)	—	—	—	19,794,851	73,735,955	73,526,738	71,289,749	66,148,046	58,163,695	52,818,794
Sales taxes	51,089,716	49,210,039	47,880,634	45,831,961	31,689,531	26,636,653	28,296,696	32,356,941	33,267,253	31,871,593
Other taxes	132,075,022	126,836,936	118,983,521	111,350,245	107,289,588	104,012,543	105,639,635	109,556,310	102,870,450	97,203,255
License and permits	39,490,688	36,967,493	33,777,567	30,608,592	27,564,660	20,658,582	20,398,191	20,203,085	19,232,085	18,378,705
Intergovernmental	31,013,327	33,068,906	26,420,260	28,277,049	30,887,064	30,132,263	36,408,496	33,007,061	28,948,391	20,020,970
Charges for services	56,381,352	55,976,703	50,767,945	52,613,331	45,248,472	46,975,370	39,238,389	36,226,643	35,855,124	29,083,568
Fines and forfeitures	16,287,290	16,253,546	15,303,990	15,651,820	15,952,957	17,492,928	14,113,906	14,567,262	14,191,722	13,101,713
Investment earnings	4,002,879	6,697,552	1,519,576	4,989,972	9,376,656	9,218,863	15,455,332	21,450,071	24,225,164	11,649,849
Rental income	10,602,671	10,311,967	9,843,633	9,619,254	8,541,702	7,026,380	5,467,946	7,006,972	7,279,995	6,562,654
Settlement income	2,433,175	2,433,175	52,287,404	33,277,271	—	40,196,472	4,429,738	1,012,863	69,153,512	6,453,804
Other	21,058,609	19,309,109	25,518,965	119,494,012	10,306,512	10,833,352	28,651,201	16,691,497	8,446,372	9,794,587
Total revenue	<u>419,479,036</u>	<u>407,179,119</u>	<u>426,695,911</u>	<u>511,734,482</u>	<u>396,641,357</u>	<u>424,129,802</u>	<u>406,152,305</u>	<u>394,294,383</u>	<u>434,219,897</u>	<u>324,971,110</u>
Expenditures										
Current										
General government	74,741,301	68,308,134	62,250,475	63,819,021	61,134,533	58,843,432	45,242,680	38,595,140	37,006,125	33,564,080
Public safety	117,186,887	111,737,328	104,466,191	106,215,553	99,416,830	99,142,700	96,985,086	89,074,863	87,509,154	82,576,196
General services	71,370,399	57,755,687	58,014,505	77,196,770	34,401,503	97,766,993	70,963,814	116,628,339	46,537,282	51,793,265
Cultural and recreation services	50,430,614	50,386,583	64,104,725	60,322,014	58,557,389	38,707,842	53,045,810	46,035,625	49,549,413	44,991,537
Library	12,025,143	17,158,001	14,880,934	11,323,906	10,594,925	10,067,865	10,099,063	10,245,110	9,454,034	20,759,269
Housing and community development	53,711,340	72,037,131	107,699,039	197,257,796	139,291,179	108,277,261	113,730,249	118,452,727	77,871,025	61,094,984
Other	—	—	—	—	—	—	—	2,749,086	609,225	2,189,224
Debt service										
Principal	6,075,000	5,920,000	3,365,000	13,180,714	9,241,980	7,530,000	8,375,000	8,075,000	7,805,000	6,515,000
Interest	3,785,591	3,966,495	3,942,925	12,312,625	10,059,522	10,079,799	8,386,518	8,941,832	8,206,309	9,947,949
Bond issuance costs	—	—	—	441,993	440,308	219,405	—	—	—	1,324,281
Total expenditures	<u>389,326,275</u>	<u>387,269,359</u>	<u>418,723,794</u>	<u>542,070,392</u>	<u>423,138,169</u>	<u>430,635,297</u>	<u>406,828,220</u>	<u>438,797,722</u>	<u>324,547,567</u>	<u>314,755,785</u>

(continues next page)

TABLE 4

CITY OF SANTA MONICA, CALIFORNIA
 Changes in Fund Balance of Governmental Funds
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)

	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>
<i>(continues from previous page)</i>										
Excess (deficiency) of revenues over (under) expenditures	30,152,761	19,909,760	7,972,117	(30,335,910)	(26,496,812)	(6,505,495)	(675,915)	(44,503,339)	109,672,330	10,215,325
Other financing sources (uses)										
Transfers in	19,778,209	26,210,910	21,906,283	98,800,641	108,200,623	53,644,396	91,332,304	46,495,411	24,721,684	24,782,699
Transfers out	(17,289,889)	(24,648,414)	(32,010,088)	(105,257,875)	(106,957,815)	(53,948,675)	(91,633,368)	(49,574,857)	(33,998,086)	(33,501,106)
Line of credit proceeds	—	—	—	—	26,528,395	7,986,281	15,485,324	—	—	—
Long-term debt issued	—	—	—	32,178,250	—	—	—	—	—	—
Refunding bonds issued	—	—	—	19,950,000	41,050,000	9,155,000	—	—	—	64,720,000
Bonds issued	—	—	—	—	—	—	—	—	—	—
Premium on bonds issued	—	—	—	4,339,840	409,674	558,699	—	—	—	55,653
Discount on bonds issued	—	—	—	—	—	—	—	—	—	(187,264)
Payments to refunded bond escrow agent	—	—	—	(22,289,654)	(1,900,000)	(9,478,850)	—	—	—	(63,213,909)
Proceeds from loans payable	—	—	—	—	102,500,000	—	—	—	—	—
Total other financing sources (uses)	<u>2,488,320</u>	<u>1,562,496</u>	<u>(10,103,805)</u>	<u>27,721,202</u>	<u>169,830,877</u>	<u>7,916,851</u>	<u>15,184,260</u>	<u>(3,079,446)</u>	<u>(9,276,402)</u>	<u>(7,343,927)</u>
Special item	—	—	(21,254,908)	—	—	—	—	—	—	—
Extraordinary gain (loss)	(21,564,585)	(33,345,736)	(14,196,057)	13,703,213	—	—	—	—	—	—
Net change in fund balance	<u>\$ 11,076,496</u>	<u>(11,873,480)</u>	<u>(37,582,653)</u>	<u>11,088,505</u>	<u>143,334,065</u>	<u>1,411,356</u>	<u>14,508,345</u>	<u>(47,582,785)</u>	<u>100,395,928</u>	<u>2,871,398</u>
Debt service as a percentage of noncapital expenditures (2)	2.65%	2.76%	2.07%	5.23%	5.34%	4.25%	4.54%	4.52%	5.51%	6.10%

(1) Incremental property tax was received by the redevelopment agency which was dissolved in FY 2011-12

(2) Calculation includes only the principal and interest components of debt service expenditures when calculating this ratio for all years.

TABLE 5**CITY OF SANTA MONICA, CALIFORNIA**

General Fund Tax Revenues by Source (1)
 Last Ten Fiscal Years
 (In Thousands)

<u>Source</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>
Sales taxes	\$ 51,090	49,210	47,881	45,832	31,690	26,637	28,297	32,357	33,267	31,872
Utility user's tax	32,066	32,817	31,450	31,296	31,625	31,620	31,579	31,622	31,243	30,044
Transient occupancy tax	47,629	44,396	40,997	36,143	32,747	29,804	31,265	34,969	31,892	29,209
Property taxes (2)	55,044	50,114	44,392	40,226	36,048	37,420	37,763	36,068	32,586	28,032
Business license taxes	30,354	29,783	27,518	26,325	25,480	26,553	27,216	24,654	22,637	20,274
Parking facility tax	11,072	10,598	9,954	9,394	8,786	7,848	7,980	7,826	7,400	6,832
Documentary Transfer Tax	7,903	6,273	6,027	5,192	3,954	3,432	2,653	4,739	6,409	5,573
Vehicle license fees	38	39	48	46	492	273	263	390	608	2,062
Condominium taxes	45	14	18	37	21	19	35	50	39	24
Total	<u>\$ 235,241</u>	<u>223,244</u>	<u>208,285</u>	<u>194,491</u>	<u>170,843</u>	<u>163,606</u>	<u>167,051</u>	<u>172,675</u>	<u>166,081</u>	<u>153,922</u>

(1) Does not include Highway Users Taxes, which are recorded in the Gas Tax Fund, Unit Dwelling Taxes, which are recorded in the Parks and Recreation Facilities Fund, or TORCA Conversion Taxes, which are recorded in the TORCA Fund.

(2) Includes ad valorem property taxes for purposes of paying debt service on general obligation bonds. Does not include tax increment received by redevelopment area.

Source: City of Santa Monica Finance Department

TABLE 6

CITY OF SANTA MONICA, CALIFORNIA
 Assessed Value and Actual Value of Taxable Property
 Last Ten Fiscal Years
 (In Thousands)

Fiscal year	Land	Improvements	Personal property	Public utilities	Secured gross	Exemptions (1)	Secured net	Net unsecured	Net assessed valuations	Total Direct Tax Rate (2)
2014-15	\$ 16,867,678	\$ 12,433,379	\$ 437,194	\$ 742	\$ 29,738,993	\$ 1,609,033	\$ 28,129,960	\$ 916,381	\$ 29,046,341	1.00%
2013-14	16,046,789	11,701,427	402,171	742	28,151,130	1,573,052	26,578,078	936,031	27,514,109	1.00%
2012-13	14,828,199	10,846,677	370,673	742	26,046,292	1,222,722	24,823,570	942,035	25,765,605	1.00%
2011-12	14,235,295	10,349,621	228,784	742	24,814,442	1,073,027	23,741,415	902,707	24,644,122	1.00%
2010-11	13,795,191	10,070,986	230,387	742	24,097,305	1,095,461	23,001,845	880,331	23,882,176	1.00%
2009-10	13,972,767	9,978,675	234,194	742	24,186,379	1,134,967	23,051,412	969,009	24,020,421	1.00%
2008-09	13,460,087	9,640,425	228,271	742	23,329,524	904,661	22,424,864	987,849	23,412,713	1.00%
2007-08	12,279,875	8,581,600	230,362	742	21,092,580	847,012	20,245,568	877,156	21,122,724	1.00%
2006-07	11,307,028	8,100,539	231,256	743	19,639,566	810,600	18,828,965	876,645	19,705,610	1.00%
2005-06	10,226,948	7,591,414	37,241	743	17,856,346	535,705	17,320,642	777,909	18,098,550	1.00%

(1) Includes Homeowner Exemption. City is reimbursed by State for taxes lost because of these exemptions.

(2) Excludes Direct and Overlapping Rates. See Table 7 for Direct and Overlapping Rates.

Source: Los Angeles County Auditor-Controller

TABLE 7**CITY OF SANTA MONICA, CALIFORNIA**

Direct and Overlapping Property Tax Rates*

Last Ten Fiscal Years

Fiscal year	City General Fund	County General Fund	School districts	Miscellaneous special districts	Total
2014-15	\$ 0.01	\$ 1.00	\$ 0.13	\$ —	\$ 1.14
2013-14	0.01	1.00	0.13	—	1.14
2012-13	0.01	1.00	0.13	—	1.14
2011-12	0.01	1.00	0.13	—	1.14
2010-11	0.01	1.00	0.13	—	1.14
2009-10	0.01	1.00	0.13	—	1.14
2008-09	0.01	1.00	0.13	0.01	1.15
2007-08	0.01	1.00	0.10	0.01	1.12
2006-07	0.01	1.00	0.08	0.01	1.10
2005-06	0.01	1.00	0.07	0.01	1.09

* Property tax rate is per \$100 of assessed value. Since 1978-79, the maximum allowable rate is levied by the County, property taxes are collected by the County, and the County allocates the City's share in accordance with distribution formulas established by law. Effective 1981-82, Proposition 13 allowed jurisdictions to impose rates over the \$1.00 base rate only for bonded debt approved by the voters prior to 1978. However, in 1986, the State Constitution was amended to allow rates over the \$1.00 base rate for voter approved general obligation bonds.

City General Fund is allocated approximately \$.14 of each \$1.00 of the County General Fund amount.

Source: Los Angeles County Auditor-Controller

TABLE 8**CITY OF SANTA MONICA, CALIFORNIA**Principal Property Taxpayers
Current Fiscal Year and Nine Years Ago

Taxpayer	2014-15			2005-06		
	Taxable assessed value	Rank	Percentage of total City taxable assessed value	Taxable assessed value	Rank	Percentage of total City taxable assessed value
California Colorado Center LLC	\$ 494,350,937	1	1.70 %	\$ 434,600,000	1	2.29 %
Water Garden Realty Holding LLC	479,644,676	2	1.65	393,728,152	3	2.07
SC Enterprises SMBP LLC	364,494,642	3	1.25	—		—
Douglas Emmett 1998 LLC	329,182,895	4	1.13	351,859,180	4	1.85
Jamestown Lantana North LP	328,400,000	5	1.13	—		—
Macerich Santa Monica Place	284,411,300	6	0.98	142,696,511	5	0.75
CREP 2700 Holdings LLC	220,600,000	7	0.76	—		—
Ocean Avenue LLC	182,176,275	8	0.63	91,377,793	9	0.48
Hart Arboretum LLC	168,511,585	9	0.58	—		—
Agensys Inc	156,052,325	10	0.54	—		—
St. John's Hospital & Health Center	—		—	395,110,814	2	2.08
New Santa Monica Beach Hotel	—		—	127,816,528	6	0.67
RAND Corporation	—		—	126,146,138	7	0.66
CLPF Arboretum Limited Partnership	—		—	96,900,000	8	0.51
1299 Ocean LLC	—		—	61,661,513	10	0.32
Total principal property taxpayers assessed value	<u>\$ 3,007,824,635</u>		<u>10.35</u>	<u>\$ 2,221,896,629</u>		<u>11.68</u>
Total City net taxable assessed value	<u>\$ 29,046,341,188</u>		<u>100.00 %</u>	<u>\$ 18,986,514,780</u>		<u>100.00 %</u>

Source: City of Santa Monica Finance Department; Hdl, Coren and Cone; Los Angeles County Auditor-Controller

TABLE 9**CITY OF SANTA MONICA, CALIFORNIA**Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal year	Total secured tax levy	Current secured tax collections	Percent of levy collected	Delinquent secured tax collections (1)	Total tax collections	Total secured tax collections as percent of total tax levy	Outstanding delinquent taxes (2)	Outstanding delinquent taxes as percent of total secured tax levy
2014-15	\$ 26,567,114	\$ 26,190,114	98.6 %	\$ 600,642	\$ 26,790,756	100.8 %	\$ 438,248	1.6 %
2013-14	25,173,273	24,689,372	98.1	570,037	25,259,409	100.3	512,940	2.0
2012-13	23,446,717	23,428,590	99.9	713,956	24,142,546	103.0	585,417	2.5
2011-12	23,211,627	22,641,826	97.5	645,927	23,287,753	100.3	661,315	2.8
2010-11	22,293,648	21,759,685	97.6	937,340	22,697,025	101.8	669,232	3.0
2009-10	22,585,685	21,724,105	96.2	1,262,484	22,986,589	101.8	690,928	3.1
2008-09	22,439,401	21,195,066	94.5	1,237,357	22,432,423	100.0	662,983	3.0
2007-08	20,654,045	19,309,774	93.5	528,207	19,837,981	96.0	442,105	2.1
2006-07	19,352,421	18,418,938	95.2	376,559	18,795,497	97.1	271,740	1.4
2005-06	18,053,398	17,445,098	96.6	407,334	17,852,432	98.9	248,199	1.4

(1) Exclusive of penalties and collections related to tax overrides for debt service on general obligation bonds.

(2) Reflects City of Santa Monica proportionate share of county-wide outstanding delinquencies. The Los Angeles County property tax system does not provide City of Santa Monica specific statistics related to delinquencies. Should the County change their system to include specific city data, the table will be updated to adjust delinquent taxes by year.

Source: County of Los Angeles

TABLE 10**CITY OF SANTA MONICA, CALIFORNIA**

Taxable Transactions by Type of Business (1)
 Last Ten Calendar Years
 (In Thousands)

Business	Calendar Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Apparel stores	\$ 403,129	413,794	403,566	381,960	307,409	278,980	316,993	337,956	342,883	336,512
General merchandise	102,419	107,483	114,375	111,962	66,521	28,349	50,545	62,504	68,587	76,165
Food stores	98,709	92,794	86,213	84,007	80,779	82,841	87,586	85,500	81,369	75,821
Eating & drinking places	594,556	490,165	541,432	503,540	456,846	431,011	457,549	459,403	441,502	414,745
Building materials	115,313	104,249	90,255	92,249	88,913	88,971	119,095	130,025	120,516	106,596
Auto dealers & auto suppliers	738,361	699,105	640,142	632,304	600,140	609,517	647,526	714,128	715,820	709,660
Service stations	120,557	131,887	137,246	134,962	151,952	106,193	146,276	137,306	132,438	101,214
Other retail stores	623,367	623,225	643,207	638,691	527,688	518,096	620,078	680,459	644,346	627,242
Retail stores total	2,796,411	2,662,702	2,656,436	2,579,675	2,280,248	2,143,958	2,445,648	2,607,281	2,547,461	2,447,955
All other outlets	355,662	392,160	289,380	284,577	276,099	270,337	317,818	336,863	409,547	352,943
Total all outlets	\$ 3,152,073	3,054,862	2,945,816	2,864,252	2,556,347	2,414,295	2,763,466	2,944,144	2,957,008	2,800,898

(1) Amounts have been revised to reflect prior year adjustments; Amounts do not include allocations from State or County Pools.

TABLE 11

CITY OF SANTA MONICA, CALIFORNIA
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal year	Governmental activities					Business-type activities				Total primary government	Percentage of net assessed valuation (1)	Per capita
	General obligation bonds	Tax allocation bonds*	Lease revenue bonds	Term loans payable*	Line of Credit*	Wastewater bonds	Certificates of participation	Term loans payable	Capital leases			
2014-15	\$ 9,857,652	\$ —	\$ 77,431,209	\$ 400,000	\$ —	\$ 9,604,321	\$ —	\$ 1,497,792	\$ —	\$ 98,790,974	0.34%	\$ 1,059
2013-14	11,205,890	—	82,503,548	400,000	—	9,704,216	—	1,774,966	—	105,588,620	0.38%	1,145
2012-13	12,518,284	—	87,039,302	400,000	—	17,763,125	—	2,045,117	—	119,765,828	0.46%	1,316
2011-12	12,650,793	—	90,574,837	400,000	—	19,319,815	—	2,308,422	—	125,253,867	0.51%	1,388
2010-11	15,044,398	103,546,185	61,882,893	101,468,020	50,000,000	20,727,517	—	2,565,054	—	355,234,067	1.49%	3,939
2009-10	16,793,432	66,727,384	65,049,340	400,000	23,471,605	22,107,109	—	2,837,400	—	197,386,270	0.82%	2,129
2008-09	18,507,466	69,348,470	67,835,516	400,000	15,485,324	23,431,702	—	3,103,408	—	198,111,886	0.85%	2,142
2007-08	20,196,498	71,839,556	71,836,328	—	—	24,711,294	—	3,363,238	—	191,946,914	0.91%	2,168
2006-07	21,860,531	74,183,320	75,687,140	—	—	25,945,886	420,000	3,617,046	—	201,713,923	1.02%	2,287
2005-06	23,494,564	77,183,512	78,637,954	—	—	26,948,352	820,000	3,864,987	—	210,949,369	1.17%	2,404

Note: Details regarding the City's outstanding debt can be found in the Note 9 to the Financial Statements.
All bonds amounts are updated to reflect net of related premiums, discounts, and adjustments.

(1) Net assessed property valuations have been used because personal income is not available. See Table 6 for net assessed valuations.

* Redevelopment debt was transferred to the Successor Agency on February 1, 2012.

TABLE 12**CITY OF SANTA MONICA, CALIFORNIA**Ratios of General Bonded Debt
Last Ten Fiscal Years

	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>
General bonded debt outstanding										
General obligation bonds	\$ 9,857,654	11,205,890	12,518,284	12,650,793	15,044,398	16,793,432	18,507,466	20,196,499	21,860,531	23,494,565
Tax allocation bonds*	—	—	—	—	103,546,185	66,727,384	69,348,470	71,839,555	74,183,320	77,183,512
Total	<u>\$ 9,857,654</u>	<u>11,205,890</u>	<u>12,518,284</u>	<u>12,650,793</u>	<u>118,590,583</u>	<u>83,520,816</u>	<u>87,855,936</u>	<u>92,036,054</u>	<u>96,043,851</u>	<u>100,678,077</u>
Assessed value (in thousands) (1)	\$ 29,046,341	27,514,109	25,765,605	24,644,122	23,882,176	24,096,850	23,488,853	21,122,724	19,705,610	18,098,550
Percentage of assessed										
Property value	0.03%	0.04%	0.05%	0.05%	0.50%	0.35%	0.37%	0.44%	0.49%	0.56%
Population (2)	93,283	92,185	91,040	90,223	90,174	92,703	92,494	91,439	91,124	90,750
Per capita	\$ 106	122	138	140	1,315	901	950	1,007	1,054	1,109

(1) See Table 6 for Assessed Value Data

(2) See Table 16 for Population Data

* Redevelopment debt was transferred to the Successor Agency on February 1, 2012.

All bonds amounts are net of related premiums, discounts, and adjustments.

TABLE 13

CITY OF SANTA MONICA, CALIFORNIA
 Direct and Overlapping Governmental Activities Debt
 As of June 30, 2015

	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated share of Overlapping Debt
Overlapping debt:			
Los Angeles County General Fund Obligations	\$ 1,885,330,518	2.418%	\$ 45,587,292
Los Angeles County Superintendent of Schools Certificates of Participation	8,719,113	2.418%	210,828
Los Angeles County Flood Control District	15,105,000	2.466%	372,489
Metropolitan Water District	110,420,000	1.255%	1,385,771
Santa Monica Community College District	438,732,636	66.429%	291,445,703
Los Angeles Unified School District	10,296,665,000	0.0002%	20,593
Santa Monica-Malibu Unified School District	310,824,194	66.478%	206,629,708
Los Angeles County Regional Park and Open Space Assessment District	82,880,000	2.418%	2,004,038
Santa Monica Community College District Certificates of Participation	16,305,000	66.429%	10,831,248
Los Angeles Unified School District Certificates of Participation	307,180,000	0.0002%	614
Los Angeles Community College District	3,882,265,000	0.010%	388,227
Santa Monica-Malibu Unified School District Certificates of Participation	11,271,501	66.478%	7,493,068
Overlapping Tax Increment Debt			94,840,000
Subtotal, overlapping debt			<u>661,209,579</u>
City direct governmental debt			
City of Santa Monica Parking Authority Lease Revenue Bonds (2002 Refunding)			2,122,754
City of Santa Monica General Obligation Bonds Main Library Improvements (2012)			9,857,653
City of Santa Monica Public Safety Lease Revenue Bonds (2009)			6,136,495
City of Santa Monica Public Safety Lease Revenue Bonds (2011)			6,120,136
City of Santa Monica Civic Parking Structure Lease Revenue Bonds (2004)			31,555,064
City of Santa Monica Parking Structure 6 Lease Revenue Bonds (2011)			31,496,759
State Dept of Housing and Community Development			<u>400,000</u>
Subtotal, direct debt (2)			<u>87,688,861</u>
Total direct and overlapping governmental debt (3)			<u>\$ 748,898,440</u>

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.

(2) Net of issuance discounts and premiums.

(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bond and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

TABLE 14**CITY OF SANTA MONICA, CALIFORNIA**Computation of Legal Debt Margin
Last Ten Fiscal Years

	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>
Total net debt applicable to limit	\$ 74,876,302	80,994,650	87,000,048	91,804,168	151,252,964	133,493,200	141,302,416	148,656,800	156,937,600	165,988,287
Debt limit	3,065,537,400	2,908,716,082	2,720,223,142	2,594,319,674	2,531,305,352	2,545,129,908	2,449,428,970	2,214,502,370	2,068,018,972	1,877,324,663
Legal debt margin	2,990,661,098	2,827,721,432	2,633,223,094	2,502,515,506	2,380,052,388	2,411,636,708	2,308,126,554	2,065,845,570	1,911,081,372	1,711,336,376
Total net debt applicable to the limit as a percentage of debt limit	2.44%	2.78%	3.20%	3.54%	5.98%	5.25%	5.77%	6.71%	7.59%	8.84%

Net assessed value	29,046,341,000
Add: exempt property	<u>1,609,033,000</u>
Total gross assessed value	<u>\$ 30,655,374,000</u>
Debt limit - 10% of total assessed value (1)	3,065,537,400
Amount of debt applicable to debt limit:	
Total bonded debt	83,595,000
Less:	
Assets in debt service funds available for payment of bonds	<u>8,718,698</u>
Total amount of debt applicable to debt limit	<u>74,876,302</u>
Legal debt margin	<u>\$ 2,990,661,098</u>

(1) Per Section 607 of the City Charter, bonded indebtedness of the City may not exceed 10% of total assessed valuation of property within the City, exclusive of any indebtedness incurred for the purpose of water supply or sewers or storm drains.

Source: City of Santa Monica Finance Department

TABLE 15

CITY OF SANTA MONICA, CALIFORNIA
Wastewater Enterprise Revenue Bonds Coverage
Last Ten Fiscal Years

Fiscal year	Gross revenues (1)	Direct operating expense (2)	Net revenue available for debt service	Debt service requirement			Coverage (3)
				Principal	Interest	Total	
2014-15	\$ 20,166,164	\$ 10,535,135	\$ 9,631,029	\$ —	\$ 266,550	\$ 266,550	36.13
2013-14	22,556,413	12,823,959	9,732,454	1,785,000	575,698	2,360,698	4.12
2012-13	22,490,999	9,853,573	12,637,426	1,700,000	674,700	2,374,700	5.32
2011-12	21,307,472	10,993,468	10,314,004	1,650,000	846,141	2,496,141	4.13
2010-11	19,117,006	9,547,632	9,569,374	1,600,000	972,738	2,572,738	3.72
2009-10	17,036,277	9,449,739	7,586,538	1,545,000	1,026,812	2,571,812	2.95
2008-09	15,978,030	8,305,013	7,673,017	1,500,000	1,071,812	2,571,812	2.98
2007-08	17,359,852	12,711,059	4,648,793	1,455,000	1,115,463	2,570,463	1.81
2006-07	16,401,212	12,613,626	3,787,586	1,260,000	1,311,589	2,571,589	1.47
2005-06	14,437,130	10,463,034	3,974,096	1,190,000	1,419,825	2,609,825	1.52

CUSIP 802475

- (1) Gross revenues included operating revenues plus nonoperating revenues and net interfund transfers through FY 2007-08. Starting in FY 2008-09 gross revenues included operating revenues plus operating transfers specifically related to wastewater operations.
- (2) Excludes depreciation expense, write-off of disposed assets, and capital-related expenditures.
- (3) Bond covenant requires a coverage ratio of 1.20

The Hyperion Project, Wastewater Enterprise Revenue Bonds were issued November 26, 1991 at an interest rate of 6.25% with ratings of A1 from Moody's Investors Service, Inc. and A+ from Standard & Poor's Corporation. Debt service began in FY 1992-93. These bonds were refunded by the issuance of insured Wastewater Enterprise Revenue Bonds, 1993 Refunding Series on December 22, 1993 with an interest rate of 5.3084% with ratings of Aaa and AAA by Moody's Investors Services, Inc. and Standard & Poor's Corporation, respectively. The Refunding Bonds were insured by AMBAC Indemnity.

On October 13, 2005 the City issued \$20,305,000 of Wastewater Enterprise Refunding Revenue Bonds bearing interest from 3.00% to 5.00% to defease \$21,535,000 of the outstanding 1993 Wastewater Enterprise Revenue Bonds, 1993 Refunding Series with ratings from Moody's Investor Services, Inc. of A1, Standard & Poor's Corporation of AA and Fitch Ratings of AAA. The Refunding Bonds are insured by Financial Guaranty Insurance Company.

On April 16, 2010 Moody's upgraded the underlying rating on the Refunding bond to Aa2 and on November 17, 2008 Standard & Poor's Corporation upgraded the underlying rating to AAA.

On May 30, 2012 the City issued \$8,955,000 Wastewater Refunding Revenue Bonds Series 2012A at interest from 2.00% to 4.00% to defease \$9,670,000 of the outstanding 1993 Wastewater Enterprise Revenue Bonds. Standard & Poor's Corporation rated AAA on the 2012A Refunding bond.

On December 16, 2013 Moody's upgraded the underlying rating of the 2005 bonds to Aa1 from Aa2.

On June 1, 2014, the City redeemed remaining balance \$7,810,000 of Wastewater Enterprise Refunding Revenue Bonds 2005.

Source: City of Santa Monica Finance Department

TABLE 16

CITY OF SANTA MONICA, CALIFORNIA
 Demographic and Economic Statistics
 Last Ten Calendar Years

<u>Calendar year</u>	<u>Population (1)</u>	<u>Personal income (2) (millions)</u>	<u>Per capita personal income (3)</u>	<u>Unemployment rate (4)</u>
2015	93,283	*	*	6.3 %
2014	92,185	\$ 635,892	\$ 48,425	7.1
2013	91,040	604,832	46,337	8.4
2012	90,223	575,044	44,423	8.4
2011	90,174	561,142	43,688	10.5
2010	92,703	565,365	42,784	10.3
2009	92,494	551,271	42,818	9.5
2008	91,439	552,450	42,916	5.5
2007	91,124	539,163	41,875	4.0
2006	90,750	505,197	39,011	4.2

* No data is available for 2015 as of publication date of CAFR

Note: Data shown is the Metropolitan Statistical Area of Los Angeles-Long Beach-Santa Ana, CA.
 Data by City is not available.

Source: (1) California Department of Finance
 (2) and (3) Bureau of Economic Analysis
 (4) State of California, Employment Development Department, Labor Market
 Information Division

TABLE 17**CITY OF SANTA MONICA, CALIFORNIA**Principal Employers
Current Year and Nine Years Ago

Employers	2014-15			2005-06		
	Number of employees	Rank	Percentage of total City employment	Number of employees	Rank	Percentage of total City employment
Santa Monica-UCLA Hospital	2,212	1	2.57 %	1,300	5	1.77 %
City of Santa Monica	2,004	2	2.32	2,146	2	2.92
Santa Monica College	1,850	3	2.15	2,357	1	3.20
Saint John's Hospital Medical Center	1,720	4	1.99	1,422	4	1.93
Santa Monica-Malibu Unified School District	1,457	5	1.69	1,650	3	2.24
RAND Corporation	827	6	0.96	862	7	1.17
Universal Music Group	736	7	0.85	—	—	—
Treyarch Corp (Including Activision Blizzard)	692	8	0.80	800	8	1.09
ET Whitehall Santa Monica Partners LP	625	9	0.72	750	9	1.02
Lion's Gate Entertainment Corporation	610	10	0.71	—	—	—
MTV Networks	—	—	—	1,060	6	1.44
Symantec Corporation	—	—	—	720	10	0.98
Total jobs provided by principal employers	<u>12,733</u>			<u>13,067</u>		
Average total jobs in Santa Monica	86,221			73,544		
Principal employers as percent of total jobs	14.77%			17.77%		

Source: City of Santa Monica Economic Development Division, Housing and Economic Development Department

TABLE 18

CITY OF SANTA MONICA, CALIFORNIA
 Full-Time Equivalent City Government Employees by Function/Program
 Last Ten Fiscal Years

Function/Program	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
General government (1)	265.7	232.9	230.7	238.6	221.7	222.7	217.0	191.6	186.1	179.7
Public safety										
Police										
Sworn	221.0	216.0	216.0	209.0	216.0	216.0	216.0	216.0	216.0	216.0
Non-sworn	197.4	217.4	220.4	225.4	221.4	227.4	223.4	246.9	243.0	242.0
Fire										
Sworn	114.0	108.0	108.0	108.0	105.0	109.0	106.0	107.0	106.0	106.0
Non-sworn	15.8	21.0	21.0	21.0	22.0	19.0	11.0	27.3	29.6	26.9
General services	257.3	256.1	184.3	184.3	261.9	261.3	260.1	268.9	131.7	124.7
Cultural and recreation services	153.7	151.9	231.1	231.1	151.9	152.8	148.5	145.4	228.3	218.8
Library	111.0	114.8	106.1	106.1	107.1	107.3	107.3	107.1	107.1	105.4
Housing and community development	149.8	138.8	144.4	144.4	146.4	148.4	158.4	139.9	145.2	144.1
Beach recreation	48.9	49.9	46.6	46.6	46.6	47.6	46.5	24.8	24.3	23.3
Water	46.0	46.0	46.0	46.0	47.0	47.0	47.0	52.2	52.2	52.2
Resource Recovery & Recycling	87.7	86.7	75.2	84.2	84.2	84.0	84.0	83.1	106.8	106.8
Pier	17.8	17.8	17.2	15.8	16.2	16.2	16.2	16.5	25.8	26.8
Wastewater	22.2	22.2	22.2	22.2	22.2	22.2	22.2	39.6	39.6	39.7
Civic Auditorium	—	—	11.0	30.3	34.4	34.4	34.4	35.0	35.0	35.0
Airport	12.4	12.5	12.2	4.0	12.2	12.2	12.2	12.4	12.3	11.3
Cemetery	7.1	7.1	12.1	12.1	12.1	11.1	10.1	10.2	9.5	9.5
Big Blue Bus	436.0	435.5	419.0	419.0	413.7	418.7	417.7	441.9	441.9	441.9
Vehicle management	28.0	28.0	28.0	28.0	28.0	28.0	28.0	28.8	24.8	24.8
Self insurance - workers' compensation	12.0	12.0	14.0	14.0	12.0	12.0	12.0	12.1	12.1	12.1
Total all funds	<u>2,203.8</u>	<u>2,174.6</u>	<u>2,165.5</u>	<u>2,190.1</u>	<u>2,182.0</u>	<u>2,197.3</u>	<u>2,178.0</u>	<u>2,206.7</u>	<u>2,177.3</u>	<u>2,147.0</u>

Note: Includes permanent and temporary employees (2,080 hours = 1 full-time position).

(1) Permanent staffing increase reflects transfers from the Fire and Police Departments, and new personnel to fully staff the joint communications center.

Source: City of Santa Monica Budget

TABLE 19

CITY OF SANTA MONICA, CALIFORNIA
 Operating Indicators by Function/Program
 Last Ten Fiscal Years

Function / program	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
General government:										
Electronic requests for government information	13,410,283	12,420,770	12,175,143	16,000,000	16,000,000	15,900,000	15,700,000	24,631,223	20,999,363	14,211,319
Hours of live public meeting coverage	319	284	330	300	300	300	216	444	332	310
Public safety:										
Number of emergency response incidents	14,629	13,637	13,540	12,842	12,000	12,005	11,690	11,553	12,551	11,435
Number of inspections	8,119	9,031	8,706	9,549	8,549	7,235	8,918	7,053	6,562	7,125
Calls to Police Department for service	133,516	128,323	120,320	105,642	104,097	109,045	107,604	106,497	109,328	105,308
Police reports issued	13,984	13,983	13,708	13,086	13,377	13,995	14,373	14,346	15,334	14,618
Number of crimes recorded	8,500	8,744	8,986	8,579	8,581	8,793	9,561	9,604	9,902	9,761
General services:										
Number of square feet of sidewalks repaired	10,359	6,025	3,279	40,000	40,000	33,670	190,000	140,000	127,170	97,522
Number of graffiti removals performed	37,940	37,948	34,289	20,000	20,000	19,500	18,481	25,251	22,865	11,780
Feet of sewer mains cleaned	2,200,810	1,933,560	2,328,874	2,316,757	1,751,717	1,768,024	1,532,184	783,932	1,179,759	647,841
Cultural and recreation services:										
Number of cars parked in beach lots	2,580,225	2,568,733	2,163,186	1,500,000	1,500,000	1,798,000	1,450,000	1,640,733	1,635,707	1,572,374
Senior services meals served	48,253	43,020	64,711	56,232	52,440	49,786	42,459	30,917	30,721	28,609
Number of low income persons receiving primary health care	3,089	3,519	3,568	4,164	4,453	3,942	4,344	3,650	3,231	3,345
Number of youth regularly attending homework assistance programs	624	583	469	466	458	423	558	547	511	534
Library:										
Library visitors	1,262,708	1,265,286	1,373,663	1,500,000	1,500,000	1,500,000	1,300,000	1,328,614	1,273,672	938,067
Materials used	1,998,869	2,021,936	2,225,571	2,100,000	2,100,000	2,100,000	1,900,000	1,795,844	1,607,534	1,202,754
Public access computer sessions	182,655	215,907	271,680	300,000	300,000	300,000	290,000	286,077	274,239	145,824
Housing and community development:										
Building and Safety plan checks completed	3,080	2,366	1,998	1,500	1,500	1,712	1,798	1,786	1,601	1,975
Building inspections performed	20,690	20,732	21,576	16,000	16,000	13,608	18,103	17,671	17,120	17,765
Transportation Managements plan checks completed	748	839	465	500	500	444	750	531	573	572
Resident parking passes sold	56,356	51,674	76,000	73,000	70,000	60,000	39,000	45,657	42,645	37,028
Number of traffic signs installed, replaced, repaired, or removed	2,079	2,417	2,859	5,600	5,600	4,600	5,600	5,633	5,447	10,647
Number of parking meters installed, replaced, repaired, or removed	5,875	5,874	6,100	23,000	23,000	49,000	45,257	45,532	42,645	27,182
Water:										
Number of direct customer accounts	17,798	17,760	17,705	17,902	17,823	17,709	17,356	17,272	17,175	17,171
Water sold to direct customers in whole acre feet	12,323	13,344	15,147	11,996	11,779	12,629	12,879	12,975	13,378	12,775
Airport:										
Number of tenant aircraft	325	274	420	420	420	420	420	420	420	420
Noise ordinance violations issued	118	153	160	142	148	154	210	244	223	242
Big Blue Bus:										
Revenue Miles	4,734,209	4,870,655	5,019,965	5,278,856	5,267,809	5,352,321	5,316,228	5,114,167	5,016,822	5,053,891
Farebox revenue (in millions)	13.36	13.68	14.09	11.86	11.74	11.63	11.51	10.91	9.72	9.80
Total passenger trips (in millions)	18.7	18.8	19.3	22.0	22.0	22.0	22.0	21.0	21.8	22.0
Number of customer relations phone calls	56,995	64,525	69,075	73,586	73,447	69,738	71,868	74,131	60,096	60,153
Total number of charters	0	3	3	90	349	202	224	554	1,121	1,918

Note: Statistical Table implemented in FY05-06 per GASB Statement No. 44. Data from previous fiscal years not shown.

Sources: Various City departments.

TABLE 20

CITY OF SANTA MONICA, CALIFORNIA
 Capital Asset Statistics by Function/Program
 Last Ten Fiscal Years

Function / program	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
Public safety:										
Number of police vehicles	220	223	241	239	215	215	244	232	213	174
Number of fire vehicles	68	64	56	52	54	57	58	58	60	55
Number of fire stations	4	4	5	5	5	5	5	5	5	5
Number of police substations including Public Safety Facility	3	3	4	4	4	4	4	4	4	4
General services:										
Square footage of asphalt paved streets	30,403,785	30,403,785	30,403,785	30,403,785	30,385,115	30,585,115	30,385,115	30,421,841	30,443,441	30,443,441
Square footage of concrete paved streets	1,128,034	1,128,034	1,106,834	1,106,834	1,125,504	1,125,504	1,125,504	1,088,778	1,067,178	1,067,178
Square footage of sidewalks	8,403,428	8,403,428	8,386,998	8,386,998	8,386,998	8,386,998	8,386,998	8,386,183	8,386,183	8,386,183
Square footage of curbs and gutters	1,930,214	1,930,214	1,927,564	1,917,714	1,883,714	1,834,166	1,776,089	1,702,071	1,663,271	1,663,271
Cultural and recreation services:										
Number of beach parking lots	16 (1)	17	17	17	17	17	16	16	16	16
Number of parks	29	29	29	27	27	26	26	26	24	23
Number of swim centers	2	2	2	2	2	2	2	1	1	1
Library:										
Number of facilities: main and branches	5	5	4	4	4	4	4	4	4	4
Housing and community development:										
Downtown structure visitors	6,405,636 (2)	6,455,602	6,790,058	6,659,246	5,958,593	4,078,062	3,928,900	3,768,746	3,817,550	3,791,646
Water:										
Number of feet of water main installed	10,465 (3)	9,510	9,510	12,384	—	—	—	22,660	22,660	22,660
Water main system (in miles)	205	205	205	205	205	205	205	205	205	205
Reclaimed water main system (in miles)	5 (4)	5	4	4	4	4	4	4	4	4
Wastewater:										
City sewage flow in million gallons/day	13.9	12.2	11.4	11.4	11.3	10.6	13.3	10.4	12.3	12.8
Sewer main system (in miles)	151	151	151	151	152	152	152	152	152	152
Stormwater:										
Daily gallons treated for recycling by SMURRF	170,000	108,000	123,000	122,890	330,000	275,000	275,000	330,000	330,000	330,000
Storm drain system (in miles)	59	59	59	59	58	58	58	58	58	58
Airport:										
Aircraft operations (departures and arrivals)	84,633	85,052	102,109	105,026	106,521	112,212	117,250	136,485	136,270	135,765
Big Blue Bus:										
Number of buses	188	201	192	200	214	199	197	202	202	211

(1) 1650 Appian is residential parking only and has been removed from count.
 (2) Includes Civic and Library.
 (3) 9,305 Linear Feet of potable water mains and 1,160 Linear Feet TUR (landscaping water) installed for FY 14-15
 (4) 4.5 actual; rounding up consistent with last year.

Note: Statistical Table implemented in FY05-06 per GASB Statement No. 44. Data from previous fiscal years not shown.

Sources: Various City departments.

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