

***CITY OF SANTA MONICA  
ANNUAL FINANCIAL REPORT OF THE  
PROPOSITION A LOCAL RETURN FUND  
PROPOSITION C LOCAL RETURN FUND  
MEASURE R LOCAL RETURN FUND  
TRANSPORTATION DEVELOPMENT ACT  
ARTICLE 3 FUND  
FOR THE FISCAL YEARS ENDED  
JUNE 30, 2015 AND 2014***



**CITY OF SANTA MONICA**  
**TABLE OF CONTENTS**

<b>FINANCIAL SECTION</b>	<b>PAGE</b>
Independent Auditor’s Report	1
Proposition A Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	3
Statements of Revenues, Expenditures and Changes in Fund Balance	4
Supplemental Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	5
Schedule of Capital Assets	6
Proposition C Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	7
Statements of Revenues, Expenditures and Changes in Fund Balance	8
Supplemental Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	9
Schedule of Capital Assets	10
Measure R Local Return Fund:	
Basic Financial Statements:	
Balance Sheets	11
Statements of Revenues, Expenditures and Changes in Fund Balance	12
Supplemental Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	13
Schedule of Capital Assets	14
Transportation Development Act Article 3 Fund:	
Basic Financial Statements:	
Balance Sheets	15
Statements of Revenues, Expenditures and Changes in Fund Balance	16
Supplemental Information:	
Schedule of Transportation Development Act Allocation for Specific Projects	17
Notes to Financial Statements	18
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	22
<b>COMPLIANCE SECTION</b>	
Independent Auditor’s Report On Compliance	24
Compliance Matrix	26
Schedule of Findings and Recommendations	29
<b>EXIT CONFERENCE</b>	30

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***FINANCIAL SECTION***

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SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS  
BRAINARD C. SIMPSON, CPA  
MELBA W. SIMPSON, CPA

## Independent Auditor's Report

To the Honorable Members of the City Council of the  
City of Santa Monica, California and the  
Los Angeles County Metropolitan Transportation Authority

### Report on the Financial Statements

We have audited the accompanying financial statements of the Proposition A Local Return Fund (PALRF), Proposition C Local Return Fund (PCLRF), Measure R Local Return Fund (MRLRF), and Transportation Development Act Article 3 Fund (TDAA3F) of the City of Santa Monica, California (City) as of and for the fiscal years ended June 30, 2015 and 2014, and the related notes to the 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 of 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 PALRF, PCLRF, MRLRF, and TDAA3F of the City of Santa Monica, California, as of June 30, 2015 and 2014, and the respective changes in their financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 2, the financial statements present only the PALRF, PCLRF, MRLRF, and TDAA3F and do not purport to, and do not, present fairly the financial position of the City of Santa Monica, California, as of June 30, 2015 and 2014, and the changes in financial position thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Santa Monica, California's PALRF, PCLRF, MRLRF, and TDAA3F Fund financial statements as a whole. The accompanying supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by Governmental Auditing Standards**

In accordance with *Government Auditing Standards*, we have issued our report dated December 14, 2015, on our consideration of the City of Santa Monica' 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, 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* and should be considered in assessing the results of our audit.

A handwritten signature in cursive script that reads "Simpson &amp; Simpson".

Los Angeles, California  
December 14, 2015

**CITY OF SANTA MONICA**

**PROPOSITION A LOCAL RETURN FUND**

**BALANCE SHEETS**

**JUNE 30**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and investments	\$ 4,995,140	\$ 6,401,437
Total assets	\$ <u>4,995,140</u>	\$ <u>6,401,437</u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 213,552	\$ 52,122
Contracts retainage	<u>16,488</u>	<u>-</u>
Total liabilities	<u>230,040</u>	<u>52,122</u>
<b>Fund Balance</b>		
Restricted	1,049,882	2,070,321
Rail reserve (Note 8)	2,301,960	2,647,826
Capital reserve (Note 9)	<u>1,413,258</u>	<u>1,631,168</u>
Total fund balance	<u>4,765,100</u>	<u>6,349,315</u>
Total liabilities and fund balance	\$ <u>4,995,140</u>	\$ <u>6,401,437</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF SANTA MONICA**  
**PROPOSITION A LOCAL RETURN FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**

For the Fiscal Years Ended June 30

	2015	2014
<b>REVENUES</b>		
Proposition A	\$ 1,610,068	\$ 1,545,112
Interest income	44,906	33,225
Project generated revenue (Note 7)	20	210
Total revenues	1,654,994	1,578,547
 <b>EXPENDITURES</b>		
Various projects	3,239,209	1,810,579
Total expenditures	3,239,209	1,810,579
 Deficiency of revenues over expenditures	(1,584,215)	(232,032)
 Fund balance at beginning of year	6,349,315	6,581,347
 Fund balance at end of year	\$ 4,765,100	\$ 6,349,315

The accompanying notes are an integral part of the financial statements.

**CITY OF SANTA MONICA**

**PROPOSITION A LOCAL RETURN FUND**

**SUPPLEMENTAL INFORMATION**

**SCHEDULE OF EXPENDITURES**

**ACTUAL AND METRO APPROVED PROJECT BUDGET**

For the Fiscal Year Ended June 30, 2015

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2014)

Project Code	Project Name	2015		Variance	2014 Actual
		Metro Budget	Actual	Favorable (Unfavorable)	
110-08	Fixed Route Transit	\$ 394,151	\$ 402,517	\$ (8,366)	\$ 386,278
110-09	Fixed Route Transit - 2015	980,000	980,000	-	-
130-01	Paratransit Service	600,000	474,179	125,821	529,831
140-03	Youth Transportation	51,600	44,724	6,876	45,656
140-04	Disabled Transportation	30,000	22,124	7,876	20,209
140-05	Senior Transportation	3,000	3,000	-	2,947
140-09	Arts Transportation	15,000	11,909	3,091	10,033
150-21	Transit Bus Pads - 2013	251,272	244,503	6,769	16
170-01	Bus Stop Shelter Maintenance***	60,000	60,000	-	93,457
250-02	Fare Subsidy Program	55,227	55,227	-	55,227
380-03	Rail Reserve - Exposition Commuter Bike*	457,272	234,146	223,126	105,197
380-04	Bus Stop & Shelter Improvement Program**	1,500,000	229,787	1,270,213	-
380-08	Rail Reserve - Expo Station Area*	260,972	38,847	222,125	92,453
380-11	Rail Reserve - Expo Light Rail Alternative*	15,033	-	15,033	5,750
380-12	EXPO Maintenance Yard Buffer*	538,206	41,571	496,635	103,799
380-16	Rail Reserve - Expo Right of Way Tree Relocation*	119,605	50,664	68,941	55,920
380-18	Expo Transit Village Enhancement	365,588	-	365,588	-
410-06	Rideshare Program	96,000	96,000	-	96,000
410-08	Bicycle Valet Service - Prop A	35,000	41,939	(6,939)	-
480-02	Direct Administration Prop A	50,000	15,361	34,639	15,095
500-04	WISE Senior & Disabled Services	192,711	192,711	-	192,711
	<b>Total expenditures</b>	<b>\$ 6,070,637</b>	<b>\$ 3,239,209</b>	<b>\$ 2,831,428</b>	<b>\$ 1,810,579</b>

\* Rail reserve expenditures (Note 8)

\*\* Capital reserve expenditures (Note 9)

\*\*\* The City recorded \$60,000 of fiscal year 2013 expenditures in fiscal year 2014.

See accompanying independent auditor's report.



**CITY OF SANTA MONICA**

PROPOSITION A LOCAL RETURN FUND

SUPPLEMENTAL INFORMATION  
SCHEDULE OF CAPITAL ASSETS

June 30, 2015

Date Acquired	Description	Restated Balance 7/1/2014	Additions	Deletions	Balance 6/30/2015
1/8/2008	2007 Starcraft All Star Type II Paratransit Bus	\$ 10,604	\$ -	\$ -	\$ 10,604
1/25/2008	2007 Starcraft All Star Type II Paratransit Bus	10,604	-	-	10,604
3/5/2008	2008 El Dorado Amerivan PT Paratransit Minivan	11,200	-	-	11,200
3/5/2008	2008 El Dorado Amerivan PT Paratransit Minivan	11,200	-	-	11,200
3/13/2008	2008 El Dorado Amerivan PT Paratransit Minivan	11,200	-	-	11,200
3/13/2008	2008 El Dorado Amerivan PT Paratransit Minivan	11,200	-	-	11,200
8/15/2008	2007 Starcraft Allstar Type III Paratransit Bus	54,990	-	(54,990)	-
12/2/2008	2007 Starcraft Allstar Type III Paratransit Bus	54,949	-	(54,949)	-
7/30/2008	Wall Mounted Brochure Holder	20,036	-	-	20,036
7/30/2008	Wall Mounted Brochure Holder	20,036	-	-	20,036
7/30/2008	3 Sided Freestanding Display	13,630	-	-	13,630
5/3/2011	Expo - Commuter Bike Path	126,728	234,146	-	360,874
6/29/2013	Expo-Maintenance Yard Buffer	217,095	41,571	-	258,666
6/29/2014	Bus PADS - Prop A Light Rail	-	244,503	-	244,503
6/29/2014	Bus Shelters	-	229,787	-	229,787
Total		\$ 573,472	\$ 750,007	\$ (109,939)	\$ 1,213,540

See accompanying independent auditor's report.

**CITY OF SANTA MONICA**

**PROPOSITION C LOCAL RETURN FUND**

**BALANCE SHEETS**

**JUNE 30**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and investments	\$ 3,506,785	\$ 3,237,336
Accounts receivable	<u>5,607</u>	<u>3,586</u>
Total assets	<u>\$ 3,512,392</u>	<u>\$ 3,240,922</u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 59,343	\$ 23,044
Contract retainage	<u>41,928</u>	<u>11,939</u>
Total liabilities	<u>101,271</u>	<u>34,983</u>
<b>Fund Balance</b>		
Restricted	<u>3,411,121</u>	<u>3,205,939</u>
Total fund balance	<u>3,411,121</u>	<u>3,205,939</u>
Total liabilities and fund balance	<u>\$ 3,512,392</u>	<u>\$ 3,240,922</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF SANTA MONICA**

**PROPOSITION C LOCAL RETURN FUND**

**STATEMENTS OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE**

For the Fiscal Years Ended June 30

	<u>2015</u>	<u>2014</u>
<b>REVENUES</b>		
Proposition C	\$ 1,334,046	\$ 1,279,919
Interest income	25,322	13,905
Rent income (Note 7)	36,244	34,021
Total revenues	<u>1,395,612</u>	<u>1,327,845</u>
<b>EXPENDITURES</b>		
Various projects	<u>1,190,430</u>	<u>763,476</u>
Total expenditures	<u>1,190,430</u>	<u>763,476</u>
Excess of revenues over expenditures	205,182	564,369
Fund balance at beginning of year	<u>3,205,939</u>	<u>2,641,570</u>
Fund balance at end of year	<u>\$ 3,411,121</u>	<u>\$ 3,205,939</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF SANTA MONICA**

PROPOSITION C LOCAL RETURN FUND

SUPPLEMENTAL INFORMATION

SCHEDULE OF EXPENDITURES

ACTUAL AND METRO APPROVED PROJECT BUDGET

For the Fiscal Year Ended June 30, 2015

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2014)

Project Code	Project Name	2015			2014 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
270-04	Bicycle Technology Demonstration	\$ 71,871	\$ 198	\$ 71,673	\$ (1,198)
370-01	Wayfinding - Call for Projects	91,065	-	91,065	-
380-17	Expo Colorado Pedestrian Lighting	1,050,000	-	1,050,000	-
400-01	Santa Monica Improvements	-	-	-	102,118
400-02	Traffic Signal Updated	17,759	17,759	-	-
400-09	Traffic Signal Update (Santa Monica)	-	-	-	41,501
410-02	Real Time Signs for Bus Shelters	199,810	2,819	196,991	1,417
410-04	No Net New Trips Rideshare Toolkit	27,455	891	26,564	78,841
410-03	Bicycle Valet Service	-	-	-	30,864
430-11	Citywide Bikeshare	300,000	300,000	-	-
430-12	Safe Routes to School FY 12-13	-	-	-	30,686
430-13	Bike Rack Replacement Project FY 12-13	-	-	-	45,345
430-15	Bike Network Linkages to Expo	1,341,544	-	1,341,544	-
430-16	Safe Routes to School SAMOHI	40,000	-	40,000	-
430-17	Bike Network Linkages to Expo	1,341,544	-	1,341,544	-
440-21	Annual Street Repair and Resurfacing - 2013	600,000	450,000	150,000	350,000
440-22	Moomat Ahiko Way Repair and Resurfacing	537,212	247,447	289,765	56,521
440-23	Colorado Avenue Explanade	1,175,227	144,833	1,030,394	-
470-01	Pavement Management System	150,000	-	150,000	-
480-01	Direct Administration Prop C	25,000	26,483	(1,483)	27,381
	Total expenditures	<u>\$ 6,968,487</u>	<u>\$ 1,190,430</u>	<u>\$ 5,778,057</u>	<u>\$ 763,476</u>

See accompanying independent auditor's report.

**CITY OF SANTA MONICA**  
**PROPOSITION C LOCAL RETURN FUND**  
**SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF CAPITAL ASSETS**

June 30, 2015

Date Acquired	Description	Restated Balance 7/1/2014	Additions	Deletions	Balance 6/30/2015
2/15/2011	Transit Mall Kiosk	\$ 46,662	\$ -	\$ -	\$ 46,662
6/12/2011	Train Operations & Existing Traffic Circulation	78,021	-	-	78,021
6/24/2011	Train Operations-Colorado Esplanade	97,850	-	-	97,850
6/28/2011	Citywide Bikeway Network	100,000	-	-	100,000
8/2/2011	Bike Center	633,532	-	-	633,532
6/29/2013	20th & Cloverfield Improvement Project	999,318	-	-	999,318
6/29/2013	Street Resurfacing-Ocean Park Blvd	539,339	-	-	539,339
6/29/2014	ATMS Phase 4	102,118	-	-	102,118
6/29/2015	Colorado Esplanade	-	144,833	-	144,833
Total		\$ 2,596,840	\$ 144,833	\$ -	\$ 2,741,673

See accompanying independent auditor's report.

**CITY OF SANTA MONICA**  
**MEASURE R LOCAL RETURN FUND**  
**BALANCE SHEETS**  
**JUNE 30**

	2015	2014
<b>ASSETS</b>		
Cash and investments	\$ 724,037	\$ -
Total assets	\$ 724,037	\$ -
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ 54,080	\$ -
Total liabilities	54,080	-
 <b>Fund Balance</b>		
Restricted	646,507	-
Unreserved-Undesignated	23,450	
Total fund balance	669,957	-
Total liabilities and fund balance	\$ 724,037	\$ -

The accompanying notes are an integral part of the financial statements.

**CITY OF SANTA MONICA**

**MEASURE R LOCAL RETURN FUND**

**STATEMENTS OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE**

For the Fiscal Years Ended June 30

	<u>2015</u>	<u>2014</u>
<b>REVENUES</b>		
Measure R	\$ 1,001,859	\$ 956,471
Interest income	<u>1,591</u>	<u>-</u>
Total revenues	<u>1,003,450</u>	<u>956,471</u>
<b>EXPENDITURES</b>		
Street Repair Maintenance	283,493	-
Bike/Pedestrian Facilities, Construction and Maintenance	50,000	-
Operating Subsidy to existing bus operator	<u>-</u>	<u>956,471</u>
Total expenditures	<u>333,493</u>	<u>956,471</u>
Excess of revenues over expenditures	669,957	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ 669,957</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements

**CITY OF SANTA MONICA**

**MEASURE R LOCAL RETURN FUND**

**SUPPLEMENTAL INFORMATION**

**SCHEDULE OF EXPENDITURES**

**ACTUAL AND METRO APPROVED PROJECT BUDGET**

For the Fiscal Year Ended June 30, 2015

(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2014)

Project Code	Project Name	2015			2014 Actual
		Metro Budget	Actual	Variance Favorable (Unfavorable)	
1.05	Street Repair and Maintenance	\$ 780,000	283,493	\$ 496,507	\$ -
3.05	Bike/Pedestrian Facilities, Construction and Maintenance	200,000	50,000	150,000	-
4.20	Operating subsidy to existing bus operator	-	-	-	956,471
	Total expenditures	<u>\$ 980,000</u>	<u>\$ 333,493</u>	<u>\$ 646,507</u>	<u>\$ 956,471</u>

See accompanying independent auditor's report.



**CITY OF SANTA MONICA**  
**MEASURE R LOCAL RETURN FUND**  
**SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF CAPITAL ASSETS**

June 30, 2015

Date Acquired	Description	Balance 7/1/2014	Additions	Deletions	Balance 6/30/2015
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

**CITY OF SANTA MONICA**

**TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND**

**BALANCE SHEETS**

**JUNE 30**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash	\$ 19	\$ 21,027
Due from Metro	<u>26,981</u>	<u>-</u>
Total assets	<u>\$ 27,000</u>	<u>\$ 21,027</u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Due to MTA - TDA Article 3 Reserve Account	\$ -	\$ 21,027
Total liabilities	<u>-</u>	<u>21,027</u>
<b>Fund Balance</b>		
Reserved (Note 12)	<u>27,000</u>	<u>-</u>
Total fund balance	<u>27,000</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 27,000</u>	<u>\$ 21,027</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF SANTA MONICA**

**TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND**

**STATEMENTS OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE**

For the Fiscal Years Ended June 30

	<u>2015</u>	<u>2014</u>
<b>REVENUES</b>		
Payment from prior year FY 2010-11 reserve	\$ 14,557	\$ 14,557
Payment from prior year FY 2011-12 reserve	12,424	6,470
Interest Income	<u>19</u>	<u>-</u>
Total revenues	<u>27,000</u>	<u>21,027</u>
<b>EXPENDITURES</b>		
Bikeways, lanes, and paths	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>27,000</u>	<u>21,027</u>
Fund balance at beginning of year,	<u>-</u>	<u>(21,027)</u>
Fund balance at end of year	<u>\$ 27,000</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF SANTA MONICA**

**TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND  
SUPPLEMENTAL INFORMATION**

**SCHEDULE OF TRANSPORTATION DEVELOPMENT ACT  
ALLOCATION FOR SPECIFIC PROJECTS**

For the Fiscal Year Ended June 30, 2015

<u>Project Description</u>	<u>Program Year</u>	<u>Allocations</u>	<u>Expenditures</u>	<u>Unexpended Allocations</u>	<u>Project Status</u>
<b>Local allocations</b>					
Bikeways, lanes, and paths	2015	\$ 27,000	\$ -	\$ 27,000	On-Going
Total		<u>\$ 27,000</u>	<u>\$ -</u>	27,000	
Fund balance at beginning of year				-	
MTA - TDA Article 3 Reserve Account				-	
Fund balance at end of year				<u>\$ 27,000</u>	

See accompanying independent auditor's report.

**CITY OF SANTA MONICA**

**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2015 and 2014

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Fund Accounting*

The operations of the Proposition A Local Return Fund (PALRF), Proposition C Local Return Fund (PCLRF), Transportation Development Act Article 3 Fund (TDAA3F) and Measure R Local Return Fund (MRLRF) are accounted for in separate sets of self-balancing accounts that comprise their assets, liabilities, fund balance, revenues, and expenditures.

PALRF and PCLRF represents 25% and 20%, respectively, of the ½ cent Proposition A and ½ cent Proposition C sales taxes which are distributed to the jurisdictions within Los Angeles County based on population and must be used exclusively for transportation related programs and projects.

MRLRF represents 15% of a ½ cent sales tax which is distributed to the jurisdictions within Los Angeles County based on a per capita basis and must be used exclusively for transportation purposes.

Transportation Development Act Article 3 Fund (TDAA3F) is a Special Revenue Fund that accounts for the City's share of the Transportation Development Act Article 3 allocations which are legally restricted for specific purposes.

*Basis of Accounting*

PALRF, PCLRF, MRLRF, and TDAA3F are accounted for using the modified accrual basis of accounting whereby revenues are recognized when they become both measurable and available to finance expenditures of the current period and expenditures are generally recognized when the related fund liabilities are incurred.

*Budget and Budgetary Accounting*

The budgeted amounts presented in this report for comparison to the actual amounts are presented in accordance with accounting principles generally accepted in the United States of America.

*Unrealized Gain (Loss)*

In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools, local governments are required to use fair value (instead of amortized cost) for financial reporting purposes. As a result of such implementation, the City recognizes the unrealized gain/ (loss).

**CITY OF SANTA MONICA**

**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2015 and 2014  
(Continued)

**NOTE 2 – ANNUAL FINANCIAL STATEMENTS**

The financial statements reflect only the financial position and results of operations of PALRF, PCLRF, MRLRF, and TDAA3F and their compliance with the Proposition A and Proposition C Local Return Program Guidelines, Measure R Local Return Program Guidelines, Transportation Development Act Article 3, and the Los Angeles County Metropolitan Transportation Authority Funding and Allocation Guidelines for Transportation Development Act Article 3 Bicycle and Pedestrian Funds.

**NOTE 3 – PROPOSITION A AND PROPOSITION C LOCAL RETURN COMPLIANCE REQUIREMENTS**

In accordance with Proposition A and Proposition C Local Return Program Guidelines, funds received pursuant to these guidelines may only be used for Proposition A and Proposition C Local Return approved programs.

**NOTE 4 – MEASURE R LOCAL RETURN COMPLIANCE REQUIREMENTS**

In accordance with Measure R Local Return Program Guidelines, funds received pursuant to these guidelines may only be used for Measure R Local Return approved programs.

**NOTE 5 – TRANSPORTATION DEVELOPMENT ACT COMPLIANCE REQUIREMENTS**

In accordance with Public Utilities Code Section 99234, funds received pursuant to this Code's section may only be used for activities relating to pedestrians and bicycle facilities.

**NOTE 6 – CASH AND INVESTMENTS**

The PALRF, PCLRF, MRLRF, and TDAA3F cash balances were pooled with various other City funds for deposit and investment purposes. The share of each fund in the pooled cash account was separately maintained and interest income was apportioned to the participating funds based on the relationship of their average quarterly balances to the total of the pooled cash and investments.

**NOTE 7 – PROJECT GENERATED REVENUE**

Project generated revenue for PALRF for the years ended June 30, 2015 and 2014 amounting to \$20 and \$210, respectively, pertains to the paratransit revenue.

Project generated revenue for PCLRF for the years ended June 30, 2015 and 2014 amounting to \$36,244 and \$34,021, respectively pertains to concessionaire's rent for the city's bike transit centers.

**CITY OF SANTA MONICA**

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Years Ended June 30, 2015 and 2014  
(Continued)

**NOTE 8 – RAIL RESERVE**

On March 13, 1985, Los Angeles Metropolitan Transit Authority (Metro) and the City entered into a Memorandum of Understanding to establish rail reserve fund (Fund) and allocated \$504,916 of PALRF FY 1984/85 for rail development. In subsequent years, the City may annually allocate additional PALRF monies to the rail reserve fund in accordance with the Proposition A Local Return Rail Reserve Guidelines.

Per agreement, all interest is accrued and placed in the Fund for use exclusively for the projects identified under the Rail Reserve Fund.

The Fund shall continue until such time as agreed upon by both parties and under the conditions set forth in the Proposition A Local Return Rail Reserve Guidelines.

For the years ended June 30, 2015 and 2014, the following is the rail reserve account for PALRF:

	2015	2014
Beginning balance at July 1,	\$ 2,647,826	\$ 2,995,096
Add: interest	19,362	15,848
Expenditures during the year	(365,228)	(363,118)
Ending balance at June 30,	\$ 2,301,960	\$ 2,647,826

**NOTE 9 – CAPITAL RESERVE**

PALRF

On July 1, 2008, Metro and the City entered into an agreement to establish a capital reserve account (Account) for the Bus Stop and Shelter Improvement Project in the initial amount of \$1,500,000. In accordance with the second contract amendment between the City and MTA, the funding of the Account will continue through Proposition A allocations until June 30, 2016. If the project is not completed by June 30, 2016 any unexpended funds shall lapse and be returned to Metro.

Per agreement all interest is accrued and placed in the capital reserve account for use exclusively for the Bus Stop and Shelter Improvement Project.

For the years ended June 30, 2015 and 2014, the following is the capital reserve account for PARLF:

Capital reserve:	2015	2014
Beginning balance at July 1,	\$ 1,631,168	\$ 1,622,738
Add: interest	11,877	8,430
Less: expenditures during the year	(229,787)	-
Ending balance at June 30,	\$ 1,413,258	\$ 1,631,168

**CITY OF SANTA MONICA**

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Years Ended June 30, 2015 and 2014  
(Continued)

**NOTE 10 – TRANSPORTATION DEVELOPMENT ACT FUND REVENUE ALLOCATION**

The revenue allocation for the years ended June 30, 2015 and 2014 consisted of the following payment(s) and/or submitted claim form(s):

	2015	2014
FY 2010/11 reserve	\$ 14,557	\$ 14,557
FY 2011/12 reserve	12,424	6,470
Total payment claimed	\$ <u>26,981</u>	\$ <u>21,027</u>

The City had an unexpended fund of \$21,027 and recorded as Due to MTA – TDA Article 3 Reserve Account as of June 30, 2014. The City returned \$21,027 to LACMTA on September 16, 2014.

**NOTE 11 – TRANSPORTATION DEVELOPMENT ACT FUND REVENUE RESERVED**

In accordance with TDA Article 3 (SB821) Guidelines, funds not spent during the fiscal year have been placed on reserve in the Local Transportation Fund (LTF) account with the County Auditor-Controller to be drawn down whenever the funds become eligible for a specific project and an approved drawdown request is received by Metro. Subsequent to June 30, 2015 and 2014, the City has funds on reserve as follows:

	2015	2014
FY 2011/12 allocation	\$ 32,233	\$ 38,187
FY 2012/13 allocation	65,963	65,963
FY 2013/14 allocation	73,772	73,772
FY 2013/14 allocation (Due to MTA)	-	21,027
FY 2014/15 allocation	<u>60,081</u>	<u>-</u>
Total reserved amount	\$ <u>232,049</u>	\$ <u>198,949</u>

**NOTE 12 – TRANSPORTATION DEVELOPMENT ACT ENCUMBERANCE**

The City of Santa Monica encumbered \$27,000 for FY2014 – 15 to be expended in October 2015 for project titled 17<sup>th</sup> Street Pedestrian/Cycletrack Design.

**NOTE 13 – SUBSEQUENT EVENTS**

The City has evaluated events or transactions that occurred subsequent to June 30, 2015, through December 14, 2015, the date the accompanying financial statements were available to be issued, for potential recognition or disclosure in the financial statements and determined no subsequent matters require disclosure or adjustment to the accompanying financial statements.





SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS  
BRAINARD C. SIMPSON, CPA  
MELBA W. SIMPSON, CPA

**Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

To the Honorable Members of the City Council of the  
City of Santa Monica, California and the  
Los Angeles County Metropolitan Transit Authority

We have audited, 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, the financial statements of the Proposition A Local Return Fund (PALRF), Proposition C Local Return Fund (PCLRF), Measure R Local Return Fund (MRLRF), and Transportation Development Act Article 3 (TDAA3F) Fund of the City of Santa Monica, California (City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated December 14, 2015.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's local return funds and TDAA3F financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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





## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

A handwritten signature in cursive script that reads "Simpson &amp; Simpson".

Los Angeles, California  
December 14, 2015

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*COMPLIANCE SECTION*

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SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS  
BRAINARD C. SIMPSON, CPA  
MELBA W. SIMPSON, CPA

## Independent Auditor's Report On Compliance

To the Honorable Members of the City Council of the  
City of Santa Monica, California and the  
Los Angeles County Metropolitan Transit Authority

### Report on Compliance

We have audited the compliance of the City of Santa Monica, California (City) with the Proposition A and Proposition C Local Return Guidelines, Measure R Local Return Guidelines, Transportation Development Act Article 3, and the Los Angeles County Metropolitan Transportation Authority's Funding and Allocation Guidelines for the Transportation Development Act Article 3 Bicycle and Pedestrian Funds (Guidelines) for the year ended June 30, 2015.

### *Management's Responsibility*

Management is responsible for the City's compliance with those guidelines.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the Guidelines referred to in the preceding paragraph. Those standards and the Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a local return program and the transportation development Act Article 3 occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

### *Opinion on Each Local Return Program and Transportation Development Act Article 3*

In our opinion, the City of Santa Monica complied, in all material respects, with the compliance requirements referred to above that apply to Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, and Transportation Development Act Article 3 (TDAA3F) Fund for the year ended June 30, 2015.



## Report on Internal Control Over Compliance

Management of the City of Santa Monica, California (City) is responsible for establishing and maintaining effective internal control over compliance with the Requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the Requirements that could have a direct and material effect on the Local Return programs and the TDAA3F to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Requirements, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

A handwritten signature in cursive script that reads "Simpson &amp; Simpson".

Los Angeles, California  
December 14, 2015

**CITY OF SANTA MONICA**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2015

Compliance Requirement	In Compliance		Questioned Costs	If no, provide details and management response.	
	Yes	No			
<b>A. Proposition A and Proposition C Local Return Funds</b>					
1.	Timely use of funds.	X		None	
2.	Expenditures were approved before being incurred.	X		None	
3.	Funds were used on approved projects only and expenditures were supported and allowable per Guidelines.	X		None	
4.	Expenditures did not exceed 25% of Metro's approved budget.	X		None	
5.	Administrative expenses were within the 20% cap.	X		None	
6.	All on-going and carryover projects were reported in Form B.	X		None	
7.	Annual Project Summary Report (Form B) was submitted on time.	X		None	
8.	Annual Expenditure Report (Form C) was submitted on time.	X		None	
9.	Cash or cash equivalents were maintained.	X		None	
10.	Accounting procedures, record keeping and documentation were adequate.	X		None	
11.	Revenues received including allocations, project generated revenues, and interest income were properly credited to the PALRF and PCLRF accounts.	X		None	

**CITY OF SANTA MONICA**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2015  
(Continued)

Compliance Requirement	In Compliance		Questioned Costs	If no, provide details and management response.	
	Yes	No			
<b>B. Measure R Local Return Fund</b>					
1.	Timely use of funds.	X		None	
2.	Expenditures were approved before being incurred.	X		None	
3.	Funds were used on approved projects only and expenditures were supported and allowable per Guidelines.	X		None	
4.	Fund were not substituted for property tax.	X		None	
5.	Administrative expenses were within the 20% cap.	X		None	
6.	Expenditure Plan (Form One) was submitted on time.	X		None	
7.	Expenditure Report (Form Two) was submitted on time.	X		None	
8.	Cash or cash equivalents were maintained.	X		None	
9.	Accounting procedures, record keeping and documentation were adequate.	X		None	
10.	Revenues received including allocations, project generated revenues, and interest income were properly credited to the Measure R account.	X		None	
11.	Funds were not used to supplant existing local revenues being used for transportation purpose.	X		None	

**CITY OF SANTA MONICA**  
**COMPLIANCE MATRIX**  
Year Ended June 30, 2015  
(Continued)

Compliance Requirement	In Compliance		Questioned Costs	If no, provide details and management response.
	Yes	No		
<b>C. Transportation Development Act Article 3 Fund</b>				
1.	Timely use of funds.	X		None
2.	Expenditures were incurred for activities relating to pedestrian and bicycle facilities and amenities.	X		None



***CITY OF SANTA MONICA***

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
June 30, 2015

No findings were noted.

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*EXIT CONFERENCE*

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**CITY OF SANTA MONICA**

**PROPOSITION A, PROPOSITION C, MEASURE R LOCAL RETURN FUNDS, AND  
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND  
EXIT CONFERENCE**

June 30, 2015

An exit conference was held on December 15, 2015 with the City of Santa Monica. Those in attendance were:

***Simpson & Simpson Representative:***

Channing Wong, Auditor

***City's Representative:***

Stephanie Manglaras, Accounting Manager

Imelda De Leon, Sr. Grants Analyst

***Matters Discussed:***

Results of the audit disclosed no significant financial and compliance issues.

A copy of this report was forwarded to the following City representative(s) for their comments prior to the issuance of the final report:

Stephanie Manglaras, Accounting Manager

Imelda De Leon, Sr. Grants Analyst