



City of **Santa Monica** California



Comprehensive Annual Financial Report

For the year ended June 30, 2016

City of Santa Monica California

Comprehensive Annual Financial Report

Year ended June 30, 2016

Prepared by the Finance Department

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CITY OF SANTA MONICA, CALIFORNIA

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City of Santa Monica, California
Year Ended June 30, 2016

INTRODUCTORY SECTION



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

December 21, 2016

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, 2016 (FY 2015-16).

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.

Lance, Soll & Lunghard LLP has issued an unmodified opinion on the City of Santa Monica's basic financial statements for FY 2015-16. 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 93,640 making it the 19th 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 slow pace. Economic growth has averaged only 2% annually since the end of the economic downturn, well below typical rates for periods of economic recovery. Most recent economic projections now predict annualized growth will be only slightly higher than 2% for the next two years. There are also global economic concerns that may affect the national economy. However, the labor market has improved, with over 5 million jobs added during the last two years helping to drop the national unemployment rate under 5%. The housing market has continued to improve; recent economic forecasts project continued increases in home prices and sales are anticipated to continue to grow over the next few years. Inflation is expected to remain relatively low. While the Federal Reserve indicated its overall confidence in the economy by raising short-term interest rates for the first time in nearly a decade in December 2015, there have been no other changes. The Fed continues to indicate that the pace of future rate changes will be “gradual” and that rates will remain lower than typical for “some time.” With a new administration in the White House, current assumptions are subject to change.

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 5.5% after peaking at 12.4% in 2010, and is projected to drop below 5% by the end of 2017. Housing sales and median prices as well as the commercial real estate market remain strong and are expected to continue the recent trend over the next few years. The State passed a balanced budget for the fourth year in a row. Personal and corporation income tax revenues are expected to show solid growth and, as mandated by Proposition 2, any temporary spikes in revenue will be set aside for future recessions. This reserve will offer greater stability to the State’s fiscal health. With the passage of Proposition 55 the additional income tax on high earners will be extended until 2030, providing additional funds for State education and healthcare programs.

Santa Monica’s diversified tax base and geographic location have led 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. However, the local recovery has shown some signs of moderating over the last year.

After an initial increase in sales tax revenues in FY 2016-17 and FY 2017-18 reflecting the passage of Measure GS, sales tax growth is expected to moderate going forward, reflecting a continued shift of sales to online platforms. On November 8, 2016, Santa Monica voters passed sales tax measure GS, raising the transaction and use tax by ½ cent, along with an advisory measure, GSH, that recommends that Council allocate half of the revenue from Measure GS to fund affordable housing and half for school purposes. This tax, which is assessed similarly to a sales tax, has no sunset. The new sales tax goes into effect in April 2017. Also included in the sales tax totals are revenues from Measure Y, another ½ cent

transaction and use tax passed by voters in November 2010 that also has no sunset date. 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 \$15.9 million in transaction and use tax revenues generated in FY 2015-16 by the Measure Y transaction and use tax were shared equally with the Santa Monica Malibu Unified School District according to the Program Agreement approved by Council on May 26, 2011.

Property values remain the third highest in Los Angeles County. Assessed values are expected to increase by an annual rate of 4.0% in FY 2016-17 and for the following five years. 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. Staff estimates that approximately 17% of General Fund revenues are generated by the tourism industry. Transient Occupancy Tax revenue growth continues to be strong. Moderate growth is expected over the next five years, primarily from increases in average room rates. Additionally, two new hotel properties are scheduled to come online in FY 2016-17, and another luxury hotel is scheduled to open within the next two to three years.

Business license taxes are expected to decrease by 0.3% in FY 2016-17, reflecting the loss of several large taxpayers, and then grow slowly over the next five years. Utility Users Taxes are expected to grow about 2% due to additional UUT from prepaid phone charges per AB 1717, then remain relatively flat over the forecast period as non-taxed internet-enabled telecommunications services gain ground over the more traditional services that are currently taxed. Additionally, the ending of the federal Internet Tax Freedom Act moratorium may pose a significant risk to UUT from telecommunications in the future.

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 \$31.3 million in pay downs of the City's net pension liability beginning in FY 2010-11 through the end of FY 2015-16. 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 \$1.0 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 actuarially required 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 has prepaid its annual employer contributions to CalPERS since FY 2007-08. The City continued this practice in FY 2016-17, and will prepay to the extent allowable under new PERS rules in FY 2017-18, when only the amortization of the unfunded liability will be eligible for prepayment, whereas previously the normal cost was also prepaid. Discounts received from such prepayments are used for pay downs of the net pension liability.

Despite the 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 outpace those of revenue growth. The passage of the Public Employee Pension Reform Act, or PEPRRA, in September 2012 is working to further control cost increases in the future, as new employees are receiving reduced retirement benefits and cities are 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 administered through the California Employees' Retirement Benefit Trust (CERBT), an affiliate of CalPERS. Beginning in FY 2014-15, the City is paying the equivalent of its annual required OPEB contribution into the irrevocable trust. This has allowed the City to benefit from a higher discount rate used in calculating its OPEB unfunded liability

In addition to pension costs, health insurance costs are also increasing and that trend is expected to continue in the near future. Members from all of the City's collective bargaining groups contribute to healthcare and these contribution rates will continue to increase for the next year. 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.

On July 2, 2016, the City enacted a law increasing the local minimum wage. Only a very small number of City employees, mostly as-needed interns, are impacted by this law. The City planned for these changes as well in its budget.

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 clarifying legislation related to the dissolution of redevelopment. On October 21, 2013, the Successor Agency reached a settlement agreement with the Department of Finance (DOF) to pay \$56.7 million as full remittance of unobligated cash and cash-equivalent balances previously held by the Redevelopment Agency (RDA) as identified in the Due Diligence Reviews. The settlement was paid in full on January 14, 2015. On January 16, 2015, the DOF issued a Finding of Completion to the Agency, allowing it 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 LRPMP was approved on December 29, 2015, and during the course of FY 2015-16, the DOF approved the repayment of three City/Agency loans; it is anticipated that the City will receive approximately \$70 million in repayment over a period of 8 years.

The Successor Agency has received Final and Conclusive Determinations on all of its indebtedness, 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 which has been transferred back to the Successor Agency.

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. However, the passage of Measures GS and GSH will establish a regular, albeit decreased, revenue stream to fund affordable housing.

The City ended the fiscal year with a positive operating balance and a General Fund fund balance of \$387.1 million. Large reserves provide flexibility and resources for capital projects, future expenditures, 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 solid 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, 2016. 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. Corrective actions to date have allowed the City to avoid the need to use any of the reserve.

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. Staff will continue to work on measures approved as part of the FY 2015-17 Biennial Budget, including water conservation, adapting to climate change, public safety enhancements to respond to higher call volumes and the additional visitors coming through the new EXPO light rail, enhanced funding for community and cultural services grants, enforcement of the short term vacation rental ordinance and implementation of the seismic retrofit program.

The City has and continues to dedicate resources to ensuring its transparency to the public. The City convened a new Audit Subcommittee in FY 2015-16. This Subcommittee is meeting four times per year to review the work and reports of the City's internal and external auditors and the progress made on internal controls process improvements. The internal auditor is in the process of completing an enterprise risk assessment. In November 2015, the City adopted a code of ethics.

The 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.

And finally, staff is embarking on a multi-year effort to create an operational and strategic framework, align City operations under this framework, and clarify desired outcomes that drive the need for services. This framework will be based on the dimensions of wellbeing as defined by the City's Wellbeing Index and long-standing principles of sustainability, and will be reflective of the Council's five strategic goals. A performance management program will measure and track how various services and programs impact or sustain the wellbeing of the community. This effort will be led by a new Chief Data Officer and Chief Performance Officer, who will be hired in FY 2016-17.

Citywide Budget

On June 23, 2015, Council approved the FY 2015-17 Biennial Operating Budget, adopting the FY 2015-16 proposed budget and approving the FY 2016-17 budget plan. Council also adopted the second year of the FY 2014-16 Biennial Capital Improvement Program Budget. On October 27, 2015, January 26, 2016,

and October 25, 2016 Council approved certain revisions to the FY 2015-16 Revised Budget that adjusted revenues, expenditures and staffing. On June 14, 2016, Council adopted the second year of the FY 2015-17 Biennial Budget, and adopted the first year of the FY 2016-18 Biennial Capital Improvement Program Budget.

The FY 2016-17 Adopted Budget includes \$621.7 million in expenditures, net of reimbursements and transfers, for all funds. This represents an increase of 3.5% over the revised FY 2015-16 Budget, primarily due to operating changes and capital projects that advance Council's five strategic goals. Citywide revenues, net of reimbursements and transfers, are estimated at \$578.4 million, a decrease of \$21.6 million or 3.6%, from the FY 2015-16 estimated actual.

The General Fund operating budget for FY 2016-17, net of reimbursements and transfers, is estimated at \$335.9 million and Capital Improvement Projects add an additional \$41.8 million, for a total General Fund budget of \$377.7 million. Operating expenditures are anticipated to increase \$12.5 million, or 3.9%, as compared to the revised budget for FY 2015-16. General Fund revenues for FY 2016-17 are budgeted at \$364.8 million, an increase of \$9.7 million or 2.7% from the FY 2015-16 estimated actual revenues.

The FY 2016-17 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, with annual increases of up to 9.0%, 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 as a result of citywide mandatory water conservation, and capital program funding needs to address continued infrastructure investment and Sustainable Water Master Plan requirements. Due to a stronger fund balance than initially projected, mostly as a result of the timing of capital projects, staff has been able to recommend, and Council has approved, lower rate increases in 2016 (5.0%), and 2017 (5.0%).

The Big Blue Bus' service integration plan with Expo Light Rail resulted 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 required a 25 cent fare increase in January 2016.

The Beach and Airport Funds will also generate adequate revenues to sustain their operations throughout the next five years. With the implementation of a green burial program, the Cemetery Fund is projected to have a positive net position throughout the next five years.

The Pier Fund is anticipated to be self-sustaining through the end of FY 2017-18, contingent on capital project expenditures and timing. Pier capital needs that are unable to be funded by the Pier Fund during the next five years would need to compete with other capital needs to be funded through the General Fund.

The Housing Authority Fund has a projected operating structural deficit of approximately \$0.5 million in FY 2016-17 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.

Major Capital Projects

The construction of Ishihara Park is near completion and is scheduled to open in early 2017. The 2.35 acre neighborhood park is located within a buffer zone between the Expo Light Rail Bergamot Station/Expo Maintenance Facility and the neighboring residential area. The park increases overall City

green space. Noteworthy park features include edible food plantings and an area that will be programmed as a learning garden.

The City Services Building endeavors to construct a certified Living Building at the rear of historic City Hall and parallel to the Public Safety Facility. The design phase is 100% complete for 50,200 square feet of office space on three floors with a basement. This project requires bond financing in 2017 for the construction phase; debt service costs will be partially offset by savings resulting from the City Services Building accommodating staff currently located in leased spaces. The design-build team was hired in 2014 and the project is scheduled to be completed in 2020.

There are three large fire safety projects underway in Santa Monica. The City will be bidding construction services soon to build a new 25,000 square foot above-grade Fire Station No. 1 at 1337-45 7th Street, replacing the existing 60-year station at a different location. The project commenced in 2013 and is scheduled to be completed in 2019. Next, the Fire Station 3 project is a complete retrofit of the 1970s station located at 1302 19th Street. The project commenced in 2012 and is scheduled to be completed in 2017. Last, located at the City Yards, the Fire Training Facility project replaces aged and outdated code compliant trailers with new modular facilities that are compatible with modern technology for improved functionality. The project commenced in 2013 and is scheduled to be completed in 2017.

The City Yards Modernization project is a phased major renovation of 14.7-acres located at 2500 Michigan Avenue to retrofit and address long standing functional and space needs. The current facility accommodates more staff than originally intended and the location operates seven days a week. The City Yards houses a majority of Public Work's field operations equipment and staff, and site uses include resource recycling and recovery, water and wastewater operations, fleet maintenance, shop buildings and fire training space. Design work will begin in early 2017 for Phasing Package A and construction is scheduled to be completed in 2021.

A tenant improvement project on the ground level of Parking Structure 5 will house Transportation and Parking Services functions in a more central location, and will add a public restroom. The project commenced in 2014 and is scheduled to be completed in 2017.

The Public Safety Radio Infrastructure project will replace the City's obsolete 15-year-old public safety radio infrastructure used by Police, Fire, Public Works, Code Enforcement, and others. The equipment is outdated and soon will not be supported by the manufacturer. Replacement is necessary to continue public safety radio communications and to integrate with the regional Interagency Communications Interoperability System (ICI System). The project involves replacing the entire infrastructure, replacing or upgrading all of the portable and mobile radios, establishing new communication paths between the various radio antenna sites, and installation of a backup controller to be located in Santa Monica supporting the entire region. The new system is expected to be in production by spring of 2017.

The Enterprise Resource Planning (ERP) project was established to replace the financial, human resources and payroll systems reaching end-of-life and to centralize those functions in one system. The system includes general ledger, procurement, accounts payable, budget, payroll, position control, as well as project and grants management modules. The City expects to gain efficiencies with this new single system on a single database that should eliminate current manual interfaces required as a result of having multiple systems. The system is currently in the process of being implemented with expectations to be fully live and functional by the end of FY 2017-18.

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, 2015. 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-two 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 21, 2016

City Council

Ted Winterer, Mayor

Gleam Davis, Mayor Pro Tempore

Sue Himmelrich

Kevin McKeown

Pam O'Connor

Terry O'Day

Tony Vazquez

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

Director of Planning and Community Development

City Librarian (Acting)

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

Denise Anderson-Warren

Gigi Decavalles-Hughes

Donna Peter

Joseph Cevetello

Jacqueline Seabrooks

Bill Walker

David Martin

Erica Cuyugan

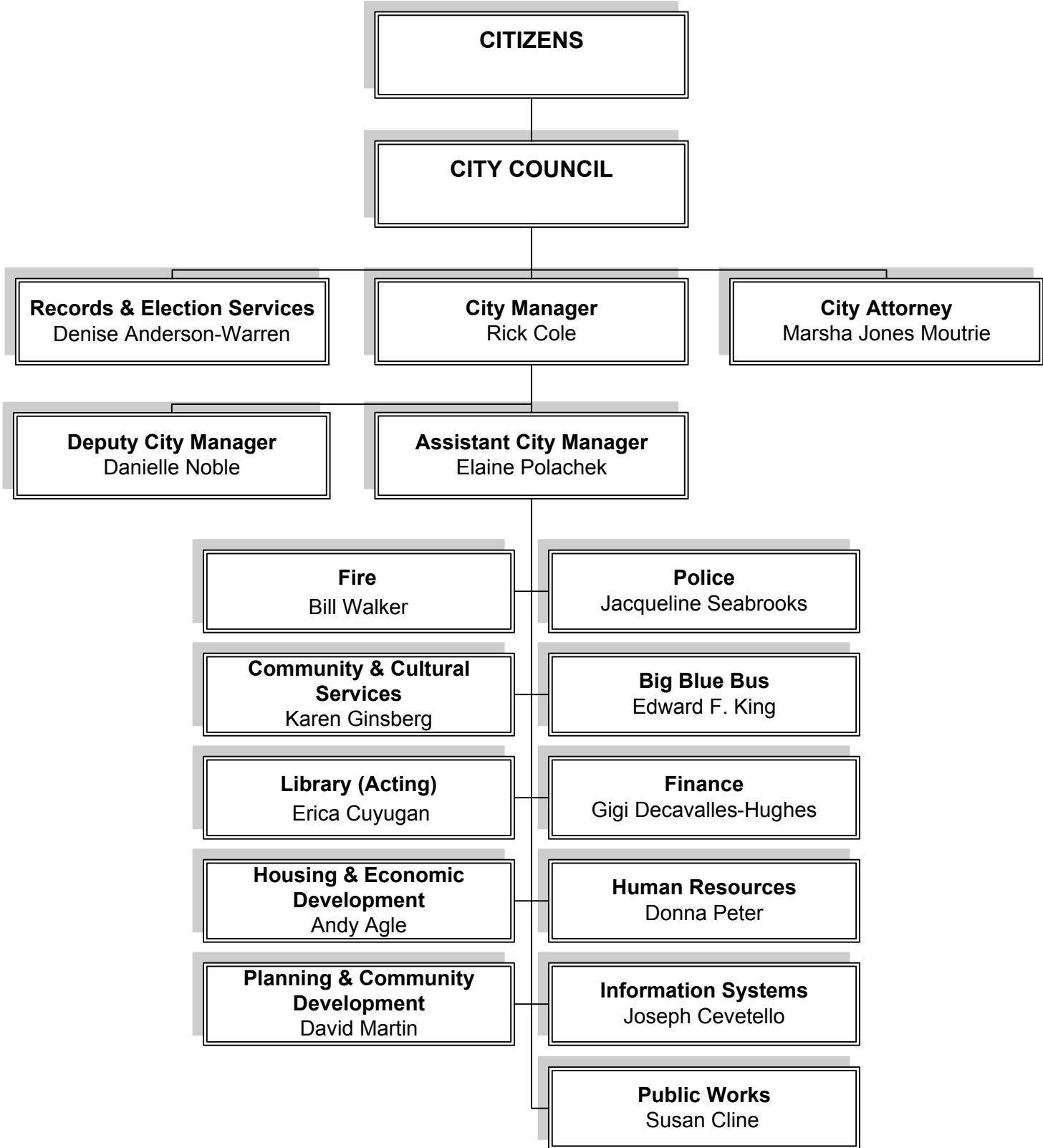
Karen Ginsberg

Edward F. King

Andy Agle

Susan Cline

**ORGANIZATION OF THE
CITY OF SANTA MONICA
as of December 21, 2016**





Government Finance Officers Association

**Certificate of
Achievement
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in Financial
Reporting**

Presented to

**City of Santa Monica
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

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City of Santa Monica, California
Year Ended June 30, 2016

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the 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 City of Santa Monica, California (the City), as of and for the year ended June 30, 2016, 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.

Auditors' 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.



To the Honorable Mayor and Members of the City Council
City of Santa Monica, California

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 of Santa Monica, California, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of revenues, expenditures and changes in fund balance – budget and actual for the general fund, special revenue source fund, and the low and moderate income housing assets fund, the schedule of changes in net pension liability and related ratio, 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 introductory section, combining and individual nonmajor fund financial 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 nonmajor fund financial 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. The 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 nonmajor fund financial 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.



CPAs AND ADVISORS

To the Honorable Mayor and Members of the City Council
City of Santa Monica, California

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2016 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.

Lance, Soll & Lughard, LLP

Brea, California
December 21, 2016

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CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis For the fiscal year ended June 30, 2016 (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, 2016. 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, 2016 by \$1.5 billion. Of this amount, \$1.2 billion is net investment in capital assets, \$209.3 million is for restricted uses as specified by entities outside of the City government, and \$150.7 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 \$59.6 million during the current fiscal year due to an increase in governmental activities net position of \$36.5 million and an increase in business-type activities net position of \$23.1 million. In comparison to the prior fiscal year, there was an increase in the change in governmental activities by \$6.3 million. This increase was primarily due to increases in tax revenues of \$2.3 million, increases in charges for services of \$28.2 million, an increase in capital and operating grants of \$5.5 million, an increase in other revenue and special assessments of \$4.1 million, a decrease in general government expense of \$17.3 million, and an increase in investment income of \$2.9 million. This was offset by an increase in the amount of special items loss of \$11.9 million, an increase in the amount of extraordinary loss of \$7.8 million, an increase in general services expense of \$12.3 million, an increase in public safety expense of \$15.9 million and an increase in housing and community development expense of \$5.8 million. In comparison to the prior fiscal year, there was an increase in the change in business-type activities net position by \$23.1 million. This increase was primarily due to an increase in capital and operating grant revenue of \$15.2 million, an increase in special items of \$10.6 million and an increase in charges for services of \$7.8 million. This was offset by an increase in Big Blue Bus expense of \$7.5 million and an increase in transfers out of \$4.7 million.
- The beginning net position in business-type activities was restated due to prior period adjustments totaling an increase of \$48.0 million. These adjustments relate to the reestablishment of notes receivable from the Successor Agency and the disposal of capital assets in the Big Blue Bus Fund.
- At the end of the current fiscal year, the City's governmental funds reported total ending fund balances of \$587.0 million, an increase of \$27.4 million in comparison to the prior fiscal year. This increase in fund balance is primarily due to increases in taxes of \$1.3 million, increases in intergovernmental revenue of \$8.6 million, increases in other revenue and special assessments of \$13.3 million, increases in charges for services of \$5.3 million, increases in investment income of \$2.7 million and decreases of \$13.4 million in general government expenditures. These were offset by increases of \$15.4 million in public safety expenditures, \$13.4 million in housing and community development expenditures, \$4.3 million in cultural and recreation services expenditures, and \$16.8 million in general services expenditures.
- At the end of the current fiscal year, the General Fund fund balance was \$387.1 million, an increase of \$8.6 million from the previous fiscal year as restated. Restricted and assigned General

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued For the fiscal year ended June 30, 2016 (Unaudited)

Fund fund balances increased by \$0.4 and \$61.7 million, respectively. This was offset by a decrease in unassigned General Fund fund balance of \$46.8 million. Restricted General Fund fund balance increased primarily due to receipts of consumer protection funds of \$0.4 million. Assigned General Fund fund balance increased primarily due to an increase in the continuing and future capital projects assignments of \$85.4 million which consists of obligations from unfinished and future capital projects, an increase in compensated absences of \$0.4 million, an increase of \$4.5 million in other expenditures and an increase in pollution remediation of \$0.1 million. These were offset by a decrease in project equity of \$20.0 million, a \$1.8 million decrease in expenditure control budget amounts, a decrease of \$0.2 for encumbrances, a decrease in strategic initiatives of \$5.4 million and a decrease of \$2.8 million in the workers' compensation/other postemployment benefits (OPEB) assignment.

- The City's net capital assets increased by \$15.7 million or 1.3% primarily due to the completion of major projects such as the Colorado Avenue Esplanade and the purchase of 22 new buses. Please see the table on page 20 and for further detail of capital assets see note 7.
- The City's long-term debt decreased by \$10.5 million or 11.1% during the current fiscal year. Please see the table on page 21 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 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

Management's Discussion and Analysis, Continued
For the fiscal year ended June 30, 2016
(Unaudited)

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, the Housing Authority of the City of Santa Monica and the Successor Agency for the Redevelopment Agency 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, Special Revenue Source Fund, Low and Moderate Income Housing Asset Fund, and Miscellaneous Grants Fund which are considered to be major funds. Data for the other 15 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 information 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 schedule has been provided for the General Fund, Special Revenue Source Fund and Low and Moderate Income Housing Asset Fund in the required supplementary information to the basic financial statements.

The governmental funds financial statements can be found on pages 26 through 29 of this report.

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued
For the fiscal year ended June 30, 2016
(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 32 through 35 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 38 through 39 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 41 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 \$1.5 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 76.4%, 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, \$209.3 million or 13.7%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$150.7 million or 9.9%, 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, 2016
(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>6/30/16</u>	<u>6/30/15</u>	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/16</u>	<u>6/30/15</u>
				<u>(restated)</u>		<u>(restated)</u>
Current and other assets	\$ 767.7	765.9	266.8	250.7	1,034.5	1,016.6
Capital assets	805.2	788.4	450.7	451.8	1,255.9	1,240.2
Total assets	<u>1,572.9</u>	<u>1,554.3</u>	<u>717.5</u>	<u>702.5</u>	<u>2,290.4</u>	<u>2,256.8</u>
Deferred outflows of resources	<u>36.6</u>	<u>49.7</u>	<u>9.2</u>	<u>12.6</u>	<u>45.8</u>	<u>62.3</u>
Current and other liabilities	60.3	52.9	29.4	36.6	89.7	89.5
Long-term liabilities	571.1	578.0	105.1	103.3	676.2	681.3
Total liabilities	<u>631.4</u>	<u>630.9</u>	<u>134.5</u>	<u>139.9</u>	<u>765.9</u>	<u>770.8</u>
Deferred inflows of resources	<u>33.6</u>	<u>65.1</u>	<u>8.3</u>	<u>14.4</u>	<u>41.9</u>	<u>79.5</u>
Net position:						
Net investment in capital assets	728.0	705.1	440.4	441.2	1,168.4	1,146.3
Restricted	196.5	178.6	12.8	15.1	209.3	193.7
Unrestricted	20.0	24.3	130.7	104.5	150.7	128.8
Total net position	<u>\$ 944.5</u>	<u>908.0</u>	<u>583.9</u>	<u>560.8</u>	<u>1,528.4</u>	<u>1,468.8</u>

Current and other assets increased \$17.9 million or 1.8% for the current year. This increase is primarily due to reestablishment of notes receivable from the Successor Agency offset by special items related to the forgiveness of debt of the Successor Agency and the recalculation of accrued interest downward as required by California State legislation SB107.

Current and other liabilities increased \$0.1 million or less than 0.1%. Long-term liabilities decreased \$5.1 million or 0.7% from the prior year primarily due to the payment of debt service and refunding of the 2004 Public Finance Authority bonds.

CITY OF SANTA MONICA, CALIFORNIA
Management's Discussion and Analysis, Continued
For the fiscal year ended June 30, 2016
(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	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Revenues						
Program revenues:						
Charges for services	\$ 158.7	130.5	107.5	99.7	266.2	230.2
Operating grants and contributions	24.7	26.3	48.7	47.1	73.4	73.4
Capital grants and contributions	12.6	5.4	23.9	10.3	36.5	15.7
General revenues:						
Sales and use taxes	54.8	51.1	—	—	54.8	51.1
Business license taxes	30.8	31.5	—	—	30.8	31.5
Property taxes	50.5	52.8	—	—	50.5	52.8
Transient occupancy taxes	51.0	47.6	—	—	51.0	47.6
Utility users taxes	30.8	32.1	—	—	30.8	32.1
Real property transfer taxes	7.8	7.9	—	—	7.8	7.9
Parking facility taxes	10.7	11.1	—	—	10.7	11.1
Other taxes	3.1	3.0	—	—	3.1	3.0
Investment income	7.0	4.1	3.5	1.4	10.5	5.5
Other revenue and special assessments	15.6	11.5	3.7	6.2	19.3	17.7
Total revenues	458.1	414.9	187.3	164.7	645.4	579.6
Expenses						
General government	56.7	74.0	—	—	56.7	74.0
Public safety	128.2	112.3	—	—	128.2	112.3
General services	84.2	72.0	—	—	84.2	72.0
Cultural and recreation services	58.4	53.7	—	—	58.4	53.7
Library	14.3	12.7	—	—	14.3	12.7
Housing and community development	59.6	53.8	—	—	59.6	53.8
Interest on long-term debt	2.7	3.5	—	—	2.7	3.5
Water	—	—	23.3	21.4	23.3	21.4
Resource recovery and recycling	—	—	25.4	23.8	25.4	23.8
Pier	—	—	6.9	6.9	6.9	6.9
Wastewater	—	—	16.5	17.3	16.5	17.3
Airport	—	—	5.3	5.3	5.3	5.3
Stormwater management	—	—	2.4	2.2	2.4	2.2
Cemetery	—	—	2.2	2.2	2.2	2.2
Big Blue Bus	—	—	90.6	83.1	90.6	83.1
Parking authority	—	—	—	0.4	—	0.4
Total expenses	404.1	382.0	172.6	162.6	576.7	544.6
Excess of revenues over expenses before extraordinary items and transfers	54.0	32.9	14.7	2.1	68.7	35.0
Special items	(11.9)	—	10.6	—	(1.3)	—
Extraordinary loss	(12.9)	(5.1)	—	—	(12.9)	(5.1)
Extraordinary gain	0.3	—	4.8	—	5.1	—
Transfers	7.0	2.3	(7.0)	(2.3)	—	—
Change in net position	36.5	30.1	23.1	(0.2)	59.6	29.9
Beginning net position, as restated	908.0	877.9	560.8	513.0	1,468.8	1,390.9
Ending net position	\$ 944.5	908.0	583.9	512.8	1,528.4	1,420.8

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued

For the fiscal year ended June 30, 2016

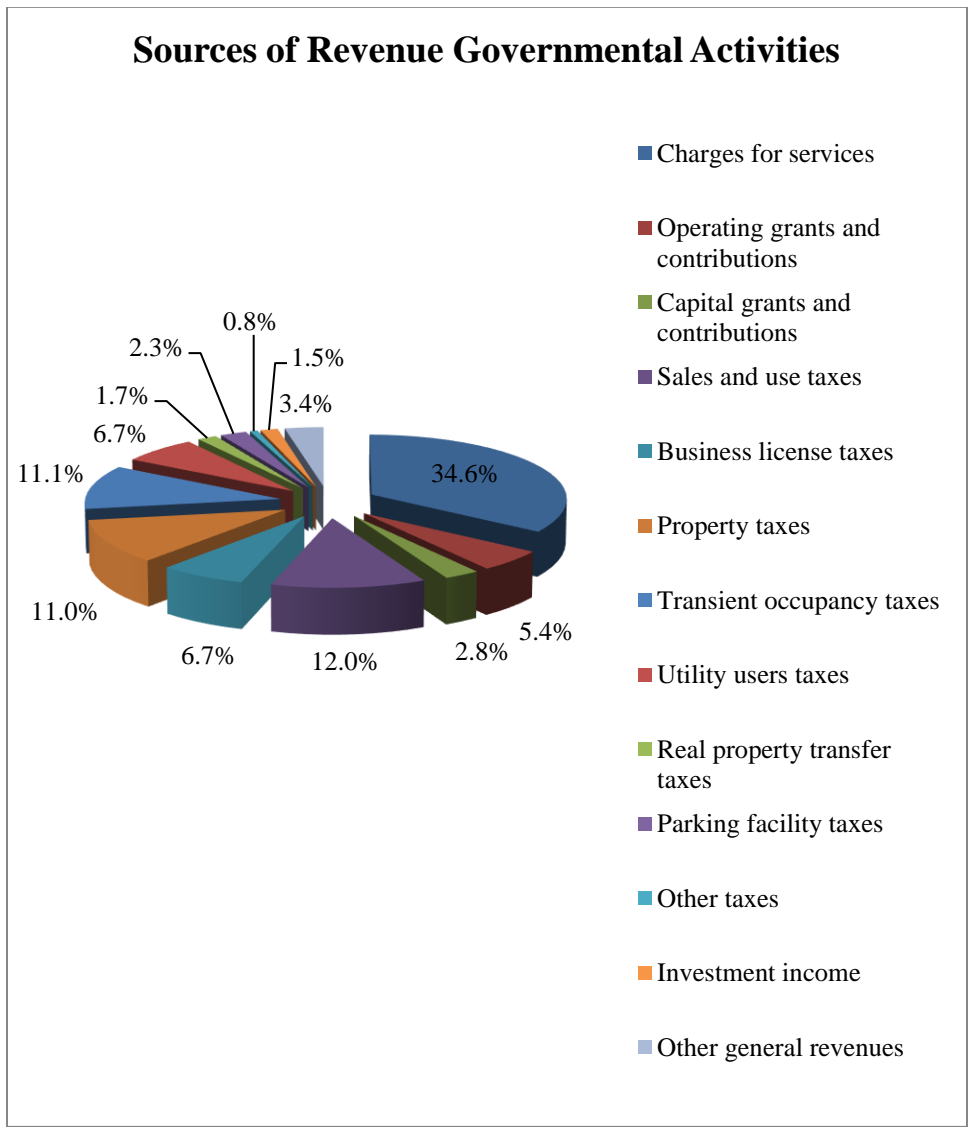
(Unaudited)

Governmental Activities. The City's governmental activities increased net position by \$36.5 million, or 4.0%, for the current fiscal year. This increase is due in part to increases in general revenue sources such as sales and use taxes of \$3.7 million, transient occupancy taxes of \$3.4 million, all indicative of an improving economy and strong tourism, plus an increase in charges for services of \$28.2 million.

CITY OF SANTA MONICA, CALIFORNIA

Management’s Discussion and Analysis, Continued
 For the fiscal year ended June 30, 2016
 (Unaudited)

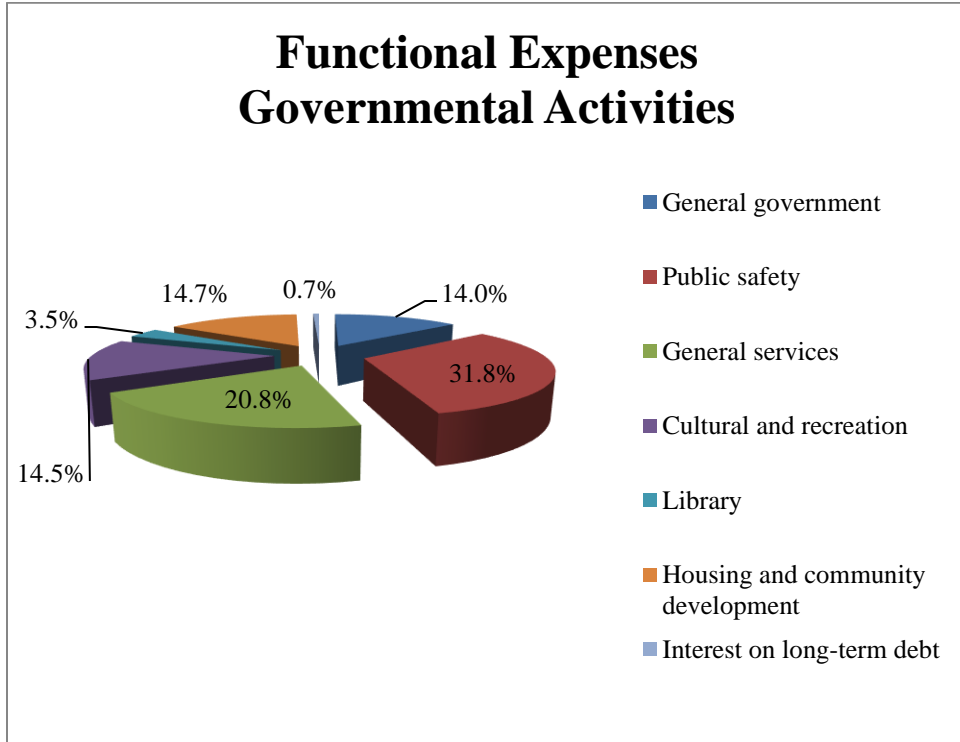
Revenue Sources: Governmental Activities. As shown in the chart below, the top six sources of revenue account for 82.2% of total revenues. They are charges for services at \$158.7 million, with an increase of \$28.2 million or 21.6% over the prior year, sales and use taxes at \$54.8 million, with an increase of \$3.7 million or 7.2%, transient occupancy taxes at \$51.0 million, with an increase of \$3.4 million or 7.1%, property taxes at \$50.5 million, with a decrease of \$2.3 million or 4.4%, business license taxes at \$30.8 million, with an decrease of \$0.7 million or 2.2% and utility users taxes at \$30.8 million, with a decrease of \$1.3 million or 4.0%. The increases were primarily due to better economic conditions. The decreases in property taxes primarily reflects less redevelopment property tax trust fund residual receipts. The decrease in business license taxes reflects the loss of several large taxpayers. The decrease in utility users taxes is primarily from lower taxes from telecommunications.



CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued
For the fiscal year ended June 30, 2016
(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.



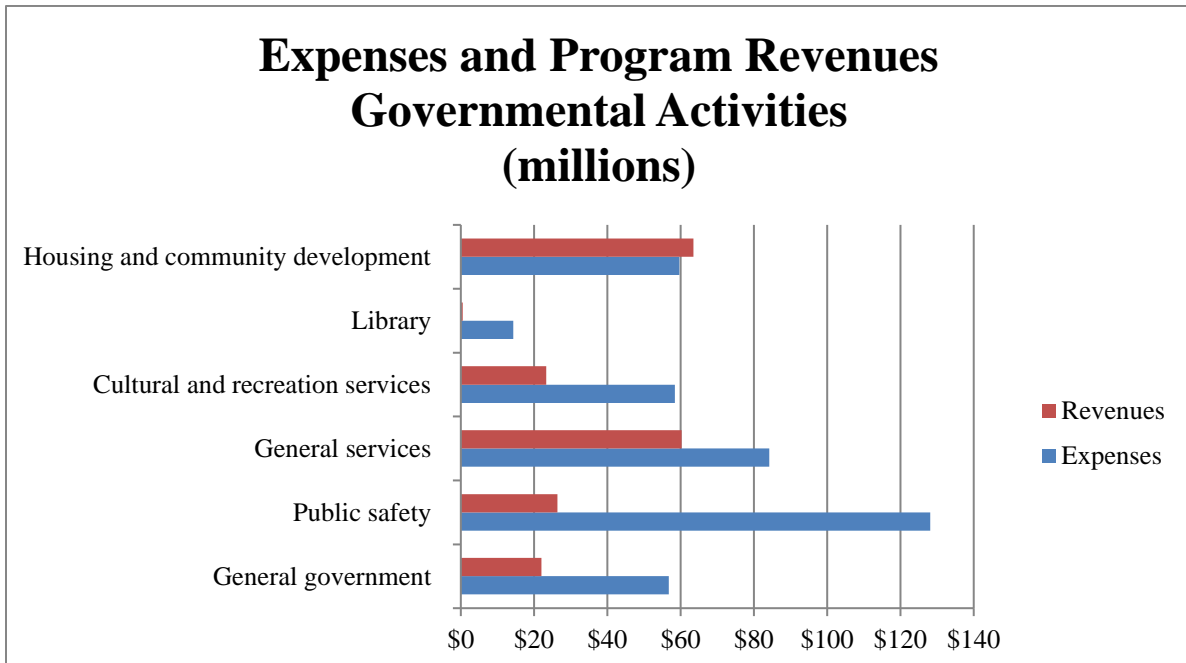
CITY OF SANTA MONICA, CALIFORNIA

Management’s Discussion and Analysis, Continued
 For the fiscal year ended June 30, 2016
 (Unaudited)

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

1. **General government** expenses decreased \$17.3 million from prior year primarily due to a \$12.7 million decrease from reclassifying the parking operations division to general services and a \$5.0 million decrease due to the reclassifying of the Office of Emergency Management Division to public safety, offset by a \$3.7 million increase to personnel costs.
2. **Public safety** expense increased by \$15.9 million from the prior year primarily due to increases in personnel costs of \$3.0 million due to the hiring of additional safety personnel, a \$5.0 million increase due to the reclassifying of the Office of Emergency Management Division to public safety and a \$3.6 million difference in the GASB 68 adjustment due to a change in the treatment of employee reimbursements.
3. **General services** expense increased by \$12.2 million primarily due to a \$12.7 million increase from a reclassification of the parking operations from general government offset by a \$3.9 million decreased in contributions to the Workers’ Compensation Fund due to a one-time payment made in FY 2014-15.
4. **Cultural and recreation** expenses increased by \$4.7 million primarily due to increases of \$0.6 million in payroll, \$1.8 million in maintenance costs, and \$1.0 million for costs associated with new community programs.
5. **Housing and community development** expenses increased by \$5.8 million primarily due to a \$1.3 million difference in the GASB 68 adjustment due to a change in the treatment of employee reimbursements, an increase of \$1.5 million to support new initiatives and programs.

Program Expenses: Governmental Activities. The following chart compares program revenues and expenses for governmental activities (excluding interest on long-term debt):

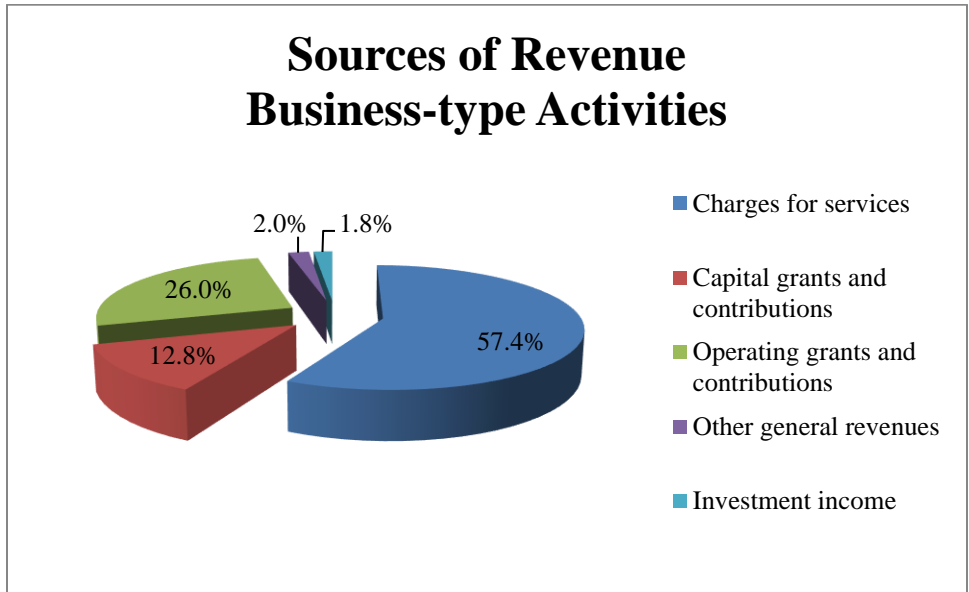


CITY OF SANTA MONICA, CALIFORNIA

Management’s Discussion and Analysis, Continued
For the fiscal year ended June 30, 2016
(Unaudited)

Business-type Activities. The City’s business-type activities net position increased by \$23.1 million, as compared to a decrease of \$0.2 million in the prior year.

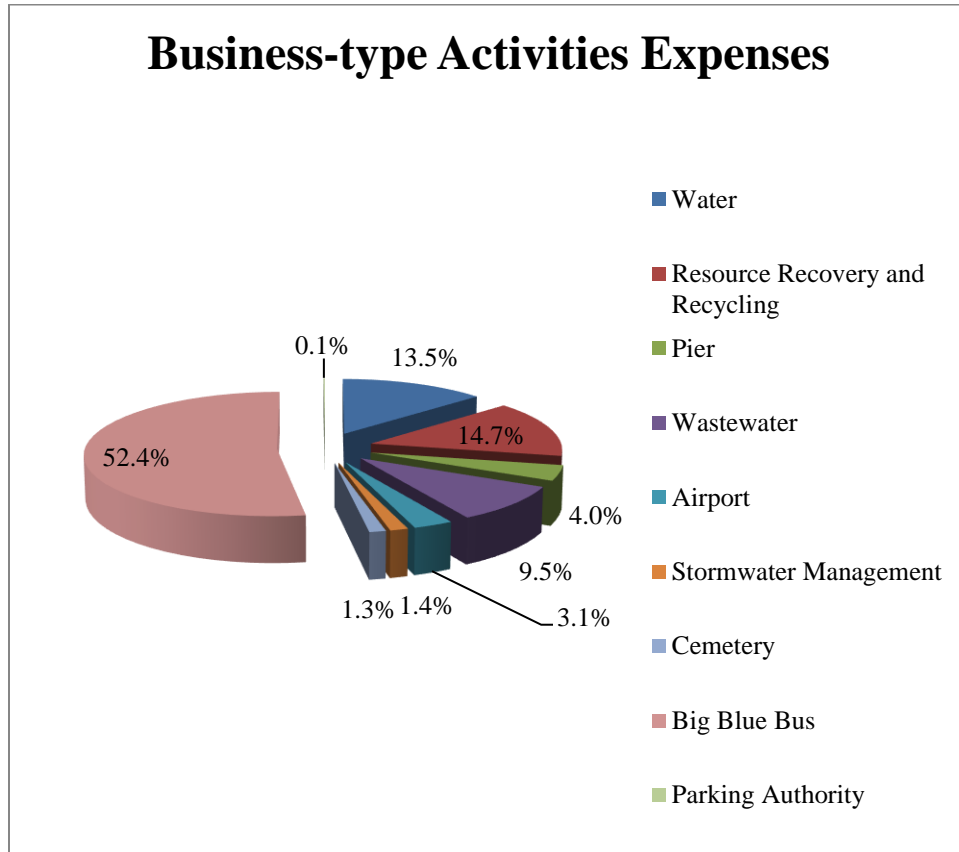
Revenue Sources: Business-type activities. As shown in the chart below, the top three sources of revenue, which are charges for services, operating grants and contributions, and capital grants and contributions, account for 96.2% of total business-type activities revenues of \$187.3 million. The chart 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, 2016
(Unaudited)

Business-type Activities Expenses: As displayed in the chart below, the Big Blue Bus, Resource Recovery and Recycling, Water and Wastewater enterprise funds accounted for 90.3% of total business-type activity expenses. Other business-type activities of the City include the Airport, Pier, Cemetery and Mausoleum, Stormwater Management, and Parking Authority Funds.



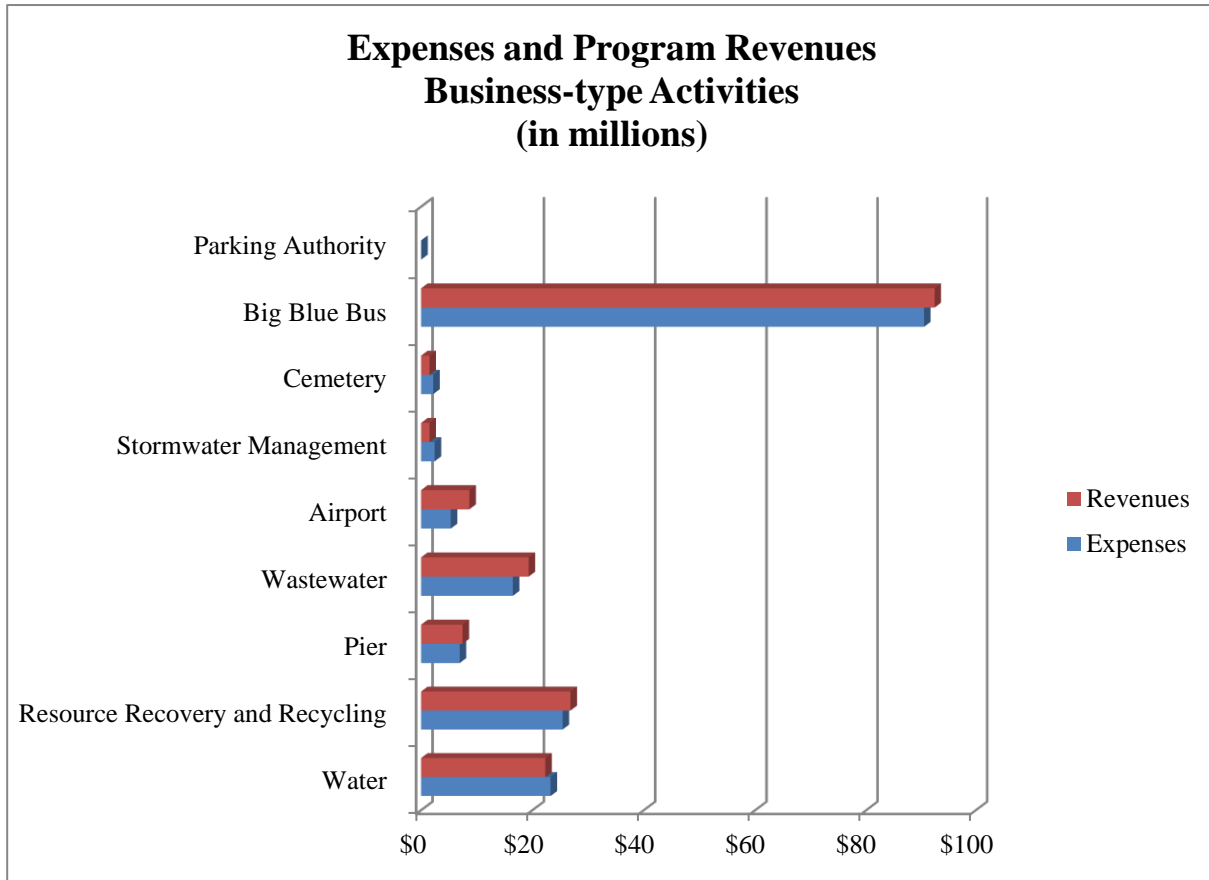
Explanations of significant variances in major business-type activity expenses from the prior year are:

1. **Water Fund** – Increase in operating expenses is due primarily to the change in the method the City uses to record reimbursements of expenses. Previously, reimbursements of expenses from the Water fund to the General Fund were reported as interfund transfers. The Water fund now records the reimbursements as operating expenses. The amount of reimbursement recorded for FY 2015-16 is \$1.2 million. This was offset by a \$1.2 million reduction of water purchases due to conservation efforts.
2. **Wastewater Fund** – Decrease in operating expenses is primarily related to a reduction in contractual services for use of the Hyperion Wastewater treatment plant owned and operated by the City of Los Angeles and is based on estimated costs for the fiscal year and the previous flow year's actual flows and strengths of wastewater at the treatment plants.
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, 2016
 (Unaudited)

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



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 \$587.0 million, an increase of \$27.4 million, or 4.9% 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 \$387.1 million.

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued For the fiscal year ended June 30, 2016 (Unaudited)

The General Fund fund balance increased \$8.6 million, or 2.3%, for the fiscal year ended June 30, 2016. Key factors in changes in revenues and expenditures from the prior year are as follows:

1. Total General Fund revenues were \$362.6 million for FY 2015-16, which reflects a net increase of \$9.9 million, or 2.8%, over the prior fiscal year, primarily from increases in charges for services of \$5.4 million, or 14.5%, sales and use tax of \$3.7 million, or 7.3%, other taxes of \$2.2 million, or 12.4%, and licenses and permits of \$1.9 million, or 4.8%.
2. Expenditures, excluding debt service, were \$18.8 million, or 5.9%, greater than the prior fiscal year primarily due to increases in expenditures for public safety of \$15.3 million, or 13.3%, due to reclassifying the office of emergency management from general government and increases in salaries and capital expenditures, increase in general services of \$8.0 million, or 15.3%, due to reclassifying parking operations from general government, increase in cultural and recreation services of \$3.2 million, or 7.6%, from salaries and capital expenditures, increase in library of \$0.6 million, or 5.1%, and an increase in housing and community development of \$5.0 million, or 19.1%, primarily from an increase in capital projects, and a decrease in general government of \$13.3 million, or 18.0%, from reclassifying parking operations to general services and the office of emergency management to public safety. An additional contribution of \$3.8 million was made to the Worker's Compensation Fund in FY 2014-15, no such contribution was made in FY 2015-16.
3. During FY 2015-16 the General Fund forgave \$2.6 million of notes receivables from both the Airport Fund and the Successor Agency.

Special Revenue Source Fund

The Special Revenue Source Fund fund balance increased by \$27.2 million, or 50.1%, from the prior year. Other revenue and special assessments increased by \$14.2 million, or 127.3% mainly due to a \$14.5 million in profit participation from the Village development whereby sales of condominium units in excess of an agreed upon amount was shared between the developer and the City. Additionally, the Parking Authority transferred \$6.3 million of Successor Agency loan payments to the Special Revenue Fund that is committed for use in the creation and preservation of low and moderate income housing.

Low and Moderate Income Housing Asset Fund

The Low and Moderate Income Housing Asset Fund fund balance increased by \$1.3 million, or 2.6%. The primary reason for the increase is that enacted successor agency legislation requires that 20% of Successor Agency loan payments to the City be used for low and moderate income housing purposes. As such, \$1.6 million was transferred into the Fund from the Parking Authority Fund.

Miscellaneous Grants Fund

The Miscellaneous Grants Fund fund balance decreased by \$9.6 million, or 82.3%. Major project expenditures for FY2015-16 were \$5.0 million for low and moderate income housing and \$2.3 million for rebuilding of the California Incline. The primary decrease in the fund balance was due to unreimbursed grant expenditures which are expected to be received and recorded as revenue in FY 2016-17.

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued
For the fiscal year ended June 30, 2016
(Unaudited)

Nonmajor Governmental Funds

All non-major governmental funds' fund balance decreased \$0.1 million, or 0.2%, from the previous fiscal year.

Total revenue increased \$2.7 million, or 6.2%, primarily due to an increase in Disaster Relief Fund revenue of \$2.6 million as the result of a closeout of Federal and State earthquake grants.

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 of the enterprise funds increased \$26.0 million, or 4.9%.

Water Fund

Total net position of the Water Fund increased \$0.3 million, or 0.7%, primarily due to the decrease in water purchases made by the City due to conservation measures.

Wastewater Fund

The total net position of the Wastewater Fund increased \$4.0 million, or 2.0%. The net position increased primarily because of reductions in contractual services expense due to a decrease in the amount paid to the City of Los Angeles for use of the Hyperion Wastewater treatment plant.

Resource Recovery and Recycling Fund

The total net position of the Resource Recovery and Recycling Fund increased \$2.9 million from negative \$2.8 million to \$0.1 million. The increase was primarily due to an increase in charges for services resulting from an increase in user rates.

Big Blue Bus Fund

The total net position of the Big Blue Bus Fund increased \$13.7 million, or 6.7%. This was due primarily to gain on disposition of land of \$8.5 million and a \$13.6 million increase in capital grants, offset by a \$5.1 million increase in operating expenses mostly from increased personnel costs.

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 \$2.9 million. Actual total revenues were greater than final budget totals by \$12.1 million. This was partially due to property tax, sales, use, and other taxes, charges for services, license and permits and investment income revenues exceeding final budget by \$2.2 million, \$2.4 million, \$3.4 million, \$1.8 million, and \$0.8 million, respectively.

The final expenditure budget is greater than the original budget by \$92.7 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

CITY OF SANTA MONICA, CALIFORNIA

Management’s Discussion and Analysis, Continued
For the fiscal year ended June 30, 2016
(Unaudited)

often span across numerous years and remaining capital budgets from previous fiscal periods are rolled over to the current fiscal year in order to complete those projects. Funds are reserved as Assigned Continuing Capital Projects to cover these costs. 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 Education Center, the Enterprise Resource Planning system and Ishihara Park at \$4.2 million, \$4.1 million, \$5.5 million, and \$2.9 million, respectively. Final actual expenditures came in under final budget by \$56.3 million due to the timing of capital improvement projects expenditures, controlled spending on salaries, and other direct and indirect administrative costs.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City’s capital assets (net of accumulated depreciation) as of June 30, 2016 amounted to \$1.3 billion, an increase of \$15.7 million from the prior year. 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	
	6/30/16	6/30/15	6/30/16	6/30/15 (restated)	6/30/16	6/30/15 (restated)
Land	\$ 206.4	206.4	53.4	64.8	259.8	271.2
Land held under easement	72.2	72.2	—	—	72.2	72.2
Construction in progress	33.7	23.0	3.9	6.1	37.6	29.1
Buildings	239.6	246.9	94.4	98.4	334.0	345.3
Improvements other than buildings	103.7	99.6	12.7	9.9	116.4	109.5
Machinery and equipment	11.5	7.5	73.2	60.9	84.7	68.4
Infrastructure	136.5	131.1	143.8	145.9	280.3	277.0
Utility systems	1.0	1.0	—	—	1.0	1.0
Intangibles	0.6	0.7	69.3	65.8	69.9	66.5
Capital assets, net	<u>\$ 805.2</u>	<u>788.4</u>	<u>450.7</u>	<u>451.8</u>	<u>1,255.9</u>	<u>1,240.2</u>

Some of the City’s major capital asset events in FY 2015-16 were:

Governmental Activities:

1. \$2.1 million in construction in progress for Ishihara Park.
2. \$12.5 million in infrastructure for the completion of the Colorado Avenue Esplanade.
3. \$10.2 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, 2016
 (Unaudited)

Business-Type Activities:

- 1 \$5.9 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.
- 2 \$1.1 million increase in infrastructure for ongoing water main replacement in the Water fund.
- 3 \$15.2 million purchase of purchase of 22 new buses at the Big Blue Bus fund.
- 4 \$11.5 million disposition of City-owned land located at 4th Street and Colorado Avenue which was acquired by the Expo Line Construction Authority for use as the Expo line terminus.

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

As of June 30, 2016, the City had \$76.5 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 \$84.0 million, a decrease from the prior year of \$10.5 million or 11.1%. This amount was comprised of \$74.7 million in revenue bonds, which are secured by both governmental and business-type revenue sources, \$7.7 million in general obligation bonds which are backed by the full faith and credit of the City, and \$1.6 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	
	6/30/16	6/30/15	6/30/16	6/30/15	6/30/16	6/30/15
General obligation bonds (backed by the City)	\$ 7.7	8.9	—	—	7.7	8.9
Revenue bonds (backed by specific tax, fee and lease revenues)	65.7	74.7	9.0	9.0	74.7	83.7
Notes and loans	0.4	0.4	1.2	1.5	1.6	1.9
Total	<u>\$ 73.8</u>	<u>84.0</u>	<u>10.2</u>	<u>10.5</u>	<u>84.0</u>	<u>94.5</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, 2016
(Unaudited)

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

- Continuing increases in health care, pension, other post employment and workers' compensation costs.
- Continued moderate growth in Transient Occupancy (TOT), Sales, Property, and Business License revenues due to a vibrant, diverse and still improving economy.
- Large infrastructure modernization projects may require the City to seek financing.
- Mobility and planning efforts that will improve circulation to, from and within the City limits, including the increased service from the Summer 2016 opening of EXPO light rail, 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.
- Implementation of water self-sufficiency, climate action plan, and zero waste strategies.
- Maintaining an inclusive and diverse community through efforts to maintain and augment the City's affordable housing and increase the City's minimum wage. Recent passage of Measure GSH will assist in funding the creation of affordable housing, and the City will continue the phasing of the \$15 minimum wage increase by 2020.
- Securing local control of the City land occupied by the Santa Monica Airport.
- Improve the wellbeing of youth and families through the Learn and Thrive Initiatives.
- Taking a leadership role in regional efforts to address homelessness.

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, 2016

BASIC FINANCIAL STATEMENTS

CITY OF SANTA MONICA, CALIFORNIA

Statement of Net Position

June 30, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (note 5)	\$ 451,377,458	156,854,670	608,232,128
Receivables (net of allowances for uncollectibles):			
Accounts	66,486,756	24,648,611	91,135,367
Interest	1,365,915	507,080	1,872,995
Notes (note 6)	123,193,429	-	123,193,429
Other governments	12,541,891	-	12,541,891
Internal balances	14,832,738	(14,832,738)	-
Inventory	-	3,505,244	3,505,244
Deposits	61,785	-	61,785
Advances to subrecipients	134,354	-	134,354
Prepays	3,229,956	21,675	3,251,631
Restricted cash and investments (note 5)	67,601,593	44,409,943	112,011,536
Restricted cash and investments with fiscal agent (note 5)	17,429,453	-	17,429,453
Notes receivable from Successor Agency	9,415,999	51,736,021	61,152,020
Capital assets (note 7):			
Capital assets not being depreciated:			
Land	206,448,024	53,380,750	259,828,774
Land held under easement	72,237,823	-	72,237,823
Construction in progress	33,732,959	3,863,112	37,596,071
Capital assets being depreciated:			
Buildings	343,036,415	147,870,482	490,906,897
Improvements other than buildings	169,376,947	34,324,025	203,700,972
Utility systems	1,742,913	-	1,742,913
Machinery and equipment	39,405,561	194,591,458	233,997,019
Infrastructure	347,674,355	231,110,776	578,785,131
Intangibles	695,710	99,860,237	100,555,947
Less accumulated depreciation	(409,141,358)	(314,333,015)	(723,474,373)
Total capital assets, net	805,209,349	450,667,825	1,255,877,174
TOTAL ASSETS	1,572,880,676	717,518,331	2,290,399,007
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refundings	226,061	419,467	645,528
Deferred outflows from pensions (note 16)	36,403,198	8,765,020	45,168,218
TOTAL DEFERRED OUTFLOWS OF RESOURCES	36,629,259	9,184,487	45,813,746
LIABILITIES			
Accounts payable	20,847,522	6,159,555	27,007,077
Accrued liabilities	10,928,230	4,275,344	15,203,574
Accrued interest payable	939,462	121,579	1,061,041
Contracts payable (retained percentage)	605,484	484,759	1,090,243
Unearned revenue (note 8)	25,214,310	5,343,190	30,557,500
Deposits payable from restricted assets	1,754,980	13,011,431	14,766,411
Long-term liabilities:			
Compensated absences due within one year (note 9)	7,743,643	2,478,688	10,222,331
Compensated absences due in more than one year (note 9)	4,478,469	1,040,224	5,518,693
Claims payable due within one year (notes 9 and 15)	11,284,199	2,986,570	14,270,769
Claims payable due in more than one year (notes 9 and 15)	35,240,833	2,974,702	38,215,535
Loans and bonds payable due within one year (note 9)	6,255,000	291,777	6,546,777
Loans and bonds payable due in more than one year (note 9)	72,643,784	10,426,060	83,069,844
Pollution remediation obligation due within one year (note 4)	10,086,863	2,810,733	12,897,596
Pollution remediation obligation due in more than one year (note 4)	94,183,914	14,039,421	108,223,335
Net OPEB obligation (note 16)	8,209,261	2,222,321	10,431,582
Net pension liability (note 16)	320,973,643	65,786,484	386,760,127
TOTAL LIABILITIES	631,389,597	134,452,838	765,842,435
DEFERRED INFLOWS OF RESOURCES			
Deferred gain on refunding	66,046	-	66,046
Deferred inflows from pensions (note 16)	33,530,950	8,330,289	41,861,239
TOTAL DEFERRED INFLOWS OF RESOURCES	33,596,996	8,330,289	41,927,285
NET POSITION			
Net investment in capital assets	728,041,792	440,369,455	1,168,411,247
Restricted for (note 12):			
Housing and community development	95,811,776	-	95,811,776
Clean beaches and ocean parcel tax	8,740,684	-	8,740,684
Beach and parks recreation	11,754,687	-	11,754,687
Miscellaneous grants	9,353,758	-	9,353,758
Debt service	4,805,876	-	4,805,876
Development projects	54,488,773	-	54,488,773
Perpetual care - nonexpendable	11,569,320	-	11,569,320
Rail system and Prop 1B	-	12,797,570	12,797,570
Unrestricted	19,956,676	130,752,666	150,709,342
TOTAL NET POSITION	\$ 944,523,342	583,919,691	1,528,443,033

See accompanying notes to basic financial statements.

CITY OF SANTA MONICA, CALIFORNIA
Statement of Activities
For the fiscal year ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 56,728,329	19,279,411	2,215,326	507,011	(34,726,581)	-	(34,726,581)
Public safety	128,149,081	24,285,947	1,933,984	146,057	(101,783,093)	-	(101,783,093)
General services	84,178,175	49,336,541	1,450,631	9,468,917	(23,922,086)	-	(23,922,086)
Cultural and recreation services	58,427,336	22,466,168	801,209	70,000	(35,089,959)	-	(35,089,959)
Library	14,338,093	487,809	148	-	(13,850,136)	-	(13,850,136)
Housing and community development	59,633,639	42,858,129	18,246,208	2,424,494	3,895,192	-	3,895,192
Interest on long-term debt	2,668,433	-	-	-	(2,668,433)	-	(2,668,433)
Total governmental activities	404,123,086	158,714,005	24,647,506	12,616,479	(208,145,096)	-	(208,145,096)
Business-Type Activities:							
Water	23,259,781	22,311,686	-	-	-	(948,095)	(948,095)
Resource recovery and recycling	25,419,861	26,831,010	-	-	-	1,411,149	1,411,149
Pier	6,935,901	7,443,351	-	-	-	507,450	507,450
Wastewater	16,485,444	19,316,170	-	-	-	2,830,726	2,830,726
Airport	5,335,556	8,679,711	-	-	-	3,344,155	3,344,155
Stormwater management	2,447,698	1,500,877	-	-	-	(946,821)	(946,821)
Cemetery	2,184,834	1,501,371	-	-	-	(683,463)	(683,463)
Big Blue Bus	90,560,535	19,895,338	48,652,428	23,924,743	-	1,911,974	1,911,974
Parking authority	17,742	-	-	-	-	(17,742)	(17,742)
Total business-type activities	172,647,352	107,479,514	48,652,428	23,924,743	-	7,409,333	7,409,333
Total Primary Government	\$ 576,770,438	266,193,519	73,299,934	36,541,222	(208,145,096)	7,409,333	(200,735,763)
General revenues:							
Taxes:							
Business				30,799,020	-		30,799,020
Property				50,452,377	-		50,452,377
Transient occupancy				51,021,050	-		51,021,050
Sales and use				54,802,839	-		54,802,839
Utility users				30,772,815	-		30,772,815
Real property transfer				7,850,960	-		7,850,960
Parking facility				10,718,156	-		10,718,156
Other				3,111,764	-		3,111,764
Other revenue and special assessments				15,572,745	3,723,521		19,296,266
Investment income				7,049,816	3,489,865		10,539,681
Special items (note 20)				(11,893,876)	10,617,561		(1,276,315)
Extraordinary loss (note 20)				(12,945,153)	-		(12,945,153)
Extraordinary gain (note 20)				324,614	4,837,753		5,162,367
Transfers				6,969,835	(6,969,835)		-
Total general revenues, special items, extraordinary items and transfers				244,606,962	15,698,865		260,305,827
Change in net position				36,461,866	23,108,198		59,570,064
Net position at beginning of year, as restated (note 19)				908,061,476	560,811,493		1,468,872,969
Net position at end of year				\$ 944,523,342	583,919,691		1,528,443,033

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.

Low and Moderate Income Housing Asset Fund (Special Revenue Fund Type) – 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. Under SB107, 20% of all Successor Agency/City loan payments are distributed to this fund.

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

CITY OF SANTA MONICA, CALIFORNIA
Balance Sheet
Governmental Funds
June 30, 2016

	General Fund	Special Revenue Fund		Capital Projects Fund	Nonmajor governmental funds	Total governmental funds
		Special Revenue Source Fund	Low and Moderate Income Housing Asset Fund	Miscellaneous Grants Fund		
ASSETS						
Cash and investments (note 5)	\$ 289,473,976	63,745,358	4,500,829	27,906	34,116,384	391,864,453
Restricted cash and investments (note 5)	57,888,970	-	-	8,819,071	893,552	67,601,593
Receivables (net, where applicable, of allowances for uncollectibles):						
Accounts	62,265,738	3,775,801	-	-	423,652	66,465,191
Notes (note 6)	17,488,869	34,341,141	47,358,809	6,817,800	17,186,810	123,193,429
Interest	915,273	122,482	6,839	22,222	173,479	1,240,295
Other governments	1,165	-	-	12,070,196	470,530	12,541,891
Due from other funds (note 11)	12,597,387	-	-	-	-	12,597,387
Deposits	58,528	-	-	-	3,257	61,785
Prepays	3,170,826	-	-	-	49,448	3,220,274
Restricted cash and investments with fiscal agent (note 5)	24,194	-	-	-	17,405,259	17,429,453
Advances to other funds (note 11)	13,695,090	-	-	-	-	13,695,090
Advances to grant subrecipients	-	-	-	134,354	-	134,354
Notes receivable Successor Agency (note 17)	9,415,999	-	-	-	-	9,415,999
Total assets	\$ 466,996,015	101,984,782	51,866,477	27,891,549	70,722,371	719,461,194
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 14,118,138	875,884	114	3,608,246	1,564,487	20,166,869
Accrued liabilities	10,357,327	-	-	56,861	427,907	10,842,095
Contracts payable (retained percentage)	166,110	27,291	-	380,791	31,292	605,484
Due to other funds (note 11)	-	-	-	12,159,758	437,629	12,597,387
Unearned revenue (note 8)	6,712,460	18,501,850	-	-	-	25,214,310
Deposits payable	709,776	975,000	-	-	70,204	1,754,980
Advances from other funds (note 11)	-	-	-	-	3,842,973	3,842,973
Total liabilities	32,063,811	20,380,025	114	16,205,656	6,374,492	75,024,098
Deferred inflows of resources (note 8)	47,857,485	-	-	9,612,025	-	57,469,510
Fund balances (note 13)						
Nonspendable	21,062,205	-	-	-	11,618,768	32,680,973
Restricted	18,330,042	54,488,773	51,866,363	9,353,758	52,041,217	186,080,153
Committed	31,365	26,834,341	-	-	41,975	26,907,681
Assigned	280,303,334	281,643	-	-	645,919	281,230,896
Unassigned	67,347,773	-	-	(7,279,890)	-	60,067,883
Total fund balances	387,074,719	81,604,757	51,866,363	2,073,868	64,347,879	586,967,586
Total liabilities, deferred inflows of resources, and fund balances	\$ 466,996,015	101,984,782	51,866,477	27,891,549	70,722,371	719,461,194

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, 2016

Fund balances - total governmental funds \$ 586,967,586

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. | 805,162,736 |
| (2) | Pension contributions paid and difference between projected and actual earnings in FY 2015-16 are reported as deferred outflows. | 36,160,778 |
| (3) | Deferred gain on refunding of debt is not a current financial resource and, therefore, is not reported in the balance sheet. | (66,046) |
| (4) | Deferred loss on refundings of debt is not a current financial resource and, therefore, is not reported in the balance sheet. | 226,061 |
| (5) | Long-term liabilities are not due and payable in the current period and therefore are not reported in the balance sheet. | (523,645,793) |
| (6) | 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. | 57,469,510 |
| (7) | Pension assets investment returns greater than projected, changes in assumptions, and differences in experience are reported as deferred inflows. | (33,321,410) |
| (8) | 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. | 15,569,920 |

Net position of governmental activities \$ 944,523,342

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, 2016

	Special Revenue Fund			Capital Projects Fund	Nonmajor governmental funds	Total governmental funds
	General Fund	Special Revenue Source Fund	Low and Moderate Income Housing Asset Fund	Miscellaneous Grants Fund		
Revenues:						
Property taxes	\$ 50,452,377	-	-	-	-	50,452,377
Sales and use taxes	54,802,839	-	-	-	-	54,802,839
Transient occupancy taxes	51,021,050	-	-	-	-	51,021,050
Utility user taxes	30,772,815	-	-	-	-	30,772,815
Business license taxes	29,893,341	-	-	-	-	29,893,341
Other taxes	19,585,433	-	-	-	3,001,126	22,586,559
Licenses and permits	41,275,058	-	-	-	92,866	41,367,924
Intergovernmental	1,580,683	-	-	16,125,852	21,906,235	39,612,770
Charges for services	42,737,262	1,301,406	-	-	17,628,908	61,667,576
Fines and forfeitures	15,904,736	-	-	-	-	15,904,736
Investment income	4,837,627	748,918	41,094	110,296	983,272	6,721,207
Rental income	9,879,905	-	-	-	1,803,503	11,683,408
Settlement income	2,433,175	-	-	-	-	2,433,175
Other revenue and special assessments	7,404,283	25,246,738	619,969	-	1,113,568	34,384,558
Total revenues	<u>362,580,584</u>	<u>27,297,062</u>	<u>661,063</u>	<u>16,236,148</u>	<u>46,529,478</u>	<u>453,304,335</u>
Expenditures:						
Current:						
General government	60,750,267	290,343	-	300,993	12,669	61,354,272
Public safety	130,240,269	12,013	-	1,525,414	851,759	132,629,455
General services	60,457,816	883,889	-	17,806,227	8,982,414	88,130,346
Cultural and recreation services	44,386,771	150,399	-	504,509	9,701,257	54,742,936
Library	12,641,931	-	-	25,502	-	12,667,433
Housing and community development	31,437,603	7,564,494	939,999	5,705,468	21,438,238	67,085,802
Debt service expenditures:						
Principal	2,553,463	-	-	-	6,235,000	8,788,463
Interest	-	-	-	-	3,392,287	3,392,287
Bond issuance costs	535,048	-	-	-	-	535,048
Total expenditures	<u>343,003,168</u>	<u>8,901,138</u>	<u>939,999</u>	<u>25,868,113</u>	<u>50,613,624</u>	<u>429,326,042</u>
Excess (deficiency) of revenues over (under) expenditures	<u>19,577,416</u>	<u>18,395,924</u>	<u>(278,936)</u>	<u>(9,631,965)</u>	<u>(4,084,146)</u>	<u>23,978,293</u>
Other financing sources (uses):						
Transfers in (note 11)	3,583,551	9,239,950	1,587,487	-	9,830,273	24,241,261
Transfers out (note 11)	(12,883,337)	(410,730)	-	-	(3,977,359)	(17,271,426)
Refunding bonds issued	26,360,000	-	-	-	-	26,360,000
Premium on debt issued	2,020,710	-	-	-	-	2,020,710
Payment to refunded bond escrow agent	(27,826,666)	-	-	-	-	(27,826,666)
Total other financing sources (uses)	<u>(8,745,742)</u>	<u>8,829,220</u>	<u>1,587,487</u>	<u>-</u>	<u>5,852,914</u>	<u>7,523,879</u>
Special item	(2,591,510)	-	-	-	(1,870,656)	(4,462,166)
Extraordinary gain (note 17)	324,615	-	-	-	-	324,615
Net change in fund balances	8,564,779	27,225,144	1,308,551	(9,631,965)	(101,888)	27,364,621
Fund balances at beginning of year, as restated (Note 19)	378,509,940	54,379,613	50,557,812	11,705,833	64,449,767	559,602,965
Fund balances at end of year	<u>\$ 387,074,719</u>	<u>81,604,757</u>	<u>51,866,363</u>	<u>2,073,868</u>	<u>64,347,879</u>	<u>586,967,586</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, 2016

Net change in fund balances – total governmental funds	27,364,621
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.	44,319,226
2) The cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense in the statement of activities.	(25,960,719)
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.	(1,525,436)
Measurement focus:	
4) Change in accrued interest payable.	238,129
5) Bond proceeds from refunding of debt are reported as financing resources in the statement of revenues expenditures and changes in fund balance but as an increase in liabilities on the statement of net position	(26,360,000)
6) Bond premium received on refunding of debt is reported as revenue in the statement of revenues expenditures and changes in Fund Balance but as an increase in liabilities on the statement of net position	(2,020,710)
7) Paid to escrow for refunded debt uses current financial resources but has no effect on net position	27,826,665
8) Principal payments on long-term obligations use current financial resources but have no effect on net position.	8,788,462
9) Bond premiums are recorded as other financing sources in the fund statements but are amortized in the statement of activities.	487,970
10) Bond discounts are recorded as other financing uses in the fund statements but amortized in the statement of activities.	(2,240)
11) Deferred gain and loss on refunding is amortized in the statement of activities.	(63,927)
12) 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.	(407,994)
13) Adjustment to notes receivable from the successor agency is reported as a reduction of deferred inflows on the funds statements but as an extraordinary item on the statement of activities.	(12,945,153)
14) Interest income related to successor agency advances are recorded as revenue in the statement of activities but are reported as deferred inflows of resources in the fund statements.	99,000
15) Interest income related to airport advances recorded as revenue in the fund statements but previous recognized.	(416,398)
16) FEMA grant revenue previously recognized in the statement of activities is recorded as revenue in the fund statements.	(2,800,188)
17) Grant revenue earned but not yet available being recorded on the statement of activities that are not recorded on the fund statements.	9,612,024
18) Revenue previously recognized on fund statements from pollution remediation resources are not recognized as revenue in the statements of activities.	(2,433,175)
19) Pollution remediation expense activity was recorded in the funds statements and reduced the liability in the statement of net position.	1,814,932
20) 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.	(89,378)
21) GASB 68 pension reporting timing differences.	1,281,985
22) Forgiveness of debt recorded as a reduction of deferred inflows in the funds statements but reported as a special item in the statement of activities	(7,756,325)
Internal service funds:	
23) 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.	(2,589,505)
Change in net position (statement of activities, governmental activities)	<u>\$ 36,461,866</u>

See accompanying notes to basic financial statements.

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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, 2016

	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)	\$ 39,098,435	38,424,697	7,716,232	22,105,356	13,421,484	120,766,204	95,601,471
Restricted cash and investments (note 5)	421,132	-	-	21,626,407	5,008,177	27,055,716	-
Receivables (net, where applicable, of allowances for uncollectibles):							
Accounts	2,838,530	2,412,971	2,911,365	15,995,196	474,323	24,632,385	37,791
Notes receivable Successor Agency	-	-	-	-	3,700,000	3,700,000	-
Interest	114,537	97,548	50,298	121,796	49,380	433,559	199,141
Inventory	-	-	-	3,472,061	-	3,472,061	33,183
Prepays	8,280	8,280	-	-	5,115	21,675	9,682
Total current assets	<u>42,480,914</u>	<u>40,943,496</u>	<u>10,677,895</u>	<u>63,320,816</u>	<u>22,658,479</u>	<u>180,081,600</u>	<u>95,881,268</u>
Noncurrent assets:							
Restricted cash and investments (note 5)	2,172,532	3,733,004	11,448,691	-	-	17,354,227	-
Notes receivable Successor Agency noncurrent	-	-	-	-	31,612,125	31,612,125	-
Accrued interest non current	-	-	-	-	16,423,896	16,423,896	-
Advances to other funds (note 11)	-	112,285	-	-	-	112,285	-
Capital assets (note 7):							
Land	21,006	3,189,132	-	48,807,900	1,362,712	53,380,750	-
Construction in progress	449,790	-	325,316	3,088,006	-	3,863,112	-
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	13,967,895	18,745,428	34,324,025	-
Machinery and equipment	3,473,913	1,649,296	504,312	151,504,644	1,446,411	158,578,576	37,082,730
Infrastructure	47,295,925	155,692,439	-	-	28,122,412	231,110,776	-
Intangibles	3,575,000	96,285,237	-	-	-	99,860,237	-
Less: accumulated depreciation	(28,618,839)	(84,955,858)	(812,486)	(137,760,470)	(36,676,698)	(288,824,351)	(26,531,899)
Net capital assets	<u>28,744,404</u>	<u>172,533,561</u>	<u>505,101</u>	<u>209,025,316</u>	<u>29,355,225</u>	<u>440,163,607</u>	<u>10,550,831</u>
Total noncurrent assets	<u>30,916,936</u>	<u>176,378,850</u>	<u>11,953,792</u>	<u>209,025,316</u>	<u>77,391,246</u>	<u>505,666,140</u>	<u>10,550,831</u>
TOTAL ASSETS	<u>73,397,850</u>	<u>217,322,346</u>	<u>22,631,687</u>	<u>272,346,132</u>	<u>100,049,725</u>	<u>685,747,740</u>	<u>106,432,099</u>
DEFERRED OUTFLOWS OF RESOURCES							
Deferred loss on refunding	-	419,467	-	-	-	419,467	-
Deferred outflows from pensions	746,322	301,243	1,201,693	5,530,093	558,201	8,337,552	669,888
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>746,322</u>	<u>720,710</u>	<u>1,201,693</u>	<u>5,530,093</u>	<u>558,201</u>	<u>8,757,019</u>	<u>669,888</u>
LIABILITIES							
Current liabilities:							
Accounts payable	1,349,158	1,047,547	734,608	1,886,336	782,373	5,800,022	1,040,161
Accrued liabilities	288,437	108,308	419,786	3,131,981	192,252	4,140,764	220,715
Contracts payable (retained percentage)	54,798	100,293	-	304,315	25,353	484,759	-
Compensated absences due within one year (note 9)	176,654	76,013	336,722	1,632,096	154,122	2,375,607	165,174
Claims payable due within one year (notes 9 and 15)	-	-	-	-	-	-	14,270,769
Unearned revenue (note 8)	-	-	-	5,343,190	-	5,343,190	-
Accrued interest payable	-	111,063	-	-	10,516	121,579	-
Loans and bonds payable due within one year (note 9)	-	-	-	-	291,777	291,777	-
Liabilities payable from restricted assets - deposits	421,132	-	11,448,691	74,407	1,067,201	13,011,431	-
Pollution remediation obligation due within one year (note 4)	2,810,733	-	-	-	-	2,810,733	-
Total current liabilities	<u>5,100,912</u>	<u>1,443,224</u>	<u>12,939,807</u>	<u>12,372,325</u>	<u>2,523,594</u>	<u>34,379,862</u>	<u>15,696,819</u>
Long-term liabilities:							
Compensated absences due in more than one year (note 9)	307,501	38,779	199,080	291,245	119,229	955,834	131,959
Advances from other funds (note 11)	-	-	-	-	9,964,402	9,964,402	-
Claims payable due in more than one year (notes 9 and 15)	-	-	-	-	-	-	38,215,535
Loans and bonds payable due in more than one year (note 9)	-	9,504,426	-	-	921,634	10,426,060	-
Pollution remediation obligation due in more than one year (note 4)	14,039,421	-	-	-	-	14,039,421	-
Net OPEB obligation	266,583	83,031	410,433	1,236,455	111,201	2,107,703	197,844
Net pension liability	5,598,275	2,110,799	9,020,749	41,600,174	4,218,086	62,548,083	4,913,759
Total long-term liabilities	<u>20,211,780</u>	<u>11,737,035</u>	<u>9,630,262</u>	<u>43,127,874</u>	<u>15,334,552</u>	<u>100,041,503</u>	<u>43,459,097</u>
TOTAL LIABILITIES	<u>25,312,692</u>	<u>13,180,259</u>	<u>22,570,069</u>	<u>55,500,199</u>	<u>17,858,146</u>	<u>134,421,365</u>	<u>59,155,916</u>
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows from pensions	706,917	269,234	1,129,649	5,267,651	540,703	7,914,154	625,675
NET POSITION							
Net investment in capital assets	28,744,404	163,448,602	505,101	209,025,316	28,141,814	429,865,237	10,550,831
Restricted for Rail Reserve and Prop 1B (note 12)	-	-	-	12,797,570	-	12,797,570	-
Unrestricted	19,380,159	41,144,961	(371,439)	(4,714,511)	54,067,263	109,506,433	36,769,565
TOTAL NET POSITION	<u>\$ 48,124,563</u>	<u>204,593,563</u>	<u>133,662</u>	<u>217,108,375</u>	<u>82,209,077</u>	<u>552,169,240</u>	<u>47,320,396</u>
						36,731,072	
						(4,980,621)	
						<u>\$583,919,691</u>	

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, 2016

	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	\$ 22,308,378	19,312,250	26,718,392	15,931,847	18,226,469	102,497,336	35,367,360
Total operating revenues	<u>22,308,378</u>	<u>19,312,250</u>	<u>26,718,392</u>	<u>15,931,847</u>	<u>18,226,469</u>	<u>102,497,336</u>	<u>35,367,360</u>
Operating expenses							
Personnel services	6,986,530	2,425,657	10,514,132	51,006,603	5,471,021	76,403,943	5,214,831
Administrative indirect	1,229,445	523,735	1,229,259	4,601,515	1,531,723	9,115,677	936,902
Contractual services	1,745,503	4,142,196	4,253,960	2,845,268	2,092,201	15,079,128	672,645
Repairs and maintenance	1,087,815	10,996	2,257,093	5,993,864	1,769,576	11,119,344	1,951,908
Materials and supplies	2,495,841	805,341	5,566,095	5,013,313	1,575,232	15,455,822	5,693,889
Utilities	1,940,207	11,619	52,619	431,121	547,848	2,983,414	45,614
Water purchases	3,816,288	-	-	-	-	3,816,288	-
Casualty property and liability costs	363,852	154,500	201,179	2,703,066	529,092	3,951,689	103,676
Claims expense net of claims reserve adjustment	-	-	-	-	-	-	19,080,225
Insurance and bonds	-	-	-	-	-	-	4,805,129
Miscellaneous fees and costs	-	-	-	-	-	-	964,720
Depreciation and amortization	1,264,203	6,588,717	21,801	14,987,934	1,409,828	24,272,483	2,581,892
Other	2,165,118	1,499,296	814,334	435,157	1,791,302	6,705,207	-
Total operating expenses	<u>23,094,802</u>	<u>16,162,057</u>	<u>24,910,472</u>	<u>88,017,841</u>	<u>16,717,823</u>	<u>168,902,995</u>	<u>42,051,431</u>
Operating income (loss)	<u>(786,424)</u>	<u>3,150,193</u>	<u>1,807,920</u>	<u>(72,085,994)</u>	<u>1,508,646</u>	<u>(66,405,659)</u>	<u>(6,684,071)</u>
Nonoperating revenues (expenses)							
Operating grants	-	-	-	518,250	-	518,250	-
Shared sales tax proceeds	-	-	-	48,652,428	-	48,652,428	-
Investment income	597,671	532,428	266,265	562,200	1,115,036	3,073,600	1,140,270
Interest expense	-	(242,922)	-	-	(168,200)	(411,122)	-
Gain (loss) on disposal of capital assets	(16,853)	-	-	63,303	(9,025)	37,425	23,308
Other nonoperating revenues	497,081	543,493	787,447	3,537,846	2,740,008	8,105,875	58,192
Total nonoperating revenues (expenses) net	<u>1,077,899</u>	<u>832,999</u>	<u>1,053,712</u>	<u>53,334,027</u>	<u>3,677,819</u>	<u>59,976,456</u>	<u>1,221,770</u>
Income (loss) before capital contributions, transfers, special items and extraordinary items	291,475	3,983,192	2,861,632	(18,751,967)	5,186,465	(6,429,203)	(5,462,301)
Capital contributions	-	-	-	23,924,743	-	23,924,743	-
Transfers in (note 11)	39,393	-	-	-	1,572,387	1,611,780	-
Transfers out (note 11)	(5,820)	-	-	-	(8,575,795)	(8,581,615)	-
Special item (note 20)	-	-	-	8,481,538	2,136,023	10,617,561	-
Extraordinary item (note 20)	-	-	-	-	4,837,753	4,837,753	-
Change in net position	<u>325,048</u>	<u>3,983,192</u>	<u>2,861,632</u>	<u>13,654,314</u>	<u>5,156,833</u>	<u>25,981,019</u>	<u>(5,462,301)</u>
Net position at beginning of year, as restated (note 19)	47,799,515	200,610,371	(2,727,970)	203,454,061	77,052,244	526,188,221	52,782,697
Net position at end of year	<u>\$ 48,124,563</u>	<u>204,593,563</u>	<u>133,662</u>	<u>217,108,375</u>	<u>82,209,077</u>	<u>552,169,240</u>	<u>47,320,396</u>
Change in net position						\$ 25,981,019	
Net adjustment to reflect the consolidation of internal service fund activities related to enterprise funds						<u>(2,872,821)</u>	
Change in net position of business-type activities						<u>\$ 23,108,198</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, 2016

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	\$ 22,469,902	19,562,363	27,355,432	15,286,022	18,335,195	103,008,914	35,364,475
Cash payments for materials and services	(17,154,150)	(6,721,237)	(14,351,975)	(24,064,269)	(9,562,993)	(71,854,624)	(14,918,265)
Cash payments to employees for services	(6,935,148)	(2,446,578)	(10,537,268)	(51,016,786)	(5,480,329)	(76,416,109)	(5,219,568)
Cash paid for claims and related services	—	—	—	—	—	—	(12,602,362)
Other nonoperating revenue received	497,081	543,493	787,447	3,537,846	2,740,008	8,105,875	58,192
Net cash provided by (used in) operating activities	(1,122,315)	10,938,041	3,253,636	(56,257,187)	6,031,881	(37,155,944)	2,682,472
Cash flows from noncapital financing activities:							
Sales tax proceeds	—	—	—	47,358,066	—	47,358,066	—
Repayment of advances from other funds	—	54,901	—	—	6,784,933	6,839,834	—
Transfers in	39,393	—	—	—	1,572,387	1,611,780	—
Transfers out	(5,820)	—	—	—	(8,575,795)	(8,581,615)	—
Net cash provided by (used in) noncapital financing activities	33,573	54,901	—	47,358,066	(218,475)	47,228,065	—
Cash flows from capital and related financing activities:							
Capital contributions received	—	—	—	21,013,331	—	21,013,331	—
Acquisition and construction of capital assets	(2,110,053)	(7,503,310)	—	(24,503,512)	(781,116)	(34,897,991)	(2,301,906)
Proceeds from sale of capital assets	—	—	—	63,303	—	63,303	96,591
Proceeds from condemnation settlement agreement	—	—	—	14,377,000	—	—	—
Reduction in long-term obligations	—	—	—	—	(284,381)	(284,381)	—
Interest paid on long-term obligations	—	(266,550)	—	—	(170,665)	(437,215)	—
Net cash provided by (used in) capital and related financing activities	(2,110,053)	(7,769,860)	—	10,950,122	(1,236,162)	(14,542,953)	(2,205,315)
Cash flows from investing activities – interest received on investments	582,485	511,560	252,176	525,121	238,105	2,109,447	1,098,972
Net cash provided by investing activities	582,485	511,560	252,176	525,121	238,105	2,109,447	1,098,972
Net increase (decrease) in cash and cash equivalents	(2,616,310)	3,734,642	3,505,812	2,576,122	4,815,349	12,015,615	1,576,129
Cash and cash equivalents at beginning 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 cash equivalents at end of year	\$ 41,692,099	42,157,701	19,164,923	43,731,763	18,429,661	165,176,147	95,601,471
Cash and investments	\$ 39,098,435	38,424,697	7,716,232	22,105,356	13,421,484	120,766,204	95,601,471
Restricted cash and investments	2,593,664	3,733,004	11,448,691	21,626,407	5,008,177	44,409,943	—
Total cash and cash equivalents	\$ 41,692,099	42,157,701	19,164,923	43,731,763	18,429,661	165,176,147	95,601,471

(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, 2016

	Business-type activities - Enterprise Funds						
	Water	Wastewater	Resource Recovery and Recycling	Big Blue Bus	Nonmajor enterprise funds	Total enterprise funds	Total internal service funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:							
Operating income (loss)	\$ (786,424)	3,150,193	1,807,920	(72,085,994)	1,508,646	(66,405,659)	(6,684,071)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Add depreciation	1,264,203	6,588,717	21,801	14,987,934	1,409,828	24,272,483	2,581,892
Other nonoperating revenue received	497,081	543,493	787,447	3,537,846	2,740,008	8,105,875	58,192
Change in assets and liabilities and deferred outflows and inflows of resources:							
(Increase) decrease in accounts receivable	128,129	250,113	149,430	(449,911)	(26,582)	51,179	(2,885)
(Increase) decrease in prepaids	3,111	993	—	15,119	(1,947)	17,276	(267)
(Increase) decrease in inventory	—	—	—	(791,499)	—	(791,499)	43,270
Increase (decrease) in accounts payable	(934,585)	358,601	22,564	(1,548,296)	266,355	(1,835,361)	213,215
Increase in accrued liabilities	90,694	20,026	47,069	304,252	43,420	505,461	54,231
Increase (decrease) in contracts payable	(85,119)	66,852	—	129,478	9,573	120,784	—
Decrease in unearned revenue	—	—	—	(9,889)	—	(9,889)	—
Increase (decrease) in deposits payable from restricted assets	33,395	—	487,610	(25,386)	135,308	630,927	—
Increase (decrease) in compensated absences payable	56,149	5,370	(47,727)	22,077	7,195	43,064	11,863
Increase in claims payable	—	—	—	—	—	—	6,477,863
Decrease in pollution remediation obligation	(1,349,787)	—	—	—	—	(1,349,787)	—
Net OPEB obligation	2,074	439	3,286	9,485	1,054	16,338	2,093
Net pension liability and related changes in deferred outflows and inflows of resources	(41,236)	(46,756)	(25,764)	(352,403)	(60,977)	(527,136)	(72,924)
Total adjustments	(335,891)	7,787,848	1,445,716	15,828,807	4,523,235	29,249,715	9,366,543
Net cash provided by (used in) operating activities	\$ (1,122,315)	10,938,041	3,253,636	(56,257,187)	6,031,881	(37,155,944)	2,682,472

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 receive and distribute the Redevelopment Property Tax Trust Fund distributions and use them to extinguish enforceable obligations approved by the Successor Agency Oversight Board and the California Department of Finance. 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, 2016

	Total Private-Purpose Trust Fund	Total Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Restricted cash (note 5)	\$ 32,802,680	5,529,988
Restricted cash and investments with fiscal agent (note 5)	6,826,245	-
Accounts receivable	<u>68</u>	<u>80,483</u>
Total assets	<u>39,628,993</u>	<u>5,610,471</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on refunding	<u>2,148,596</u>	
LIABILITIES		
Accounts payable and accrued liabilities	3,210	5,610,471
Long term liabilities:		
Loans and bonds payable, due within one year (note 17)	14,325,618	-
Loans and bonds payable, due in more than one year (note 17)	207,268,842	-
Accrued interest payable, due within one year (note 17)	3,926,651	-
Accrued interest payable, due in more than one year (note 17)	<u>21,439,895</u>	<u>-</u>
Total liabilities	<u>246,964,216</u>	<u>5,610,471</u>
NET POSITION		
Restricted for the dissolution of the Former Redevelopment Agency	<u>\$ (205,186,627)</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, 2016

	Private-Purpose Trust Fund
Additions:	
Property tax distribution	\$ 34,813,997
Payment from the City of Santa Monica	668,340
Investment income	2,565
Total additions	35,484,902
Deductions:	
Project expenses	1,465,197
Interest expense	9,181,942
Total deductions	10,647,139
Special item:	
Forgiveness of debt	9,757,853
Reduction in amounts due other governments	4,458,538
Total special item	14,216,391
Extraordinary item:	
Extraordinary gain on interest rate adjustment	12,945,154
Extraordinary loss on interest rate adjustment	(4,837,753)
Total extraordinary item	8,107,401
Change in net position	47,161,555
Net position at beginning of year, as restated	(252,348,182)
Net position at end of year	\$ (205,186,627)

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, 2016

(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* (Parking 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 the City 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

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

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 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. The Pier Corporation is not presented in the basic financial statements because the economic resources received or held by the individual organization are not significant to the primary government. Separate financial statements for this organization can be obtained from the City's Director of Finance.

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

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

authority.

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, 2016 the City implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement*. GASB Statement No. 72 prescribes how governments should define and measure fair value which is “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”. The GASB also requires reporting the City’s investments by levels which correspond to how the custodians value the investments. Reference Note 5 for information on GASB 72.

GASB issued Statement No. 82, *Pensions Issues, an amendment of GASB Statements No. 67, No. 68, and No. 73*. GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

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 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.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2016

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.

In governmental funds, 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. 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. 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 **Low and Moderate Income Housing Asset Fund** under Senate Bill 341, requires that housing assets transferred to the City's Housing Successor Agency, together with any funds generated from housing assets, 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, for program monitoring and preserving the long-term affordability of units subject to affordability restrictions, homeless prevention and rapid rehousing services, and the development of affordable housing for lower income households.

The **Miscellaneous Grants Fund** accounts for the receipt and expenditure of Federal, State and County awarded grants and special allocations provided to the City.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

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.

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:

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 Successor Agency's creditors for 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, 2016

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 the average month-end balances for the prior three months 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 and equity in the City's cash and investment pool.

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, 2016

All trade receivables are shown net of an allowance for uncollectible accounts and estimated refunds due. As of June 30, 2016, the allowance for uncollectible accounts for governmental and business-type activities is \$615,554 and \$546,447, 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 the prior 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, the assessed value may be 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.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

Capital Assets

Capital assets, which include land, buildings and improvements, machinery and equipment, intangibles, 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 capital expense 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 expensed when incurred.

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, 2016.

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	5 to 50
Infrastructure	15 to 75
Utility systems	20 to 100
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.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

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.

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 amounts 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.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position, governmental fund balance sheet, proprietary statement of net position, and statement of fiduciary net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has two items that qualify for reporting in this category: deferred outflows relating to pensions and deferred loss on bond refundings, reported in the government-wide statement of net position. Deferred outflows relating to pensions are the result of contributions made after the measurement period which are recorded as a reduction in net pension liability in the following year. In addition, 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 liabilities, the statement of net position and governmental fund balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two items that qualify for reporting in this category in the government-wide statement of net position deferred inflows relating to pensions and deferred gain on refunding. Deferred inflows relating to pensions are the result of adjustments due to the difference in the; projected and actual investment returns, projected and actual experience and change in assumptions. These amounts are deferred and amortized straight line over a five year period for investments and the expected remaining service time for experience and change in assumptions. Also, 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 gain on refunding debt are reported as deferred outflow of resources.

Finally, when an asset is recorded in the governmental funds balance sheet but the revenue is not available, a deferred inflow of resources is reported until such time as the revenue becomes available.

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

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2016

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, 2016, 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. 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.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

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.

(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

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

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 presented in the required supplementary information except for the Miscellaneous Grants Fund, a Capital Projects Fund, which is included in the supplementary information in the combining schedules. The comparisons of actual results with the budget for nonmajor funds are presented as supplementary information in the combining schedules.

For the fiscal year ended June 30, 2016, expenditures exceeded appropriations in the following fund/department: Miscellaneous Grants Fund – City Manager. See schedules on pages 115-118 and 131-141 for detail of amounts.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

(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:

	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
Assets					
Cash and investments	\$ 391,864,453	—	59,513,005	—	451,377,458
Restricted cash and investments	67,601,593	—	—	—	67,601,593
Receivables (net, where applicable, of allowances for uncollectibles):					
Accounts	66,465,191	—	21,565	—	66,486,756
Notes	123,193,429	—	—	—	123,193,429
Interest	1,240,295	—	125,620	—	1,365,915
Other governments	12,540,726	—	—	—	12,540,726
Internal balances					
Due from other funds	12,597,387	—	4,980,621	9,852,117	14,832,738
Due from Successor Agency	1,165	—	—	(12,597,387)	—
Deposits	61,785	—	—	—	61,785
Prepays	3,220,274	—	9,682	—	3,229,956
Restricted cash and investments with fiscal agent	17,429,453	—	—	—	17,429,453
Advances to other funds	13,695,090	—	—	(13,695,090)	—
Advances to grant subrecipients	134,354	—	—	—	134,354
Bond issuance costs, net	—	—	—	—	—
Notes Receivable Successor Agency	9,415,999	—	—	—	9,415,999
Capital assets, net	—	805,162,736	46,613	—	805,209,349
Total assets	<u>\$ 719,461,194</u>	<u>805,162,736</u>	<u>64,697,106</u>	<u>(16,440,360)</u>	<u>1,572,880,676</u>
Deferred Outflows of Resources					
Deferred loss on refundings	—	226,061	—	—	226,061
Deferred outflows from pensions	—	35,917,786	485,412	—	36,403,198
Total deferred outflow of resources	<u>—</u>	<u>36,143,847</u>	<u>485,412</u>	<u>—</u>	<u>36,629,259</u>
Liabilities, Deferred Inflows of Resources and Fund Balances/Net Position					
Liabilities:					
Accounts payable	20,166,803	—	680,653	—	20,847,456
Accrued liabilities	10,842,095	—	86,135	—	10,928,230
Accrued interest payable	—	939,462	—	—	939,462
Contracts payable (retained percentage)	605,484	—	—	—	605,484
Due to other funds	12,597,387	—	—	(12,597,387)	—
Due to Successor Agency	66	—	—	—	66
Unearned revenue	25,214,310	—	—	—	25,214,310
Deposits payable from restricted assets	1,754,980	—	—	—	1,754,980
Advances from other funds	3,842,973	—	—	(3,842,973)	—
Compensated absences due within one year	—	7,681,550	62,093	—	7,743,643
Compensated absences due in more than one year	—	4,430,900	47,569	—	4,478,469
Claims payable due within one year	—	—	11,284,199	—	11,284,199
Claims payable due in more than one year	—	—	35,240,833	—	35,240,833
Loans and bonds payable due within one year	—	6,255,000	—	—	6,255,000
Loans and bonds payable due in more than one year	—	72,643,784	—	—	72,643,784
Pollution remediation obligation due within one year	—	10,086,863	—	—	10,086,863
Pollution remediation obligation due in more than one year	—	94,183,914	—	—	94,183,914
Net OPEB obligation	—	8,126,035	83,226	—	8,209,261
Net pension liability	—	319,298,285	1,675,358	—	320,973,643
Total liabilities	<u>75,024,098</u>	<u>523,645,793</u>	<u>49,160,066</u>	<u>(16,440,360)</u>	<u>631,389,597</u>
Deferred Inflows of Resources					
Unavailable revenue	57,469,510	—	—	(57,469,510)	—
Deferred gain on refunding	—	66,046	—	—	66,046
Deferred inflows from pensions	—	33,078,418	452,532	—	33,530,950
Total deferred inflows of resources	<u>57,469,510</u>	<u>33,144,464</u>	<u>452,532</u>	<u>(57,469,510)</u>	<u>33,596,996</u>
Total fund balances/net position	<u>\$ 586,967,586</u>	<u>284,516,326</u>	<u>15,569,920</u>	<u>57,469,510</u>	<u>944,523,342</u>

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

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 \$46,613 net of accumulated depreciation, are not included in this amount.	\$ 1,213,280,859
Less accumulated depreciation/amortization	<u>(408,118,123)</u>
	805,162,736
 Deferred amounts on refundings of debt	 160,015
 Deferred outflows from pension	 35,917,786
 Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the balance sheet.	
General obligation bonds	(7,725,000)
Revenue bonds	(65,650,000)
Loans payable	(400,000)
Accrued interest on long-term debt	(939,462)
Unamortized premium on long-term debt	(5,123,784)
Employee compensated absences	(12,112,450)
Accrued pollution remediation costs	(104,270,777)
Accrued OPEB liability	(8,126,035)
Net pension liability	<u>(319,298,285)</u>
Total long-term liabilities	(523,645,793)
 Deferred inflows from pension	 <u>(33,078,418)</u>
	<u>\$ 284,516,326</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.	 \$ 10,589,299
 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.	 4,980,621
	<u>\$ 15,569,920</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.	 \$ 57,469,510

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

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	\$120,766,204	36,088,466	—	156,854,670
Receivables (net, where applicable, of allowances for uncollectibles):				
Accounts	24,632,385	16,226	—	24,648,611
Interest	433,559	73,521	—	507,080
Internal balances		(4,980,621)	(9,852,117)	(14,832,738)
Inventory	3,472,061	33,183	—	3,505,244
Prepays	21,675	—	—	21,675
Restricted cash and investments	44,409,943	—	—	44,409,943
Advances to other funds	112,285	—	(112,285)	—
Notes	51,736,021	—	—	51,736,021
Capital assets, net	440,163,607	10,504,218	—	450,667,825
Total assets	<u>\$685,747,740</u>	<u>41,734,993</u>	<u>(9,964,402)</u>	<u>717,518,331</u>
Deferred Outflows of Resources				
Deferred loss on refunding	419,467	—	—	419,467
Deferred outflows from pensions	17,112,136	860,949	—	17,973,085
Total deferred outflows of resources	<u>\$17,531,603</u>	<u>860,949</u>	<u>—</u>	<u>18,392,552</u>
Liabilities				
Accounts payable	5,800,022	359,533	—	6,159,555
Accrued liabilities	4,140,764	134,580	—	4,275,344
Accrued interest payable	121,579	—	—	121,579
Contracts payable (retained percentage)	484,759	—	—	484,759
Internal balances	9,964,402	—	(9,964,402)	—
Unearned revenue	5,343,190	—	—	5,343,190
Liabilities payable from restricted assets	13,011,431	—	—	13,011,431
Compensated absences due within one year	2,375,607	103,081	—	2,478,688
Compensated absences due in more than one year	955,834	84,390	—	1,040,224
Claims payable due within one year	—	2,986,570	—	2,986,570
Claims payable due in more than one year	—	2,974,702	—	2,974,702
Loans and bonds payable due within one year	291,777	—	—	291,777
Loans and bonds payable due in more than one year	10,426,060	—	—	10,426,060
Pollution remediation obligation due within one year	2,810,733	—	—	2,810,733
Pollution remediation obligation due in more than one year	14,039,421	—	—	14,039,421
Net OPEB obligation	2,107,703	114,618	—	2,222,321
Net pension liability	62,548,083	3,238,401	—	65,786,484
Total liabilities	<u>134,421,365</u>	<u>9,995,875</u>	<u>(9,964,402)</u>	<u>134,452,838</u>
Deferred Inflows of Resources				
Deferred inflows of pensions	\$16,688,738	849,616	—	17,538,354
Total Net Position	<u><u>\$552,169,240</u></u>	<u><u>31,750,451</u></u>	<u><u>—</u></u>	<u><u>583,919,691</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.

\$ 36,731,072

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.

\$ 4,980,621

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

(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 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 \$40,462,226. 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.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

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.

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 \$104,270,777 ⁽¹⁾ in the governmental activities of which \$10,086,863 is due within one year and \$16,850,154 in the business-type activities, of which \$2,810,733 is due within one year.

(1) \$8,704,750 of pollution remediation liability was previously reported as Other Long Term Liability in the 2014-15 financial statements.

(5) CASH AND INVESTMENTS

Cash and investments as of June 30, 2016 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 608,232,128
Restricted cash and investments	112,011,536
Restricted cash with fiscal agent	17,429,453
Fiduciary funds:	
Restricted cash and investments	38,332,668
Restricted cash with fiscal agent	6,826,245
Total cash and investments	<u>\$ 782,832,030</u>

Cash and investments as of June 30, 2016 consist of the following:

Cash on hand	\$ 28,922
Deposits with financial institutions	77,204,173
Investments	705,598,935
Total cash and investments	<u>\$ 782,832,030</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, 2016

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.

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.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

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

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 the amount invested in equities to 60% of the total portfolio with the balance to be invested primarily 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

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

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 dates, 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 changes if the investments are not called on or before certain pre-determined dates. The fair value of these investments, which primarily 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 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 and others) 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 below, any callable securities are assumed to be held to maturity.

Investment type	Amount	Remaining maturity (in months)				N/A
		12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months	
Held by City:						
Federal agency securities	\$ 435,201,478	131,207,053	91,025,114	212,969,311	—	—
Corporate medium term notes	142,167,438	44,275,609	26,440,625	71,451,204	—	—
Municipal bonds	9,345,252	—	—	9,345,252	—	—
U.S. Treasury securities	12,531,420	7,515,810	5,015,610	—	—	—
Supranationals	18,576,835	3,507,455	6,012,420	9,056,960	—	—
State investment pool	64,804,838	64,804,838	—	—	—	—
Held by others:						
Treasury notes/bonds	1,311,432	579,655	186,735	108,672	436,370	—
Federal agency securities	2,349,837	972,710	248,595	433,813	694,719	—
Corporate medium term notes	3,710,301	96,009	990,463	1,900,567	723,262	—
Common stock	3,598,722	—	—	—	—	3,598,722
REITs	1,159,708	—	—	—	—	1,159,708
Money market funds	10,841,674	10,841,674	—	—	—	—
Total	\$705,598,935	263,800,813	129,919,562	305,265,779	1,854,351	4,758,430

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City's investments as of June 30, 2016 (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, 2016

Investment type	Amount	Minimum 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	\$ 435,201,478	N / A	—	427,672,423	—	—	—	—	—	—	—	—	7,529,055
Corporate medium term notes	142,167,438	A	17,743,750	10,970,275	18,817,815	58,114,120	11,087,390	25,434,088	—	—	—	—	—
Municipal bonds	9,345,252	N/A	—	—	3,712,002	5,633,250	—	—	—	—	—	—	—
U.S. Treasury securities	12,531,420	N/A	—	12,531,420	—	—	—	—	—	—	—	—	—
Supranationals	18,576,835	AA	18,576,835	—	—	—	—	—	—	—	—	—	—
State investment pool	64,804,838	N / A	—	—	—	—	—	—	—	—	—	—	64,804,838
	<u>682,627,261</u>												
Held by others:													
Treasury notes/bonds	1,311,432	N / A	—	1,311,432	—	—	—	—	—	—	—	—	—
Federal agency securities	2,349,837	N / A	—	2,349,837	—	—	—	—	—	—	—	—	—
Corporate medium term notes	3,710,301	N / A	—	—	—	186,140	38,446	623,119	706,896	1,530,586	415,115	209,999	—
Common stock	3,598,722		—	—	—	—	—	—	—	—	—	—	3,598,722
REITs	1,159,708		—	—	—	—	—	—	—	—	—	—	1,159,708
Money market funds	10,841,674	*	10,524,175	—	—	—	—	—	—	—	—	—	317,499
	<u>\$ 705,598,935</u>		<u>46,844,760</u>	<u>454,835,387</u>	<u>22,529,817</u>	<u>63,933,510</u>	<u>11,125,836</u>	<u>26,057,207</u>	<u>706,896</u>	<u>1,530,586</u>	<u>415,115</u>	<u>209,999</u>	<u>77,409,822</u>

**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, 2016

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	\$ 109,002,799	16.0 %
Federal Farm Credit Bank	Federal agency securities	62,469,248	9.2
FHLMC (Freddie Mac)	Federal agency securities	144,645,950	21.2
Federal Home Loan Bank	Federal agency securities	111,554,426	16.3

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, 2016.

As of June 30, 2016, 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 trust agreement, acquires the investment, and holds the investment on behalf of the applicable agency.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

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, 2016, \$64,804,838 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 \$22.7 billion. The LAIF is part of the State's Pooled Money Investment Account (PMIA). As of June 30, 2016, the investments in the PMIA totaled \$75.4 billion, of which 97.2% is invested in non-derivative financial products and 2.8% in structured notes and asset-backed securities. The weighted average of LAIF investments was 169 days as of June 30, 2016. LAIF is not rated.

Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of June 30, 2016:

Investment Type	Totals	Level		
		1	2	3
Federal agency securities	\$ 435,201,478	—	435,201,478	—
Corporate medium term notes	142,167,438	—	142,167,438	—
Municipal bonds	9,345,252	—	9,345,252	—
Supranationals	18,576,835	—	18,576,835	—
U.S. Treasury securities	12,531,420	12,531,420	—	—
State investment pool	64,804,838	—	64,804,838	—
Held by Others:				
Treasury notes/bonds	1,311,432	1,311,432	—	—
Federal agency securities	2,349,837	—	2,349,837	—
Corporate medium term notes	3,710,301	—	3,710,301	—
Common stock	3,598,722	3,598,722	—	—
REITs	1,159,708	1,159,708	—	—
Money market mutual funds	10,841,674	10,524,175	317,499	—
Total Investments	<u>\$ 705,598,935</u>	<u>29,125,457</u>	<u>676,473,478</u>	<u>—</u>

Deposits and securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Local Agency Investment Funds classified in Level 2 of the fair value hierarchy are valued using specified fair market value factors. Federal Agency Securities, Municipal Bonds, Corporate Medium Term Notes, and Supranationals are classified in Level 2 of the fair value hierarchy and are valued using information provided by the firm FT Interactive Data using institutional bond quotes.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2016

(6) NOTES RECEIVABLE

Notes receivable related to governmental activities total \$123,193,429 as follows:

	Balance at June 30, 2015	Increases	Decreases	Balance at June 30, 2016
General Fund				
Community Corporation of Santa Monica (a)	\$ 3,086,277	—	—	3,086,277
Community Corporation of Santa Monica (b)	448,280	—	—	448,280
Community Corporation of Santa Monica (c)	4,420,698	—	—	4,420,698
FAME Santa Monica Senior Apartments (d)	7,416,347	—	—	7,416,347
Step Up (e)	2,029,437	—	—	2,029,437
Mountain View Mobile Home Park resident (f)	87,830	—	—	87,830
Total General Fund	17,488,869	—	—	17,488,869
Special Revenue Source Fund				
Community Corporation of Santa Monica (g)	6,774,763	—	—	6,774,763
Community Corporation of Santa Monica (h)	3,350,000	—	—	3,350,000
Community Corporation of Santa Monica (i)	4,816,378	—	—	4,816,378
Santa Monica Housing Partners (j)	19,400,000	—	—	19,400,000
Total Special Revenue Source Fund	34,341,141	—	—	34,341,141
Low and Moderate Income Housing Asset Fund				
Community Corporation of Santa Monica (k)	2,900,000	—	—	2,900,000
Community Corporation of Santa Monica (l)	5,408,035	—	—	5,408,035
Step Up (m)	5,870,000	—	—	5,870,000
Community Corporation of Santa Monica (n)	4,234,506	—	—	4,234,506
Santa Monica Housing Partners (o)	5,684,455	—	—	5,684,455
Community Corporation of Santa Monica (p)	3,044,820	—	—	3,044,820
Community Corporation of Santa Monica (q)	7,979,656	—	—	7,979,656
Community Corporation of Santa Monica (r)	4,437,001	—	—	4,437,001
FAME Santa Monica Senior Apartments (s)	4,058,652	—	—	4,058,652
Step Up (t)	3,011,818	—	—	3,011,818
Community Corporation of Santa Monica (u)	729,866	—	—	729,866
Total Low and Moderate Income Housing Asset Fund	47,358,809	—	—	47,358,809
Miscellaneous Grants Fund				
Low- and moderate-income housing (DPRLP) (v)	200,000	—	—	200,000
Low- and moderate-income housing (DPRLP) (v)	200,000	—	—	200,000
Ocean Park Community Center (w)	800,000	—	—	800,000
Step Up (x)	1,300,000	—	—	1,300,000
MERL Program (y)	4,415,910	—	98,110	4,317,800
Total Miscellaneous Grants Fund	6,915,910	—	98,110	6,817,800
Nonmajor Governmental Funds				
Community Corporation of Santa Monica (z)	681,080	—	11,624	669,456
Community Corporation of Santa Monica (aa)	1,691,965	—	—	1,691,965
Low- and moderate-income housing (bb)	973,406	—	65,747	907,659
Ocean Park Community Center (cc)	400,000	—	—	400,000
Community Corporation of Santa Monica (dd)	6,345,807	—	—	6,345,807
Community Corporation of Santa Monica (ee)	841,600	—	—	841,600
MERL Program (ff)	6,431,543	—	101,220	6,330,323
Total nonmajor governmental funds	17,365,401	—	178,591	17,186,810
Total notes receivable	\$ 123,470,130	—	276,701	123,193,429

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2016

General Fund

- a. 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, 2016, \$3,086,277 from the General Fund had been disbursed to the borrower. See items “i” and “p” below for amounts disbursed from the Special Revenue Source Fund and Low and Moderate Income Housing Asset Fund.
- b. 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, 2016, \$448,280 had been disbursed to the borrower. See item “q” below for the amount disbursed from the Low and Moderate Income Housing Asset Fund.
- c. 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, 2016, \$4,420,698 had been disbursed to the borrower. See item “r” below for the amount disbursed from the Low and Moderate Income Housing Asset Fund.
- d. 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 a 0% interest loan for 55 years. As of June 30, 2016, \$7,416,347 had been disbursed to the borrower. See item “s” below for the amount disbursed from the Low and Moderate Income Housing Asset Fund.
- e. 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, 2016, \$2,029,437 had been disbursed to the borrower. See item “t” below for the amount disbursed from the Low and Moderate Income Housing Asset Fund.
- f. 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 at 1930 Stewart Street. This is a 55-year loan with a 0% interest rate. As of June 30, 2016, \$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, 2016

Special Revenue Source Fund

- g. 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, 2016, \$6,774,763 had been disbursed to the borrower.
- h. 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, 2016, \$3,350,000 had been disbursed to the borrower.
- i. 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, 2016, \$4,816,378 had been disbursed to the borrower. See items “a” above and “p” below for amounts disbursed from the General Fund and Low and Moderate Income Housing Asset Fund.
- j. 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, 2016, \$19,400,000 had been disbursed to the borrower.

Low and Moderate Income Housing Asset Fund

- k. 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, 2016, \$2,900,000 had been disbursed to the borrower.
- l. 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, 2016, \$5,408,035 had

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2016

been disbursed to the borrower. See item “aa” below for the amount disbursed from the nonmajor governmental fund.

- m. Two promissory notes dated February 13, 2007, one in the amount of \$5,870,000 and one for \$1,300,000 for a total of \$7,170,000 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, 2016, \$5,870,000 had been disbursed to the borrower. See item “x” below for the amount disbursed from the Miscellaneous Grants Fund.
- n. 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, 2016, \$4,234,506 had been disbursed to the borrower.
- o. 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, 2016, the outstanding balance is \$5,684,455.
- p. 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, 2016, \$3,044,820 had been disbursed to the borrower. See items “a” and “i” above for amounts disbursed from the General Fund and Special Revenue Source Fund.
- q. 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, 2016, the outstanding balance is \$7,979,656. See item “b” above for the amount disbursed from the General Fund.
- r. 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, 2016, the outstanding balance is \$4,437,001. See item “c” above for the amount disbursed from the General Fund.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2016

- s. 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 a 0% interest loan for 55 years. As of June 30, 2016, \$4,058,652 had been disbursed to the borrower. See item “d” above for the amount disbursed from the General Fund.
- t. 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, 2016, \$3,011,818 had been disbursed to the borrower. See item “e” above for the amount disbursed from the General Fund.
- u. 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, 2016, \$729,866 had been disbursed to the borrower.

Miscellaneous Grants Fund

- v. 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, 2016.
- w. 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, 2016, \$800,000 had been disbursed to the borrower. See item “cc” below for the amount disbursed from the nonmajor governmental fund.
- x. Two promissory notes dated February 13, 2007, one in the amount of \$5,870,000 and one for \$1,300,000 for a total of \$7,170,000 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

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2016

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, 2016, \$1,300,000 had been disbursed to the borrower. See item “m” above for the amount disbursed from the Low and Moderate Income Housing Asset Fund.

- y. 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, 2016, the Miscellaneous Grants Fund outstanding balance is \$4,317,800. See item “ff” below for the amount disbursed from the nonmajor governmental fund.

Nonmajor Governmental Funds

- z. 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, 2016, the outstanding balance is \$669,456.
- aa. 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, 2016, \$1,691,965 had been disbursed to the borrower. See item “l” above for the amount disbursed from the Low and Moderate Income Housing Asset Fund.
- bb. 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, 2016, the outstanding balances of such loans total \$907,659.
- cc. 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, 2016, \$400,000 had been disbursed to the borrower. See item “w” above for the amount disbursed from the Miscellaneous Grants Fund.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

- dd. 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, 2016, \$6,345,807 had been disbursed to the borrower.
- ee. 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, 2016, \$841,600 had been disbursed to the borrower.
- ff. 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, 2016, the CDBG Program Emergency Supplemental Fund outstanding balance is \$6,330,323. See item “y” above for the amount disbursed from the Miscellaneous Grants Fund.

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:

Fund	Loan amount authorized	Loan amount disbursed	Amounts repaid/forgiven	Loan balance at June 30, 2016
Miscellaneous Grants	\$ 7,790,695	7,790,695	3,472,895	4,317,800
CDBG	21,739,088	21,727,929	15,397,606	6,330,323
Total	<u>\$ 29,529,783</u>	<u>29,518,624</u>	<u>18,870,501</u>	<u>10,648,123</u>

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, 2016

(7) CAPITAL ASSETS

Capital assets activity for the primary government for fiscal year ended June 30, 2016 is as follows:

	Balance at July 1, 2015, as restated	Increases	Decreases	Transfers	Balance at June 30, 2016
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	23,003,611	40,484,671	(1,519,566)	(28,235,757)	33,732,959
Total capital assets, not being depreciated	<u>301,689,458</u>	<u>40,484,671</u>	<u>(1,519,566)</u>	<u>(28,235,757)</u>	<u>312,418,806</u>
Capital assets, being depreciated:					
Buildings	342,254,196	—	(11,328)	793,547	343,036,415
Improvements other than buildings	159,531,718	2,119,373	—	7,725,856	169,376,947
Utility systems	1,742,913	—	—	—	1,742,913
Machinery and equipment	35,064,633	1,781,005	(1,079,796)	3,639,719	39,405,561
Infrastructure	331,597,720	—	—	16,076,635	347,674,355
Intangibles	695,710	—	—	—	695,710
Total capital assets being depreciated	<u>870,886,890</u>	<u>3,900,378</u>	<u>(1,091,124)</u>	<u>28,235,757</u>	<u>901,931,901</u>
Less accumulated depreciation for:					
Buildings	(95,384,797)	(8,038,671)	11,328	—	(103,412,140)
Improvements other than buildings	(59,945,190)	(5,834,654)	—	—	(65,779,844)
Utility systems	(656,746)	(87,146)	—	—	(743,892)
Machinery and equipment	(27,616,668)	(1,414,942)	1,073,926	—	(27,957,684)
Infrastructure	(200,497,084)	(10,660,851)	—	—	(211,157,935)
Intangibles	(55,077)	(34,786)	—	—	(89,863)
Total accumulated depreciation	<u>(384,155,562)</u>	<u>(26,071,050)</u>	<u>1,085,254</u>	<u>—</u>	<u>(409,141,358)</u>
Total capital assets, being depreciated, net	<u>486,731,328</u>	<u>(22,170,672)</u>	<u>(5,870)</u>	<u>28,235,757</u>	<u>492,790,543</u>
Subtotal governmental activities	<u>788,420,786</u>	<u>18,313,999</u>	<u>(1,525,436)</u>	<u>—</u>	<u>805,209,349</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	64,849,212	—	(11,468,462)	—	53,380,750
Construction in progress	6,191,972	8,352,183	(9,024)	(10,672,019)	3,863,112
Total capital assets, not being depreciated	<u>71,041,184</u>	<u>8,352,183</u>	<u>(11,477,486)</u>	<u>(10,672,019)</u>	<u>57,243,862</u>
Capital assets, being depreciated:					
Buildings	147,870,482	—	—	—	147,870,482
Improvements other than buildings	30,973,150	—	—	3,350,875	34,324,025
Machinery and equipment	174,530,713	20,926,947	(6,464,742)	5,598,540	194,591,458
Infrastructure	227,511,380	2,039,772	(162,980)	1,722,604	231,110,776
Intangibles	93,979,245	5,880,992	—	—	99,860,237
Total capital assets being depreciated	<u>674,864,970</u>	<u>28,847,711</u>	<u>(6,627,722)</u>	<u>10,672,019</u>	<u>707,756,978</u>
Less accumulated depreciation for:					
Buildings	(49,517,924)	(3,989,743)	—	—	(53,507,667)
Improvements other than buildings	(21,113,567)	(1,010,526)	473,133	—	(21,650,960)
Machinery and equipment	(113,644,034)	(13,673,844)	5,918,326	—	(121,399,552)
Infrastructure	(81,616,409)	(5,796,510)	146,128	—	(87,266,791)
Intangibles	(28,168,799)	(2,339,246)	—	—	(30,508,045)
Total accumulated depreciation	<u>(294,060,733)</u>	<u>(26,809,869)</u>	<u>6,537,587</u>	<u>—</u>	<u>(314,333,015)</u>
Total capital assets, being depreciated, net	<u>380,804,237</u>	<u>2,037,842</u>	<u>(90,135)</u>	<u>10,672,019</u>	<u>393,423,963</u>
Subtotal business-type activities	<u>451,845,421</u>	<u>10,390,025</u>	<u>(11,567,621)</u>	<u>—</u>	<u>450,667,825</u>
Total	<u>\$ 1,240,266,207</u>	<u>28,704,024</u>	<u>(13,093,057)</u>	<u>—</u>	<u>1,255,877,174</u>

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

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

Governmental activities:	
General government	\$ 781,903
Public safety	1,941,420
General services	13,842,803
Cultural and recreation services	3,885,045
Library	1,297,034
Housing and community development	4,212,514
Capital assets held by the government's internal service funds are charged to the various functions based on their assets' usage	<u>44,506</u>
Total depreciation and amortization expense - governmental activities	<u><u>\$ 26,005,225</u></u>
Business-type activities:	
Water	\$ 1,264,203
Resource Recovery and Recycling	21,801
Pier	640,143
Wastewater	6,588,717
Airport	408,969
Stormwater management	301,816
Cemetery	43,073
Big Blue Bus	14,987,934
Parking authority	15,827
Capital assets held by the government's internal service funds are charged to the various programs based on their assets' usage	<u>2,537,386</u>
Total depreciation and amortization expense - business-type activities	<u><u>\$ 26,809,869</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.

During the year the Metro Line Construction Authority (Expo) and the City entered into a Final Judgement in Condemnation Settlement agreement regarding property owned by the City located at the EXPO light rail terminus at 4th and Colorado Streets. The property had been purchased utilizing TDA capital grants funds. The agreement calls for payments totaling \$19,950,000 to be made by Expo. The carrying value of the portion of the property disposed of was \$11,468,462 resulting in a gain of \$8,481,538 which is reported as a special item in both the Big Blue Bus fund and the Citywide statements.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

(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 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 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:

Governmental funds:	
General Fund:	
Unearned user fees	\$ 863,530
Business license tax	5,595,574
Unearned sponsorship fees	253,356
Total General Fund	<u>6,712,460</u>
Special Revenue Source Fund:	
Civic Center Village advanced lease payments	18,501,850
Total Special Revenue Source Fund	<u>18,501,850</u>
Total governmental funds	<u>25,214,310</u>
Enterprise funds:	
Big Blue Bus Fund:	
Unearned developer fees	25,000
LACMTA funds received prior to meeting all eligibility requirements	5,318,190
Total Big Blue Bus Fund	<u>5,343,190</u>
Total enterprise funds	<u>5,343,190</u>
Total unearned revenue	<u>\$ 30,557,500</u>

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2016

The components of deferred inflows of resources are as follows:

	<u>Fund financial statements</u>	<u>Recognized in government- wide financials</u>	<u>Government- wide financial statements</u>
Governmental funds:			
General Fund:			
Interest on advances	\$ 5,219,710	(5,219,710)	—
Settlement proceeds	<u>42,637,775</u>	<u>(42,637,775)</u>	—
Total General Fund	<u>47,857,485</u>	<u>(47,857,485)</u>	—
Miscellaneous grants fund:			
Grants receivable	<u>9,612,025</u>	<u>(9,612,025)</u>	—
Total deferred inflows of resources	<u>\$ 57,469,510</u>	<u>(57,469,510)</u>	—

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2016

(9) LONG-TERM LIABILITIES

Changes in long-term liabilities:

Long-term liability activity for the fiscal year ended June 30, 2016, was as follows:

	<u>Balance at July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2016</u>	<u>Due within one year</u>	<u>Due beyond one year</u>
Governmental Activities:						
Loans payable	\$ 400,000	—	—	400,000	—	400,000
Lease Revenue bonds	74,705,000	26,360,000	35,415,000	65,650,000	5,120,000	60,530,000
General obligation bonds	8,890,000	—	1,165,000	7,725,000	1,135,000	6,590,000
Less deferred amounts:						
For issuance discounts	(2,240)	—	(2,240)	—	—	—
For issuance premiums	3,696,101	2,020,710	593,027	5,123,784	—	5,123,784
Total loans and bonds payable	87,688,861	28,380,710	37,170,787	78,898,784	6,255,000	72,643,784
Compensated absences (1)	11,804,406	7,902,392	7,484,686	12,222,112	7,743,643	4,478,469
Claims payable	41,318,181	16,075,190	10,868,339	46,525,032	11,284,199	35,240,833
Subtotal governmental activities	140,811,448	52,358,292	55,523,812	137,645,928	25,282,842	112,363,086
Business-type activities:						
Loans payable	1,497,792	—	284,381	1,213,411	291,777	921,634
Revenue bonds	8,955,000	—	—	8,955,000	—	8,955,000
Less deferred amounts:						
For issuance premiums	649,321	—	99,895	549,426	—	549,426
Total loans and bonds payable	11,102,113	—	384,276	10,717,837	291,777	10,426,060
Compensated absences	3,473,698	2,511,035	2,465,821	3,518,912	2,478,688	1,040,224
Claims payable	4,690,260	2,645,381	1,374,369	5,961,272	2,986,570	2,974,702
Subtotal business-type activities	19,266,071	5,156,416	4,224,466	20,198,021	5,757,035	14,440,986
Total	\$ 160,077,519	57,514,708	59,748,278	157,843,949	31,039,877	126,804,072

(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, 2016

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, 2016</u>
Governmental activities:					
Lease Revenue bonds (1):					
Parking Authority Refunding 2002	May 1, 2002	\$ 10,480,000	July 1, 2016	3.50-4.50%	\$ 1,085,000
Public Finance Authority 2011 (Series A)	Nov 16, 2011	32,065,000	June 1, 2031	4.00-5.00%	28,265,000
Public Finance Authority Refunding 2009	Dec 16, 2009	9,155,000	July 1, 2021	2.00-5.00%	5,110,000
Public Finance Authority Refunding 2011 (Series B)	Nov 16, 2011	8,625,000	Dec 1, 2020	2.00-4.00%	4,830,000
Public Finance Authority Refunding 2015	Jul 9, 2015	26,360,000	July 1, 2033	3.00-5.00%	26,360,000
Subtotal lease revenue bonds - governmental activities					<u>65,650,000</u>
General obligation bonds (1):					
Main Library Improvements 2012	May 30, 2012	11,325,000	July 1, 2022	0.20-4.00%	7,725,000
Subtotal general obligation bonds - governmental activities					<u>7,725,000</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>73,775,000</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%	1,213,411
Subtotal business-type activities					<u>10,168,411</u>
Total					<u>\$ 83,943,411</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, 2016

Annual debt service requirements to maturity are as follows:

Governmental Activities

Fiscal year ending June 30,	Lease Revenue bonds		General obligation bonds		Loans payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2017	\$ 5,120,000	2,739,338	1,135,000	275,350	—	—	6,255,000
2018	4,170,000	2,542,775	1,130,000	230,050	200,000	—	5,500,000	2,772,825
2019	4,350,000	2,365,750	1,120,000	185,050	200,000	—	5,670,000	2,550,800
2020	4,515,000	2,187,100	1,110,000	140,450	—	—	5,625,000	2,327,550
2021	4,710,000	1,994,675	1,095,000	101,825	—	—	5,805,000	2,096,500
2022-2026	16,985,000	7,385,851	2,135,000	85,100	—	—	19,120,000	7,470,951
2027-2031	20,035,000	3,428,463	—	—	—	—	20,035,000	3,428,463
2032-2036	5,765,000	294,907	—	—	—	—	5,765,000	294,907
	<u>\$ 65,650,000</u>	<u>22,938,859</u>	<u>7,725,000</u>	<u>1,017,825</u>	<u>400,000</u>	<u>—</u>	<u>73,775,000</u>	<u>23,956,684</u>

Business-type activities

Fiscal year ending June 30,	Revenue bonds		Loans payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
	2017	\$ —	266,550	291,777	31,549	291,777
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	2,275,000	115,050	—	—	2,275,000	115,050
2022-2026	2,340,000	46,800	—	—	2,340,000	46,800
	<u>\$ 8,955,000</u>	<u>1,142,850</u>	<u>1,213,411</u>	<u>79,884</u>	<u>10,168,411</u>	<u>1,222,734</u>

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

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	\$ 1,133,825	1,133,825	100%	—
Public Finance Authority Refunding 2011, Refunding 2009	2,046,575	2,046,575	100%	10,160,150
Public Finance Authority 2011	2,666,532	2,666,532	100%	40,025,694
Public Finance Authority Refunding 2015	2,061,456	2,061,456	100%	34,881,256
Library bond tax revenue				
Main Library Improvements Refunding 2012	1,497,110	1,433,050	96%	7,458,800
Wastewater charges for services				
Hyperion Project Revenue Refunding 2012	10,107,151	266,550	3%	10,097,850

Refunding

On July 9, 2015, the Santa Monica Public Financing Authority issued \$26,360,000 of Santa Monica Public Financing Authority Lease Revenue Refunding Bonds Series 2015 bearing interest from 3.00% to 5.00% with a final maturity of July 1, 2033. The bonds were issued to refund the Santa Monica Public Financing Authority Lease Revenue Series 2004 (Civic Center Parking Project) Bonds. The aggregate difference in debt service between the refunding debt and the refunded debt is \$8,977,495 and resulted in an economic gain of \$4,365,441. The reacquisition price exceeded the net carry value of the old debt by \$69,936. The amount is being netted against the new debt and amortized over the remaining life of the new debt, which is equal to the life of the refunded debt.

(10) FUND DEFICITS

Internal Service Funds. A net deficit of \$827,627 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 prior fiscal year which 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 of \$3,644,450 exists in the Self-Insurance Workers’ Compensation Fund due to the adverse development on new and existing claims. Management expects to continue to carefully monitor this fund and

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

intends to alleviate this net deficit through increased future user charges, instituting cost containment measures, and continuing evaluation of reserve balances.

A net deficit of \$26,280 exists in the Self-Insurance Bus Fund due to the settlement of several costly claims that has had a detrimental effect on the fund's cash position. Management expects to continue to carefully monitor this fund and the contribution from the Big Blue Bus Fund is projected to increase by \$1,300,000 in FY 2017-18.

(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, 2016.

Advances to/from

Advances to/from other funds at June 30, 2016 are as follows:

<u>Advances to (receivable fund)</u>	<u>Advances from (payable fund)</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	\$ 3,842,973
	Nonmajor enterprise funds	9,852,117
	Total General Fund	<u>13,695,090</u>
Wastewater Fund	Nonmajor enterprise funds	112,285
	Total advances to/from	<u>\$ 13,807,375</u>

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

Due from/to

Balances due to/from other funds at June 30, 2016 are as follows:

<u>Due From (receivable fund)</u>	<u>Due to (payable fund)</u>	<u>Amount</u>
General Fund	Miscellaneous Grants Fund	\$ 12,159,758
	Nonmajor governmental funds	437,629
	Total General Fund	<u>12,597,387</u>
	Total due to/from	<u>\$ 12,597,387</u>

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, 2016

Transfers

Transfers to/from other funds for the fiscal year ended June 30, 2016 are as follows:

<u>Transfer in (receivable fund)</u>	<u>Transfer out (payable fund)</u>	<u>Amount</u>
General Fund	Special Revenue Source Fund	\$ 410,730 (1)
	Nonmajor governmental funds	2,534,463 (2)
	Nonmajor enterprise funds	638,358 (3)
	Total General Fund	<u>3,583,551</u>
Special Revenue Source Fund	General Fund	2,890,000 (4)
	Nonmajor enterprise funds	6,349,950 (4)
	Total Special Revenue Source Fund	<u>9,239,950</u>
Low/Moderate Housing Fund	Nonmajor enterprise funds	1,587,487 (4)
	Total Low/Moderate Housing Fund	<u>1,587,487</u>
Nonmajor governmental funds	General Fund	9,830,273 (5)
	Total nonmajor governmental funds	<u>9,830,273</u>
Water Fund	General Fund	39,393 (6)
	Total Water Fund	<u>39,393</u>
Nonmajor enterprise funds	General Fund	123,671 (7)
	Water Fund	5,820 (8)
	Nonmajor governmental funds	1,442,896 (9)
	Total nonmajor enterprise funds	<u>1,572,387</u>
Total transfers		<u><u>\$ 25,853,041</u></u>

1. Transfer of monies to subsidize cultural arts program expenditures and loan payments for property used in CityTV operations.
2. Transfer of debt service reserves to refund Public Finance Authority Bonds.
3. Transfer of monies to subsidize expenditures related to parking structure improvements.
4. Transfer of monies to subsidize housing program expenditures.
5. Transfer of monies to subsidize housing program expenditures and for the payment of debt service.
6. Transfer of monies to subsidize water rates for low income families.
7. Transfer of monies to subsidize cemetery operation and maintenance expenditures.
8. Transfer of monies received from Metropolitan Water District Recycled Water Rebate program.
9. Transfer of monies to subsidize operating and maintenance expenditures associated with the Santa Monica Urban Runoff Recycling Facility and cemetery operation and maintenance expenditures.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

(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, 2016 is restricted as follows:

Housing Authority (1)	\$ 73,002
Tenant Ownership Rights Charter Amendment (2)	13,143,898
Community Development Block Grant (1)	10,015,389
Citizens Option for Public Safety (1)	146,221
Rent Control (2)	1,018,780
Air Quality Management District (1)	684,204
Asset Seizure (1)	455,652
Street Projects (2)	78,225
General fund housing loan (1)	18,330,042
Low and Moderate Income Housing Asset Fund (1)	<u>51,866,363</u>
Total housing and community development	95,811,776
Clean Beaches and Ocean Parcel Tax (2)	8,740,684
Beach and Parks Recreation (2)	11,754,687
Miscellaneous Grants (1)	9,353,758
Debt Service	4,805,876
Development Projects (1)	54,488,773
Perpetual Care - nonexpendable	11,569,320
Total governmental restricted net position	<u>\$ 196,524,874</u>

Net position for business-type activities at June 30, 2016 is restricted as follows:

Construction of Rail System (1)	\$ 1,773,464
Prop 1B (2)	<u>11,024,106</u>
Total business-type restricted net position	<u>\$ 12,797,570</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, 2016

(13) FUND BALANCES

In the fund financial statements fund balance has been segregated into nonspendable, restricted, committed, assigned, and unassigned portions based upon the availability of the funds and whether the funds have been earmarked for a specific purpose. These fund balance categories are in accordance with GASB Statement No. 54.

Nonspendable fund balance

The nonspendable portion of fund balance includes amounts that are not in a spendable form or are required to be maintained intact. In governmental funds, nonspendable fund balances are presented as a component of fund balances as follows:

	General Fund	Special Revenue Source Fund	Low and Moderate Income Housing Asset Fund	Miscellaneous Grants Fund	Nonmajor governmental funds	Total governmental funds
<u>Nonspendable</u>						
Prepays	\$ 3,170,826	—	—	—	49,448	3,220,274
Advances	13,491,379	—	—	—	—	13,491,379
Successor Agency	4,400,000	—	—	—	—	4,400,000
Perpetual care	—	—	—	—	11,569,320	11,569,320
Total nonspendable	\$ 21,062,205	—	—	—	11,618,768	32,680,973

Prepays

Since these assets are goods or services that have already been purchased, they do not represent available expendable resources.

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.

Successor Agency

Reflects the balances due, net of deferred interest revenues, from the dissolved Redevelopment Agency of the City of Santa Monica that is long-term in nature and does not represent available expendable resources of the City.

Perpetual care

Represents balance of funds held by the City 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, 2016

Restricted fund balance

The restricted portion of fund balance includes amounts that can only be spent for the specific purposes stipulated by the external resource providers or by the constitutional or enabling legislation that created the revenue source and restricted its use. These restrictions may be changed or lifted only with the consent of the resource providers. In governmental funds, restricted fund balances are presented as a component of fund balances as follows:

	<u>General Fund</u>	<u>Special Revenue Source Fund</u>	<u>Low and Moderate Income Housing Asset Fund</u>	<u>Miscellaneous Grants Fund</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
<u>Restricted for</u>						
Continuing capital projects	\$ —	—	—	—	14,589,333	14,589,333
Special purposes	841,173	24,485,347	—	—	13,588,783	38,915,303
Low and moderate income housing	17,488,869	16,855,767	51,866,363	6,904,275	17,932,626	111,047,900
Childcare center	—	4,063,839	—	—	—	4,063,839
Parks	—	749,759	—	—	—	749,759
Historical preservation	—	145,000	—	—	—	145,000
Traffic	—	2,383,417	—	—	—	2,383,417
Arts	—	1,204,192	—	—	—	1,204,192
Parking	—	2,542,578	—	—	—	2,542,578
Roads	—	1,158,874	—	—	—	1,158,874
Transit	—	900,000	—	2,449,483	—	3,349,483
Debt service	—	—	—	—	5,930,475	5,930,475
Total restricted	<u>\$ 18,330,042</u>	<u>54,488,773</u>	<u>51,866,363</u>	<u>9,353,758</u>	<u>52,041,217</u>	<u>186,080,153</u>

Continuing capital projects

Reflects the amount set aside from restricted funds to fully fund the cost of uncompleted capital projects at June 30, 2016.

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.

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.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

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 restricted for road projects.

Transit

Represents balance of funds from various sources restricted for transit projects.

Debt service

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

Committed fund balance

Committed fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally. In governmental funds, committed fund balances are presented as a component of fund balances as follows:

	General Fund	Special Revenue Source Fund	Low and Moderate Income Housing Asset Fund	Miscellaneous Grants Fund	Nonmajor governmental funds	Total governmental funds
<u>Committed to</u>						
Low and moderate income housing	\$ 31,365	20,608,308	—	—	—	20,639,673
Parks	—	313,561	—	—	—	313,561
Overnight accommodations	—	2,457,248	—	—	—	2,457,248
Transportation	—	3,455,224	—	—	—	3,455,224
Other purposes	—	—	—	—	41,975	41,975
Total committed	<u>\$ 31,365</u>	<u>26,834,341</u>	<u>—</u>	<u>—</u>	<u>41,975</u>	<u>26,907,681</u>

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.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

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 legal expenses related to rent control.

Assigned fund balance

Assigned fund balance comprises amounts intended to be used by the government for specific purposes expressed by the governing body or by an official to which the governing body delegates the authority. In governmental funds, assigned fund balances are presented as a component of fund balances as follows:

	General Fund	Special Revenue Source Fund	Low and Moderate Income Housing Asset Fund	Miscellaneous Grants Fund	Nonmajor governmental funds	Total governmental funds
<u>Assigned to</u>						
Continuing capital projects	\$ 61,866,871	—	—	—	—	61,866,871
Future capital projects	115,946,972	—	—	—	—	115,946,972
Expenditure control budget account	6,543,969	—	—	—	—	6,543,969
Compensated absences	11,598,511	—	—	—	513,939	12,112,450
Pollution remediation	58,503,581	—	—	—	—	58,503,581
Workers' compensation/OPEB	7,288,464	—	—	—	—	7,288,464
Other purposes	18,554,966	281,643	—	—	131,980	18,968,589
Total assigned	<u>\$280,303,334</u>	<u>281,643</u>	<u>—</u>	<u>—</u>	<u>645,919</u>	<u>281,230,896</u>

Continuing capital projects

Reflects the amount needed to fund the full cost of uncompleted capital projects at June 30, 2016.

Future capital projects

Represents funds set aside for future capital projects, including the Civic Center Sports Field, City Yards and Fire Station projects.

Expenditure control budget account

Represents expenditure control budget amounts for department use.

Compensated Absences

Resources set aside for future payments of compensated absences.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

Pollution remediation

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

Workers' Compensation/OPEB

Resources set aside for workers compensation cost assignment and other postemployment benefits.

Other purposes

Represents funds assigned for other purposes including amounts set aside for the Civic Auditorium closeout, performance management and engagement, litigation, and other purposes.

Unassigned fund balance

Unassigned fund balance is the residual classification for the General Fund and includes all amounts not contained in the other classifications. In governmental funds, unassigned fund balances are presented as a component of fund balances as follows:

	General Fund	Special Revenue Source Fund	Low and Moderate Income Housing Asset Fund	Miscellaneous Grants Fund	Nonmajor governmental funds	Total governmental funds
<u>Unassigned</u>						
Operating and capital contingency	\$53,535,788	—	—	—	—	53,535,788
Unrealized gain	839,369	—	—	—	—	839,369
Economic uncertainty	9,700,000	—	—	—	—	9,700,000
Other unassigned	3,272,616	—	—	(7,279,890)	—	(4,007,274)
Total unassigned	<u>\$67,347,773</u>	<u>—</u>	<u>—</u>	<u>(7,279,890)</u>	<u>—</u>	<u>60,067,883</u>

Operating and capital contingency

Represents funds for operating and capital contingency.

Unrealized gain

Represents management's intent not to liquidate investments to realize the reported gain.

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 and assigned, therefore it was necessary to report a negative unassigned fund balance.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

(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 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, 2015 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 segregated at year-end as an unavailable fund balance. Approximately \$76.5 million will be payable upon future performance under these contracts.

Other Commitments

In 1999 the City entered into a thirty year agreement with the City of Los Angeles for the conveyance, treatment, and disposal of wastewater. The Amalgamated System Sewerage System Charge (ASSSC) from this agreement is based on the City of Los Angeles' estimated costs and actual flows and strengths of wastewater in FY 2014-15. Per the City of Los Angeles, as of June 30, 2016 \$8.1 million will be due under this agreement for FY 2016-17. This agreement may be renegotiated by either party after the initial 10 years of the agreement.

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. As of June 30, 2016 total encumbrances for the governmental funds are reported as follows:

General Fund	\$	3,244,183
Special Revenue Fund		4,001
Low and Moderate Income Housing Asset Fund		—
Miscellaneous Grants Fund		—
Nonmajor governmental funds		372,003
Total	\$	<u>3,620,187</u>

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

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, 2016:

Land	\$ 177,596,969
Buildings	38,470,463
Improvements other than buildings	10,021,096
Machinery and equipment	1,782,774
Infrastructure	8,213,438
	<hr/>
	236,084,740
Less: Accumulated depreciation	(40,613,343)
	<hr/>
Total	<u><u>\$ 195,471,397</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, 2016:

<u>Fiscal year ending June 30</u>	<u>Rental revenue</u>	<u>Lease payments</u>
2017	\$ 8,798,352	1,798,221
2018	8,065,916	1,745,441
2019	7,410,122	1,740,643
2020	6,616,038	1,417,714
2021	6,178,922	965,613
2022 - 2026	19,772,386	2,207,637
2027 - 2031	14,411,207	23,018
2032 - 2036	10,373,856	—
2037 - 2041	7,517,409	—
2042 - 2046	6,633,537	—
2047 - 2051	4,455,167	—
2052 - 2056	3,765,167	—
2057 - 2061	3,243,167	—
2062 - 2066	2,756,692	—
Total	<u><u>\$ 109,997,938</u></u>	<u><u>9,898,287</u></u>

The total long-term lease rental revenues and expenditures/expenses for the year ended June 30, 2016, were \$8,605,376 and \$1,798,221 respectively.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2016

(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, 2016 audited financial statements, the net reserves amounts related to the City were \$6,300,129 (17% of ACCEL's total net reserves and incurred but not reported). Total assets of ACCEL at June 30, 2016 were \$55,318,594. 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, 2016, 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, 2016

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, 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>
June 30, 2016:					
General Liability and Automobile	\$ 6,056,935	2,772,291	(2,378,566)	6,450,660	2,697,180
Bus	4,690,260	2,645,381	(1,374,369)	5,961,272	2,986,570
Workers' Compensation	35,261,246	13,302,899	(8,489,773)	40,074,372	8,587,019
	<u>\$ 46,008,441</u>	<u>18,720,571</u>	<u>(12,242,708)</u>	<u>52,486,304</u>	<u>14,270,769</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, 2016

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	
	Prior to July 1, 2012	July 1, 2012 and December 31, 2012	On or after January 1, 2013
Hire Date			
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	19.36%	19.36%	19.36%

	Police	
	Prior to	On or after
	December 31, 2012	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	42.32%	42.32%

	Fire	
	Prior to	On or after
	December 31, 2012	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	32.21%	32.21%

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

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 5.00% and fire safety employees reimburse the City at a rate of 2.50%. In addition, starting July 1, 2014, Fire plan members began paying the employee contribution at a rate of 9.00%. Employee reimbursements totaled \$12,744,566 in 2015-16.

Employees Covered

At June 30, 2014, the following employees were covered by the benefit terms for each Plan:

Employees	Miscellaneous	Public Safety	
		Police	Fire
Inactive employees or their beneficiaries currently receiving benefits	1,113	300	143
Inactive employees entitled to but not yet receiving benefits	575	26	13
Active members	1,781	201	102
Total	<u>3,469</u>	<u>527</u>	<u>258</u>

Note: Information derived from 2014 Census Data

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

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, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 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, 2015 (the measurement date), the total pension liability was determined using the following actuarial methods and assumptions:

	<u>Miscellaneous</u>	<u>Safety - Police</u>	<u>Safety - Fire</u>
Valuation date	June 30, 2014	June 30, 2014	June 30, 2014
Measurement date	June 30, 2015	June 30, 2015	June 30, 2015
Actuarial cost method		Entry-Age Normal	
Actuarial assumptions:			
Discount rate	7.65%	7.65%	7.65%
Inflation	2.75%	2.75%	2.75%
Projected salary increase	Varies by entry age and service		
Investment rate of return ¹	7.65%	7.65%	7.65%
Mortality ²	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 Net of pension plan investment expenses, including inflation.

² 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, 2014 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.”

Change of Assumptions

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan expense but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

Discount Rate

The discount rate used to measure the total pension liability was 7.65 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 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.65 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.

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 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, 2016

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	51.00	5.25	5.71
Global Fixed Income	19.00	0.99	2.43
Inflation Sensitive	6.00	0.45	3.36
Private Equity	10.00	6.83	6.95
Real Estate	10.00	4.50	5.13
Infrastructure and Forestland	2.00	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

Recognition of Gains and Losses

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings on investments	5 year straight-line amortization
All other amounts	Straight-line amortization over the expected remaining service lives of all member that are provided benefits (active, inactive, and retired) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on members' probability of decrementing due to an event other than receiving a cash refund.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

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:	Increase (Decrease)		
	Total Pension	Plan Fiduciary	Net Pension
	Liability	Net Position	Liability/(Asset)
	(a)	(b)	(c)=(a)-(b)
Balance at 6/30/2014 (VD) ¹	\$ 912,350,167	\$ 697,436,244	\$ 214,913,923
Changes recognized for the measurement period			
Service cost	23,584,538	—	23,584,538
Interest on total pension liability	67,091,447	—	67,091,447
Changes of assumptions	(16,726,947)	—	(16,726,947)
Differences between expected and actual experience	(12,672,814)	—	(12,672,814)
Plan to plan resource movement	—	(905)	905
Contribution - employer	—	28,349,184	(28,349,184)
Contribution - employee	—	10,754,206	(10,754,206)
Net investment income	—	15,956,734	(15,956,734)
Benefit payments, includes employee contribution refunds	(35,460,612)	(35,460,612)	—
Administrative expense	—	(806,467)	806,467
Net changes	<u>\$ 25,815,612</u>	<u>\$ 18,792,140</u>	<u>\$ 7,023,472</u>
Balance at 6/30/2015 (MD) ²	<u>\$ 938,165,779</u>	<u>\$ 716,228,384</u>	<u>\$ 221,937,395</u>

¹ VD = Valuation Date

² MD = Measurement Date

Public Safety - Police:	Increase (Decrease)		
	Total Pension	Plan Fiduciary	Net Pension
	Liability	Net Position	Liability/(Asset)
	(a)	(b)	(c)=(a)-(b)
Balance at 6/30/2014 (VD) ¹	\$ 385,082,921	\$ 287,134,868	\$ 97,948,053
Changes recognized for the measurement period			
Service cost	8,324,522	—	8,324,522
Interest on total pension liability	28,537,027	—	28,537,027
Changes of assumptions	(7,150,335)	—	(7,150,335)
Differences between expected and actual experience	(501,077)	—	(501,077)
Contribution - employer	—	13,033,273	(13,033,273)
Contribution - employee	—	2,695,506	(2,695,506)
Net investment income	—	6,513,781	(6,513,781)
Benefit payments, includes employee contribution refunds	(17,121,429)	(17,121,429)	—
Administrative expense	—	(328,610)	328,610
Net changes	<u>\$ 12,088,708</u>	<u>\$ 4,792,521</u>	<u>\$ 7,296,187</u>
Balance at 6/30/2015 (MD) ²	<u>\$ 397,171,629</u>	<u>\$ 291,927,389</u>	<u>\$ 105,244,240</u>

¹ VD = Valuation Date

² MD = Measurement Date

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

Public Safety - Fire:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(c)=(a)-(b)
Balance at 6/30/2014 (VD) ¹	\$ 208,152,975	\$ 153,705,800	\$ 54,447,175
Changes recognized for the measurement period			
Service cost	3,766,398	—	3,766,398
Interest on total pension liability	15,338,448	—	15,338,448
Changes of assumptions	(3,653,466)	—	(3,653,466)
Differences between expected and actual experience	(515,792)	—	(515,792)
Contribution - employer	—	5,142,818	(5,142,818)
Contribution - employee	—	1,375,301	(1,375,301)
Net investment income	—	3,458,100	(3,458,100)
Benefit payments, includes employee contribution refunds	(10,728,684)	(10,728,684)	—
Administrative expense	—	(171,948)	171,948
Net changes	\$ 4,206,904	\$ (924,413)	\$ 5,131,317
Balance at 6/30/2015 (MD) ²	\$ 212,359,879	\$ 152,781,387	\$ 59,578,492

¹ VD = Valuation Date

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 7.65 percent, as well as the net pension liability if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

Discount Rate	Plan		
	Miscellaneous	Safety - Police	Safety - Fire
1% Decrease	6.65%	6.65%	6.65%
Net Pension Liability	\$ 350,788,371	\$ 160,014,916	\$ 87,158,010
Current Discount Rate	7.65%	7.65%	7.65%
Net Pension Liability	\$ 221,937,395	\$ 105,244,240	\$ 59,578,492
1% Increase	8.65%	8.65%	8.65%
Net Pension Liability	\$ 115,367,089	\$ 60,350,532	\$ 36,786,693

Pension Plan Fiduciary Net Position

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

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

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

For the year ended June 30, 2016, the City recognized pension expense as follows:

Plan	Pension Expense
Miscellaneous	\$ 26,668,432
Safety - Police	12,142,355
Safety - Fire	6,146,225
Total	\$ 44,957,012

As of June 30, 2016, the City had deferred outflows and deferred inflows of resources related to pensions as follows:

	Miscellaneous		Safety - Police		Safety - Fire	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ —	\$ (12,437,986)	\$ —	\$ (5,164,131)	\$ —	\$ (2,989,199)
Difference between expected and actual experience	—	(9,423,375)	—	(361,889)	—	(422,012)
Net difference between projected and actual earnings on pension plan investments	—	(6,613,519)	—	(2,799,562)	—	(1,649,566)
Employer contributions subsequent to the measurement date	27,483,726	—	12,747,749	—	4,936,743	—
Total	\$ 27,483,726	\$ (28,474,880)	\$ 12,747,749	\$ (8,325,582)	\$ 4,936,743	\$ (5,060,777)

The amounts above are net of outflows and inflows recognized in the pension expense for the fiscal year ended June 30, 2016.

Contributions of \$45,168,218 that were made by the City subsequent to the measurement date are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources will be recognized in future pension expense as follows:

Measurement Periods ended June 30	Deferred Outflows / (Inflows) of Resources		
	Miscellaneous	Safety - Police	Safety - Fire
2016	\$ (12,228,128)	\$ (4,079,763)	\$ (1,849,527)
2017	(12,228,128)	(4,079,763)	(1,849,527)
2018	(11,474,291)	(3,229,608)	(1,849,528)
2019	7,455,667	3,063,552	866,828
2020	—	—	(379,023)

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

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. For the fiscal year ended June 30, 2016 the total employee contributions were \$9,240,533.

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, 2016 the total employee contributions were \$509,918.

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, 2016 the combined employee/employer contributions were \$374,894.

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.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

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 2015-16 was 1.6% of covered payroll.

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

Annual required contribution	\$ 2,635,387
Interest on OPEB obligation	694,790
Adjustment to annual required contribution	<u>(586,981)</u>
Annual OPEB expense	2,743,196
Contributions made	<u>(2,635,387)</u>
Increase in net OPEB obligation	107,809
Net OPEB obligation - beginning of the year	<u>10,323,773</u>
Net OPEB obligation - end of the year	<u><u>\$ 10,431,582</u></u>

Schedule of Employer Contributions

Fiscal Year Ended June 30	Annual OPEB Costs	Annual Contribution	Percentage Contribution	Net OPEB Obligation
2016	\$ 2,743,196	\$ 2,635,387	96.1 %	\$ 10,431,582
2015	2,622,260	2,506,782	95.6	10,323,773
2014	2,715,011	986,716	36.3	10,208,295

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2016

The funded status of the plan as of July 1, 2015, the most recent actuarial valuation date, is as follows:

OPEB funding information:

<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>
2015	\$ 1,246,460	\$29,094,591	\$ 27,848,131	4.28%	\$164,870,694	16.89%

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2016

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, 2015 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 6.73% 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 7.50% initially, reduced by decrements to an ultimate rate of 4.50% by 2023. Both rates include a 2.75% inflation assumption. The remaining amortization period (the amortization period is open) at July 1, 2015 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, 2016 the City contributed \$3,881,276 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 as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency (RDA), either the sponsoring city or another

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2016

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, 2016 are classified in the accompanying financial statements as follows:

Statement of Fiduciary Net Position:	
Restricted cash	\$ 32,802,680
Restricted cash and investments with fiscal agent	<u>6,826,245</u>
Total cash and investments	\$ <u>39,628,925</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.

Fair Value Hierarchy

The Successor Agency categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2016, the Successor Agency had \$6,826,245 classified in Level 1 of the fair value hierarchy valued using prices quoted in active markets for those securities.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2016

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. 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.

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

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.

Investment Type	Maturity 12 Months or less
Held by bond trustee:	
Money market mutual funds	\$ 6,826,245

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

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.

Investment Type	Total	Minimum Legal Rating	AAAm
Held by bond trustee:			
Money market mutual funds	\$ 6,826,245	AAAm*	6,826,245

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.

SUCCESSOR AGENCY LONG-TERM LIABILITIES

Changes in long-term liabilities:

Long-term liability activity for the fiscal year ended June 30, 2016 was as follows:

	Balance at July 1, 2015, as restated	Additions	Reductions	Balance at June 30, 2016	Due within one year	Due beyond one year
Loans and notes payable	\$ 70,807,172	—	13,374,938	57,432,234	4,838,815	52,593,419
Term loan	40,909,094	—	3,030,306	37,878,788	3,030,303	34,848,485
Tax allocation bonds	88,655,000	—	2,320,000	86,335,000	2,415,000	83,920,000
Notes payable to the City of Santa Monica (1)	50,040,506	324,614	10,652,992	39,712,127	4,041,500	35,670,627
Less deferred amounts:						
For issuance discounts	(113,167)	—	(8,083)	(105,084)	—	(105,084)
For issuance premiums	355,049	—	13,654	341,395	—	341,395
Total loans, notes and bonds payable	\$ 250,653,654	324,614	29,383,807	221,594,460	14,325,618	207,268,842

(1) The original note agreements called for any accrued interest to be added to the principal balance to create a new principal balance. SB 107 requires that interest be calculated at a simple 3% and is not included in the principal balance. The restatement removes the accrued interest from this table.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

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, 2016</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, 2029	4.00-5.50%	45,285,000
Subtotal tax allocation bonds					<u>86,335,000</u>
Loans and notes:					
Wells Fargo Bank (1) *	Mar 11, 2011	60,000,000	Jan 1, 2018	70.00% LIBOR plus 1.50%	17,142,857
Bank of America Term Loan (2) *	May 1, 2008	50,000,000	July 15, 2028	LIBOR plus 1.25%	37,878,788
Promissory note to the City of Santa Monica (3)	Oct 24, 1978	4,400,000	June 29, 2028	3.00%	4,400,000
Promissory note to the City of Santa Monica (5)	Jan 9, 2003	38,930,000	Jan 1, 2021	3.00 %	24,052,727
Promissory note to the City of Santa Monica (5)	Jan 9, 2003	21,070,000	Jan 1, 2022	3.00 %	11,259,400
Promissory notes payable to others(4)*	Nov 1, 2010	42,500,000	Jan 1, 2042	6.82%	40,289,377
Subtotal loans and notes					<u>135,023,149</u>
Total					<u>\$ 221,358,149</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 a simple 3%
- (4) For purchase of real estate
- (5) For purchase of parking structures

Annual debt service requirements to maturity are as follows:

<u>Fiscal Year</u> <u>Ending</u> <u>June 30,</u>	<u>Tax allocation bonds</u>		<u>Loans and notes payable</u>		<u>Promissory notes payable</u> <u>City of Santa Monica</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 2,415,000	4,246,188	7,869,118	3,658,770	4,041,500	—	14,325,618	7,904,958
2018	2,520,000	4,141,949	12,192,541	3,592,257	9,667,613	—	24,380,154	7,734,206
2019	2,625,000	4,033,248	7,947,107	3,345,851	11,939,657	—	22,511,764	7,379,099
2020	2,730,000	3,918,771	3,704,421	3,204,377	4,220,079	8,500,000	10,654,500	15,623,148
2021	2,855,000	3,797,623	3,750,381	3,097,319	8,058,315	5,419,911	14,663,696	12,314,853
2022-2026	16,265,000	16,923,325	19,558,786	13,734,896	1,784,963	11,521,099	37,608,749	42,179,320
2027-2031	18,130,000	12,800,299	13,911,587	10,598,445	—	—	32,041,587	23,398,744
2032-2036	13,145,000	9,068,822	9,383,970	7,816,029	—	—	22,528,970	16,884,851
2037-2041	17,315,000	4,772,038	13,622,892	4,077,107	—	—	30,937,892	8,849,145
2042-2046	8,335,000	463,651	3,370,219	229,778	—	—	11,705,219	693,429
	<u>\$ 86,335,000</u>	<u>64,165,914</u>	<u>95,311,022</u>	<u>53,354,829</u>	<u>39,712,127</u>	<u>25,441,010</u>	<u>221,358,149</u>	<u>142,961,753</u>

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

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	\$ 4,450,094	\$ 4,450,094	100%	\$ 57,834,043
Earthquake Recovery Project 2011	2,262,413	2,262,413	100%	88,103,119
Loan Payable Wells Fargo Bank	13,280,515	13,280,515	100%	17,501,785
Note Payable to Others	3,300,000	3,300,000	100%	88,200,000
Bank of America Term Loan	3,030,303	3,030,303	100%	41,059,033

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. One of these transfers was comprised of unspent Wells Fargo loan proceeds in the amount of \$12,249,173. Although the City disagreed with the findings, the Successor Agency had recorded a receivable from the City in the amount of \$19,149,678 as of June 30, 2015 and payment was made in March 2016. As part of the Last and Final ROPS submission, the Successor Agency intends to prepay the Wells Fargo Loan with the unspent loan proceeds and will await direction from the DOF for the final disposition of the remaining funds.

Reestablishment and repayments of Loan Agreements between the Successor Agency and the City

In FY 2003-04, the Parking Authority (Authority) and the Redevelopment Agency (Agency) entered into a purchase/sale agreement whereby six parking structures owned by the Authority were sold from the Authority to the Agency in exchange for two promissory notes totaling \$60,000,000.

When the Agency was dissolved, the Agency listed the two promissory notes as part of their obligations on the Recognized Obligation Payment Schedule (ROPS), however the Department of Finance continuously denied payments for these obligations because the criteria for repayment had not been met.

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:

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

- 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. Then 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. This resulted in the Successor Agency recognizing a net extraordinary gain of \$8,107,401 primarily due to the increase in accrued interest by utilizing 3% simple interest instead of the historical LAIF rate.

During the FY 2015-16, the California Department of Finance (DOF) approved the reestablishment and repayment of Promissory Notes A and B, payable to the Parking Authority of the City of Santa Monica, as well as Note 6, payable to the General Fund, for the purchase of land associated with Santa Monica Place. SB107 allowed for the first payment for FY 2015-16 of \$7,937,437 and that amount was approved by the DOF and received by the Successor Agency. The Successor Agency will continue to submit future requests for payments with its annual ROPS or as part of the Last and Final ROPS. 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 origination of the loan on a quarterly basis at a simple interest rate of 3%. Principal must be repaid first and then interest.

The balance of Note 6, including accrued interest, was \$9,415,999 and Notes A & B, including accrued interest, was \$51,736,021 at June 30, 2016.

Prior Period Adjustment

Restatement to the net position of the Successor Agency for the fiscal year ended June 30, 2016 is summarized below:

	<u>Successor Agency</u>
Beginning net position, as previously reported	\$ (198,366,531)
Restatement	<u>(53,981,651)</u>
Beginning net position, as restated	<u>\$ (252,348,182)</u>

Due to the reestablishment of Notes A and B.

(18) SUBSEQUENT EVENTS

On July 25, 2016, Fitch affirmed the “AAA” rating for the City’s General Obligation bonds and “AA+” ratings for all lease revenue bonds issued by the Santa Monica Public Financing Authority (Public Financing Authority).

On October 6, 2016, Moody’s upgraded the rating for Public Financing Authority Lease Revenue Refunding Bonds, Series 2009 (Public Safety Facility Project) to Aa1 from Aa2 and the Public Financing Authority Refunding Bonds, Series 2015 (Civic Center Parking Project) to Aa1 from Aa2 and confirmed the rating of

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

Aa2 for the Public Financing Authority Lease Revenue Bonds, Series 2011A and Public Financing Authority Lease Revenue Bonds, Series 2011B.

Subsequent to year end, the General Fund reduced its advance to the Airport Fund by \$1,103,145 related to a recalculation of lease payments made to the Airport Fund by the General Fund.

(19) PRIOR PERIOD ADJUSTMENTS

The accompanying financial statements reflect adjustments resulting from a restatement of net positions as of June 30, 2015 as follows:

Restatement on Government-wide Statements

Business-Type Activities

Restatements to net position made on the business-type activities for fiscal year ended June 30, 2015 are summarized below:

	<u>Business-Type Activities</u>
Beginning Net Position, as previously reported	\$ 512,848,296
Restatements	47,963,197
Beginning Net Position, as restated	<u>\$ 560,811,493</u>

Restatement on Fund Statements

Proprietary Funds

Restatements to net position made on the proprietary statements for fiscal year ended June 30, 2015 are summarized below:

	<u>Enterprise Funds</u>
Beginning Net Position, as previously reported	\$ 478,225,024
Restatements	47,963,197
Beginning Net Position, as restated	<u>\$ 526,188,221</u>

- Capital assets (construction in progress) of \$6,018,454 were written off in the Big Blue Bus Fund to adjust items that had been disposed in prior fiscal years, resulting in a decrease to net position.
- Previously unrecorded notes receivable of \$53,981,651 were recorded in the Parking Authority Fund, resulting in an increase to net position.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

Governmental Funds

Restatements to fund balance made to the governmental funds on the fund statement for fiscal year ended June 30, 2015 are summarized below:

	<u>General Fund</u>	<u>Nonmajor Governmental Disaster Relief Fund</u>
Beginning Net Position, as previously reported	\$ 375,024,028	\$ (814,287)
Restatements	3,485,912	(1,985,901)
Beginning Net Position, as restated	<u>\$ 378,509,940</u>	<u>\$ (2,800,188)</u>

- Assets in the amount of \$15,123 were transferred to the General Fund to close out the Disaster Relief Fund, resulting in an increase to net position in the General Fund and a decrease to net position in the Disaster Relief Fund.
- Reimbursements from the Disaster Relief Fund to the General Fund for prior year earthquake projects expenditures of \$1,970,789 that were not previously recorded as receivables, resulting in an increase to net position in the General Fund and a decrease to net position in the Disaster Relief Fund.
- Recognition of \$1,500,000 in revenue received from the Gillette settlement that was previously reported as unearned, resulting in an increase to net position in the General Fund.

Reclassifications

- The Miscellaneous Grants Fund is being reported as a major governmental fund, as it met the major fund classification threshold.
- The Low and Moderate Income Housing Asset Fund is being reported as a major governmental fund at management’s discretion to comply with Housing Successor Reporting Requirements SB 107.

(20) SPECIAL AND EXTRAORDINARY ITEMS

The financial statements reflect several extraordinary and special items.

Extraordinary items

Extraordinary items are those transactions that are unusual and infrequent in nature and beyond the control of management.

During FY 2015-16, the State of California passed SB107 which changed interest rates on loans between the City and the Successor Agency historical LAIF to simple 3%. Additionally, the principal balance of one of the loans was revised upwards based on the Department of Finance review and interpretation of SB107. Because the General Fund is accounted for the modified accrual basis of accounting and the Successor Agency is

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

accounted for under the full accrual basis of accounting, there is a difference between the loss on SB107 interest change in the General Fund and the gain on SB107 interest change in the Successor Agency. This is because unpaid interest is recorded as deferred inflows in the General Fund and as expense in the Successor Agency.

	<u>Governmental activities</u>
Extraordinary loss from SB107 interest change	<u>\$ (12,945,153)</u>
Extraordinary gain from SB107 principal change	<u>\$ 324,614</u>
	<u>Business-type activities</u>
Extraordinary gain from SB107 interest change	<u>\$ 4,837,753</u>
	<u>General Fund</u>
Extraordinary gain from SB107 principal change	<u>\$ 324,614</u>
	<u>Nonmajor enterprise fund</u>
Extraordinary gain from SB107 interest change	<u>\$ 4,837,753</u>

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

Special items

Special items are unusual and infrequent in nature but within the control of management.

During FY 2015-16, the General Fund forgave notes receivable from both the Airport Fund and the Successor Agency. Because the General Fund is accounted for under the modified accrual basis of accounting and the Airport Fund and the Successor Agency are accounted for under the full accrual basis of accounting, there is a difference between the loss on forgiveness in the General Fund and the gain on forgiveness in the Airport Fund and Successor Agency. This is due to unpaid interest being reported as expense in the Airport Fund and the Successor Agency but as deferred inflows of resources in the General Fund balance sheet.

	<u>Governmental activities</u>
Special item loss from forgiveness of debt Airport	\$ (2,136,023)
Special item loss from forgiveness of debt Successor Agency	<u>(9,757,853)</u>
Total Special items	<u><u>\$ (11,893,876)</u></u>
	<u>Business-type activities</u>
Special item gain on forgiveness of debt Airport	\$ 2,136,023
Special item gain on disposition of land Big Blue Bus	<u>8,481,538</u>
Total Special items	<u><u>\$ 10,617,561</u></u>
	<u>General Fund</u>
Special item loss from forgiveness of debt Airport fund	\$ (1,746,608)
Special item loss from forgiveness of debt Successor Agency	<u>(844,902)</u>
Total Special items	<u><u>\$ (2,591,510)</u></u>
	<u>Nonmajor governmental fund</u>
Special item loss from forgiveness of debt Successor Agency	<u><u>\$ (1,870,656)</u></u>
	<u>Big Blue Bus fund</u>
Special item gain on disposition of land Big Blue Bus	<u><u>\$ 8,481,538</u></u>
	<u>Nonmajor enterprise fund</u>
Special item gain from forgiveness of debt General Fund	<u><u>\$ 2,136,023</u></u>

City of Santa Monica, California
Year Ended June 30, 2016

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SANTA MONICA, CALIFORNIA

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual

General Fund

For the fiscal year ended June 30, 2016

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual, GAAP basis</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with final budget</u>
Revenues:						
Property taxes	\$ 47,743,548	48,284,790	50,452,377	—	50,452,377	2,167,587
Sales and use taxes	53,992,812	54,347,000	54,802,839	—	54,802,839	455,839
Other taxes	132,040,131	129,276,000	131,272,639	—	131,272,639	1,996,639
Licenses and permits	37,844,117	39,499,732	41,275,058	—	41,275,058	1,775,326
Intergovernmental	1,174,993	1,442,532	1,580,683	—	1,580,683	138,151
Charges for services	37,637,857	39,384,515	42,737,262	—	42,737,262	3,352,747
Fines and forfeitures	16,041,500	16,221,500	15,904,736	—	15,904,736	(316,764)
Investment income	3,500,000	4,081,000	4,837,627	—	4,837,627	756,627
Rental income	9,787,576	10,028,067	9,879,905	—	9,879,905	(148,162)
Settlement income	2,433,175	2,433,175	2,433,175	—	2,433,175	—
Other revenue and special assessments	5,406,915	5,520,907	7,404,283	—	7,404,283	1,883,376
Total revenues	<u>347,602,624</u>	<u>350,519,218</u>	<u>362,580,584</u>	<u>—</u>	<u>362,580,584</u>	<u>12,061,366</u>
Expenditures:						
General government:						
City council	925,022	1,539,116	1,014,525	130,257	1,144,782	394,334
City manager	5,047,336	6,534,640	5,210,113	201,559	5,411,672	1,122,968
Record and election services	2,406,499	2,451,761	2,313,393	—	2,313,393	138,368
Finance	12,511,969	12,783,244	12,173,059	150,429	12,323,488	459,756
City attorney	10,213,362	10,541,571	10,332,201	—	10,332,201	209,370
Human resources	4,238,638	4,591,082	4,259,286	31,846	4,291,132	299,950
Information systems	9,157,535	9,518,346	8,920,418	112,906	9,033,324	485,022
Community and cultural services	274,023	274,023	—	—	—	274,023
Housing and economic development	1,527	1,527	501	—	501	1,026
Other	4,604,751	4,457,339	4,186,093	18,506	4,204,599	252,740
Capital improvement	12,417,099	33,824,943	12,340,678	7,314,223	19,654,901	14,170,042
Total general government	<u>61,797,761</u>	<u>86,517,592</u>	<u>60,750,267</u>	<u>7,959,726</u>	<u>68,709,993</u>	<u>17,807,599</u>
Public safety:						
City Manager	5,143,903	5,314,561	5,342,455	137,918	5,480,373	(165,812)
Police	81,683,625	82,255,961	79,627,234	7,349	79,634,583	2,621,378
Fire	35,899,381	37,079,847	36,770,416	11,600	36,782,016	297,831
Other	508,725	508,749	458,108	—	458,108	50,641
Capital improvement	4,690,000	20,129,990	8,042,056	3,933,579	11,975,635	8,154,355
Total public safety	<u>\$ 127,925,634</u>	<u>145,289,108</u>	<u>130,240,269</u>	<u>4,090,446</u>	<u>134,330,715</u>	<u>10,958,393</u>

See accompanying notes to basic financial statements.

(Continued)

CITY OF SANTA MONICA, CALIFORNIA

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual

General Fund

For the fiscal year ended June 30, 2016

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual, GAAP basis</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with final budget</u>
General services:						
Planning and community development	\$ 13,590,772	13,665,681	13,186,367	8,653	13,195,020	470,661
Public works	39,440,660	41,464,679	39,264,877	169,590	39,434,467	2,030,212
Other	500,000	2,900,000	1,026,846	732,938	1,759,784	1,140,216
Capital improvement	9,730,575	32,638,320	6,979,726	11,663,870	18,643,596	13,994,724
Total general services	<u>63,262,007</u>	<u>90,668,680</u>	<u>60,457,816</u>	<u>12,575,051</u>	<u>73,032,867</u>	<u>17,635,813</u>
Cultural and recreation services:						
Community and cultural services	26,407,125	27,395,888	25,825,852	498,200	26,324,052	1,071,836
Other	16,497,010	16,909,010	16,682,530	22,500	16,705,030	203,980
Capital improvement	1,650,009	10,101,871	1,878,389	1,099,711	2,978,100	7,123,771
Total cultural and recreation services	<u>44,554,144</u>	<u>54,406,769</u>	<u>44,386,771</u>	<u>1,620,411</u>	<u>46,007,182</u>	<u>8,399,587</u>
Library:						
Library	12,418,631	12,697,496	11,920,423	48,505	11,968,928	728,568
Other	—	245,000	138,075	—	138,075	106,925
Capital improvement	—	938,335	583,433	42,540	625,973	312,362
Total library	<u>12,418,631</u>	<u>13,880,831</u>	<u>12,641,931</u>	<u>91,045</u>	<u>12,732,976</u>	<u>1,147,855</u>
Housing and community development:						
Planning and community development	19,604,851	21,631,815	18,616,056	1,501,779	20,117,835	1,513,980
Housing and economic development	4,756,737	5,095,347	4,347,693	240,349	4,588,042	507,305
Other	2,591,198	3,191,198	2,694,868	42,180	2,737,048	454,150
Capital improvement	—	8,952,316	5,778,986	2,589,155	8,368,141	584,175
Total housing and community development	<u>26,952,786</u>	<u>38,870,676</u>	<u>31,437,603</u>	<u>4,373,463</u>	<u>35,811,066</u>	<u>3,059,610</u>
Debt service expenditures:						
Principal	—	—	2,553,463	—	2,553,463	(2,553,463)
Bond issuance costs	400,000	400,000	535,048	—	535,048	(135,048)
Total debt service expenditures	<u>400,000</u>	<u>400,000</u>	<u>3,088,511</u>	<u>—</u>	<u>3,088,511</u>	<u>(2,688,511)</u>
Total expenditures	<u>337,310,963</u>	<u>430,033,656</u>	<u>343,003,168</u>	<u>30,710,142</u>	<u>373,713,310</u>	<u>56,320,346</u>
Excess (deficiency) of revenues over (under) expenditures	10,291,661	(79,514,438)	19,577,416	(30,710,142)	(11,132,726)	68,381,712
Other financing sources (uses):						
Transfers in	1,726,369	918,217	3,583,551	—	3,583,551	2,665,334
Transfers out	(12,021,984)	(12,888,390)	(12,883,337)	—	(12,883,337)	5,053
Refunding bonds issued	31,000,000	31,000,000	26,360,000	—	26,360,000	(4,640,000)
Premium on debt issued	—	—	2,020,710	—	2,020,710	2,020,710
Payment to refunded bond escrow agent	(31,000,000)	(31,000,000)	(27,826,666)	—	(27,826,666)	3,173,334
Total other financing sources (uses)	<u>(10,295,615)</u>	<u>(11,970,173)</u>	<u>(8,745,742)</u>	<u>—</u>	<u>(8,745,742)</u>	<u>3,224,431</u>
Special item	—	(2,591,510)	(2,591,510)	—	(2,591,510)	—
Extraordinary gain	—	—	324,615	—	324,615	324,615
Total extraordinary item	<u>—</u>	<u>(2,591,510)</u>	<u>(2,266,895)</u>	<u>—</u>	<u>324,615</u>	<u>324,615</u>
Net change in fund balance	(3,954)	(94,076,121)	8,564,779	(30,710,142)	(22,145,363)	71,930,758
Fund balance at beginning of year	<u>378,509,940</u>	<u>378,509,940</u>	<u>378,509,940</u>	<u>—</u>	<u>378,509,940</u>	<u>—</u>
Fund balance at end of year	<u>\$ 378,505,986</u>	<u>284,433,819</u>	<u>387,074,719</u>	<u>(30,710,142)</u>	<u>356,364,577</u>	<u>71,930,758</u>

CITY OF SANTA MONICA, CALIFORNIA

Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual
Special Revenue Source Fund

For the fiscal year ended June 30, 2016

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual, GAAP basis</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with final budget</u>
Revenues:						
Charges for services	\$ 592,961	774,749	1,301,406	—	1,301,406	526,657
Investment income	3,000	3,000	748,918	—	748,918	745,918
Other	4,625,869	5,439,890	25,246,738	—	25,246,738	19,806,848
Total revenues	<u>5,221,830</u>	<u>6,217,639</u>	<u>27,297,062</u>	<u>—</u>	<u>27,297,062</u>	<u>21,079,423</u>
Expenditures:						
General government						
Capital improvement	1,130,000	1,371,847	290,343	184,697	475,040	896,807
Total general government	<u>1,130,000</u>	<u>1,371,847</u>	<u>290,343</u>	<u>184,697</u>	<u>475,040</u>	<u>896,807</u>
Public safety:						
Police	13,001	13,001	9,000	4,001	13,001	—
Fire	—	3,013	3,013	—	3,013	—
Total public safety	<u>13,001</u>	<u>16,014</u>	<u>12,013</u>	<u>4,001</u>	<u>16,014</u>	<u>—</u>
General services:						
Capital improvement	441,000	2,406,260	883,889	680,883	1,564,772	841,488
Total general services	<u>441,000</u>	<u>2,406,260</u>	<u>883,889</u>	<u>680,883</u>	<u>1,564,772</u>	<u>841,488</u>
Cultural and recreation services:						
Planning and community development	250,000	285,000	—	—	—	285,000
Community and cultural services	97,796	97,796	97,399	—	97,399	397
Other	—	356,200	—	—	—	356,200
Capital improvement	—	53,785	53,000	—	53,000	785
Total cultural and recreation services	<u>347,796</u>	<u>792,781</u>	<u>150,399</u>	<u>—</u>	<u>150,399</u>	<u>642,382</u>
Housing and community development:						
Planning and community development	93,656	24,432	12,024	—	12,024	12,408
Other	692,995	692,995	274,315	—	274,315	418,680
Capital improvement	—	22,768,418	7,278,155	3,139,327	10,417,482	12,350,936
Total housing and community development	<u>786,651</u>	<u>23,485,845</u>	<u>7,564,494</u>	<u>3,139,327</u>	<u>10,703,821</u>	<u>12,782,024</u>
Total expenditures	<u>2,718,448</u>	<u>28,072,747</u>	<u>8,901,138</u>	<u>4,008,908</u>	<u>12,910,046</u>	<u>15,162,701</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,503,382</u>	<u>(21,855,108)</u>	<u>18,395,924</u>	<u>(4,008,908)</u>	<u>14,387,016</u>	<u>36,242,124</u>
Other financing uses:						
Transfers in	—	8,749,950	9,239,950	—	9,239,950	490,000
Transfers out	(436,857)	(436,857)	(410,730)	—	(410,730)	26,127
Total other financing uses	<u>(436,857)</u>	<u>8,313,093</u>	<u>8,829,220</u>	<u>—</u>	<u>8,829,220</u>	<u>516,127</u>
Net change in fund balance	<u>2,066,525</u>	<u>(13,542,015)</u>	<u>27,225,144</u>	<u>(4,008,908)</u>	<u>23,216,236</u>	<u>36,758,251</u>
Fund balance at beginning of year	54,379,613	54,379,613	54,379,613	—	54,379,613	—
Fund balance at end of year	<u>\$ 56,446,138</u>	<u>40,837,598</u>	<u>81,604,757</u>	<u>(4,008,908)</u>	<u>77,595,849</u>	<u>36,758,251</u>

See accompanying notes to basic financial statements.

CITY OF SANTA MONICA, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual
Low and Moderate Income Housing Asset Special Revenue Fund
For the fiscal year ended June 30, 2016

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual, GAAP basis</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:						
Investment income	\$ 2,200	2,200	41,094	—	41,094	38,894
Other revenue and special assessments	<u>550,000</u>	<u>550,000</u>	<u>619,969</u>	<u>—</u>	<u>619,969</u>	<u>69,969</u>
Total revenues	<u>552,200</u>	<u>552,200</u>	<u>661,063</u>	<u>—</u>	<u>661,063</u>	<u>108,863</u>
Expenditures:						
Housing and community development:						
Other	245,199	939,999	939,999	—	939,999	—
Capital improvements	—	2,631,660	—	—	—	2,631,660
Total housing and community development	<u>245,199</u>	<u>3,571,659</u>	<u>939,999</u>	<u>—</u>	<u>939,999</u>	<u>2,631,660</u>
Total expenditures	<u>245,199</u>	<u>3,571,659</u>	<u>939,999</u>	<u>—</u>	<u>939,999</u>	<u>2,631,660</u>
Excess (deficiency) of revenues over (under) expenditures	307,001	(3,019,459)	(278,936)	—	(278,936)	2,740,523
Other financing sources:						
Transfers in	<u>1,200,000</u>	<u>1,587,487</u>	<u>1,587,487</u>	<u>—</u>	<u>1,587,487</u>	<u>—</u>
Net change in fund balance	1,507,001	(1,431,972)	1,308,551	—	1,308,551	2,740,523
Fund balance at beginning of year	<u>50,557,812</u>	<u>50,557,812</u>	<u>50,557,812</u>	<u>—</u>	<u>50,557,812</u>	<u>—</u>
Fund balance at end of year	<u>\$ 52,064,813</u>	<u>49,125,840</u>	<u>51,866,363</u>	<u>—</u>	<u>51,866,363</u>	<u>2,740,523</u>

CITY OF SANTA MONICA, CALIFORNIA
 Required Supplementary Information
 Schedule of Changes in the Net Pension Liability and Related Ratios
 As of June 30, 2016 and 2015 (Unaudited)

	2016 ¹				2015			
	Miscellaneous	Police	Fire	Total	Miscellaneous	Police	Fire	Total
Total Pension Liability								
Service Cost	\$ 23,584,538	8,324,522	3,766,398	35,675,458	\$ 24,972,667	8,493,146	3,975,757	37,441,570
Interest on the total pension liability	67,091,447	28,537,027	15,338,448	110,966,922	63,926,580	27,132,667	14,735,448	105,794,695
Changes in assumptions	(16,726,947)	(7,150,335)	(3,653,466)	(27,530,748)	—	—	—	—
Difference between expected and actual experience	(12,672,814)	(501,077)	(515,792)	(13,689,683)	—	—	—	—
Benefit payments, including refunds of employee contributions	(35,460,612)	(17,121,429)	(10,728,684)	(63,310,725)	(32,834,279)	(16,130,411)	(10,085,994)	(59,050,684)
Net change in total pension liability	<u>25,815,612</u>	<u>12,088,708</u>	<u>4,206,904</u>	<u>42,111,224</u>	<u>56,064,968</u>	<u>19,495,402</u>	<u>8,625,211</u>	<u>84,185,581</u>
Total pension liability - beginning	912,350,167	385,082,921	208,152,975	1,505,586,063	856,285,199	365,587,519	199,527,764	1,421,400,482
Total pension liability - ending (a)	<u>\$ 938,165,779</u>	<u>397,171,629</u>	<u>212,359,879</u>	<u>1,547,697,287</u>	<u>\$ 912,350,167</u>	<u>385,082,921</u>	<u>208,152,975</u>	<u>1,505,586,063</u>
Plan fiduciary net position								
Contribution - employer	\$ 28,349,184	13,033,273	5,142,818	46,525,275	\$ 27,433,064	12,515,162	4,954,271	44,902,497
Contribution - employee	10,754,206	2,695,506	1,375,301	14,825,013	11,418,160	3,372,358	1,421,733	16,212,251
Net investment income ²	15,956,734	6,513,781	3,458,100	25,928,615	104,724,175	43,315,499	23,479,329	171,519,003
Benefit payments	(35,460,612)	(17,121,429)	(10,728,684)	(63,310,725)	(32,834,279)	(16,130,411)	(10,085,994)	(59,050,684)
Plan to plan resource movement	(909)	—	—	(909)	—	—	—	—
Administrative expense	(806,463)	(328,610)	(171,948)	(1,307,021)	—	—	—	—
Net change in plan fiduciary - net position	<u>18,792,140</u>	<u>4,792,521</u>	<u>(924,413)</u>	<u>22,660,248</u>	<u>110,741,120</u>	<u>43,072,608</u>	<u>19,769,339</u>	<u>173,583,067</u>
Plan fiduciary net position - beginning	697,436,244	287,134,868	153,705,800	1,138,276,912	586,695,124	244,062,260	133,936,461	964,693,845
Plan fiduciary net position - ending (b)	<u>716,228,384</u>	<u>291,927,389</u>	<u>152,781,387</u>	<u>1,160,937,160</u>	<u>697,436,244</u>	<u>287,134,868</u>	<u>153,705,800</u>	<u>1,138,276,912</u>
Net pension liability - ending (a)-(b)	<u>\$ 221,937,395</u>	<u>105,244,240</u>	<u>59,578,492</u>	<u>386,760,127</u>	<u>\$ 214,913,922</u>	<u>97,948,053</u>	<u>54,447,175</u>	<u>367,309,150</u>
Plan fiduciary net position as a percentage of the total pension liability	76.34%	73.50%	71.94%	75.01%	76.44%	74.56%	73.84%	75.60%
Covered employee payroll	\$ 134,606,146	29,213,137	15,272,985	179,092,268	\$ 131,384,667	28,375,509	15,475,954	175,236,130
Net pension liability as a percentage of covered-employee payroll	164.88%	360.26%	390.09%	215.96%	163.58%	345.19%	351.82%	209.61%

¹Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

²Net of administrative expenses in 2015: Miscellaneous - \$888,896; Police - 361,114; Fire - \$194,446

Notes to Schedule:

Benefit Changes: There were no changes in benefits.

Changes of Assumptions: The discount rate was changed from 7.5 percent (net of administration expenses) to 7.65 percent.

CITY OF SANTA MONICA, CALIFORNIA
 Required Supplementary Information
 Schedule of Contributions - Pension Plans
 As of June 30, 2016 and 2015 (Unaudited)

	2016				2015			
	<u>Miscellaneous</u>	<u>Police</u>	<u>Fire</u>	<u>Total</u>	<u>Miscellaneous</u>	<u>Police</u>	<u>Fire</u>	<u>Total</u>
Actuarially determined contribution	\$ 27,377,582	12,327,896	5,185,401	44,890,879	\$ 25,320,840	11,589,142	4,615,293	41,525,275
Contributions in relation to actuarially determined contributions	(28,152,578)	(12,697,470)	(5,320,402)	(46,170,450)	(28,349,184)	(13,033,273)	(5,142,818)	(46,525,275)
Contribution excess	<u>\$ (774,996)</u>	<u>(369,574)</u>	<u>(135,001)</u>	<u>(1,279,571)</u>	<u>\$ (3,028,344)</u>	<u>(1,444,131)</u>	<u>(527,525)</u>	<u>(5,000,000)</u>
Covered payroll	\$ 139,449,349	29,940,893	16,307,173	185,697,415	\$ 134,606,146	29,213,137	15,272,985	179,092,268
Contributions as a percentage of covered-employee payroll	20.19%	42.41%	32.63%	24.86%	21.06%	44.61%	33.67%	25.98%

Notes to Schedule

Valuation date	Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.	Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percentage of Payroll	Level Percentage of Payroll
Asset Valuation Method	Market Value	Market Value
Inflation	2.75%	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%.	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%	3.00%
Investments Rate of Return	7.65%	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	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.	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, 2016
 (Unaudited)

OPEB FUNDING INFORMATION:

<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>
2015	\$ 1,246,460	\$ 29,094,591	\$ 27,848,131	4.28%	\$ 164,870,694	16.89%
2013	—	28,292,513	28,292,513	0%	154,531,776	18.31%
2011	—	23,841,000	23,841,000	0%	167,724,000	14.21%

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.

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City of Santa Monica, California
Year Ended June 30, 2016

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.

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.

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.

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.

CITY OF SANTA MONICA, CALIFORNIA

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, 2016

		Special Revenue Funds					
		Beach Recreation	Housing Authority	TORCA	Asset Seizure	Citizens Option for Public Safety	Rent Control
Assets							
Cash and investments	\$	16,865,200	19,821	5,477,846	448,999	144,928	1,530,498
Restricted cash and investments		69,204	369,340	-	-	-	-
Receivables (net, where applicable, of allowances for uncollectibles):							
Accounts		293,504	3,818	-	5,080	765	77,745
Notes		-	-	7,653,466	-	-	-
Interest		43,718	-	13,082	1,573	557	6,553
Other governments		-	438,614	-	-	-	-
Deposits		-	-	-	-	-	-
Prepays		-	15,205	-	-	-	34,243
Restricted cash and investments with fiscal agent		-	-	-	-	-	-
Total assets	\$	<u>17,271,626</u>	<u>846,798</u>	<u>13,144,394</u>	<u>455,652</u>	<u>146,250</u>	<u>1,649,039</u>
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$	1,343,463	164,948	496	-	29	20,680
Accrued liabilities		202,750	63,974	-	-	-	160,820
Contracts payable (retained percentage)		27,295	-	-	-	-	-
Due to other funds		-	437,629	-	-	-	-
Deposits payable		70,204	-	-	-	-	-
Advances from other funds		3,842,973	-	-	-	-	-
Total liabilities		<u>5,486,685</u>	<u>666,551</u>	<u>496</u>	<u>-</u>	<u>29</u>	<u>181,500</u>
Fund balances							
Nonspendable		-	15,205	-	-	-	34,243
Restricted		11,603,603	73,002	13,143,898	455,652	146,221	1,018,780
Committed		-	-	-	-	-	41,975
Assigned		181,338	92,040	-	-	-	372,541
Total fund balances		<u>11,784,941</u>	<u>180,247</u>	<u>13,143,898</u>	<u>455,652</u>	<u>146,221</u>	<u>1,467,539</u>
Total liabilities and fund balances	\$	<u>17,271,626</u>	<u>846,798</u>	<u>13,144,394</u>	<u>455,652</u>	<u>146,250</u>	<u>1,649,039</u>

continued

CITY OF SANTA MONICA, CALIFORNIA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016

	Special Revenue Funds		Capital Projects Funds			
	Gas Tax	Disaster Relief	Clean Beaches and Ocean Parcel Tax	Community Development Block Grant	SCAQMD	Parks and Recreation
Assets						
Cash and investments	\$ 78,074	-	8,707,983	23,260	650,636	157,171
Restricted cash and investments	-	-	-	455,008	-	-
Receivables (net, where applicable, of allowances for uncollectibles):						
Accounts	-	-	40,665	-	-	200
Notes	-	-	-	9,533,344	-	-
Interest	1,135	-	23,215	812	1,663	478
Other governments	-	-	-	-	31,916	-
Deposits	-	-	-	3,257	-	-
Prepays	-	-	-	-	-	-
Restricted cash and investments with fiscal agent	-	-	-	-	-	-
Total assets	<u>\$ 79,209</u>	<u>-</u>	<u>8,771,863</u>	<u>10,015,681</u>	<u>684,215</u>	<u>157,849</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 47	-	27,756	292	11	6,765
Accrued liabilities	-	-	363	-	-	-
Contracts payable (retained percentage)	937	-	3,060	-	-	-
Due to other funds	-	-	-	-	-	-
Deposits payable	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-
Total liabilities	<u>984</u>	<u>-</u>	<u>31,179</u>	<u>292</u>	<u>11</u>	<u>6,765</u>
Fund balances						
Nonspendable	-	-	-	-	-	-
Restricted	78,225	-	8,740,684	10,015,389	684,204	151,084
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Total fund balances	<u>78,225</u>	<u>-</u>	<u>8,740,684</u>	<u>10,015,389</u>	<u>684,204</u>	<u>151,084</u>
Total liabilities and fund balances	<u>\$ 79,209</u>	<u>-</u>	<u>8,771,863</u>	<u>10,015,681</u>	<u>684,215</u>	<u>157,849</u>

continued

CITY OF SANTA MONICA, CALIFORNIA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016

	Debt Service Fund	Permanent Funds		Total nonmajor governmental funds
	Debt Service	Cemetery Perpetual Care	Mausoleum Perpetual Care	
Assets				
Cash and investments	\$ -	8,000	3,968	34,116,384
Restricted cash and investments	-	-	-	893,552
Receivables (net, where applicable, of allowances for uncollectibles):				
Accounts	-	1,875	-	423,652
Notes	-	-	-	17,186,810
Interest	-	71,615	9,078	173,479
Other governments	-	-	-	470,530
Deposits	-	-	-	3,257
Prepays	-	-	-	49,448
Restricted cash and investments with fiscal agent	5,930,475	10,270,981	1,203,803	17,405,259
Total assets	<u>\$ 5,930,475</u>	<u>10,352,471</u>	<u>1,216,849</u>	<u>70,722,371</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ -	-	-	1,564,487
Accrued liabilities	-	-	-	427,907
Contracts payable (retained percentage)	-	-	-	31,292
Due to other funds	-	-	-	437,629
Deposits payable	-	-	-	70,204
Advances from other funds	-	-	-	3,842,973
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,374,492</u>
Fund balances				
Nonspendable	-	10,352,471	1,216,849	11,618,768
Restricted	5,930,475	-	-	52,041,217
Committed	-	-	-	41,975
Assigned	-	-	-	645,919
Total fund balances	<u>5,930,475</u>	<u>10,352,471</u>	<u>1,216,849</u>	<u>64,347,879</u>
Total liabilities and fund balances	<u>\$ 5,930,475</u>	<u>10,352,471</u>	<u>1,216,849</u>	<u>70,722,371</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, 2016

	Special Revenue Funds					
	Beach Recreation	Housing Authority	TORCA	Asset Seizure	Citizens Option for Public Safety	Rent Control
Revenues:						
Other taxes	\$ -	-	103,997	-	-	-
Licenses and permits	92,866	-	-	-	-	-
Intergovernmental	-	16,096,563	-	179,839	167,091	-
Charges for services	12,752,195	-	-	-	-	4,663,816
Investment income	236,687	384	70,998	6,735	2,991	44,639
Rental income	1,803,503	-	-	-	-	-
Other revenue and special assessments	843,539	-	266,426	-	-	3,603
Total revenues	<u>15,728,790</u>	<u>16,096,947</u>	<u>441,421</u>	<u>186,574</u>	<u>170,082</u>	<u>4,712,058</u>
Expenditures:						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	560,154	291,605	-
General services	5,477,713	-	-	-	-	-
Cultural and recreation services	9,308,117	-	-	-	-	-
Housing and community development	-	16,571,379	87,863	-	-	4,668,583
Debt service expenditures:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	<u>14,785,830</u>	<u>16,571,379</u>	<u>87,863</u>	<u>560,154</u>	<u>291,605</u>	<u>4,668,583</u>
Excess (deficiency) of revenues over (under) expenditures	<u>942,960</u>	<u>(474,432)</u>	<u>353,558</u>	<u>(373,580)</u>	<u>(121,523)</u>	<u>43,475</u>
Other financing sources (uses)						
Transfers in	-	507,856	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>507,856</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Special item	-	-	-	-	-	-
Net change in fund balances	942,960	33,424	353,558	(373,580)	(121,523)	43,475
Fund balances (deficit) at the beginning of year, as restated	<u>10,841,981</u>	<u>146,823</u>	<u>12,790,340</u>	<u>829,232</u>	<u>267,744</u>	<u>1,424,064</u>
Fund balances at end of year	<u>\$ 11,784,941</u>	<u>180,247</u>	<u>13,143,898</u>	<u>455,652</u>	<u>146,221</u>	<u>1,467,539</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, 2016

	Special Revenue Funds		Capital Projects Funds			
	Gas Tax	Disaster Relief	Clean Beaches and Ocean Parcel Tax	Community Development Block Grant	SCAQMD	Parks and Recreation
Revenues:						
Other taxes	\$ -	-	2,882,819	-	-	14,310
Licenses and permits	-	-	-	-	-	-
Intergovernmental	2,004,349	2,800,188	-	539,353	118,852	-
Charges for services	-	-	-	-	-	-
Investment income	3,747	-	119,155	4,576	8,315	2,326
Rental income	-	-	-	-	-	-
Other revenue and special assessments	-	-	-	-	-	-
Total revenues	<u>2,008,096</u>	<u>2,800,188</u>	<u>3,001,974</u>	<u>543,929</u>	<u>127,167</u>	<u>16,636</u>
Expenditures:						
Current:						
General government	-	-	-	6,910	5,759	-
Public safety	-	-	-	-	-	-
General services	2,008,092	-	1,414,722	26,552	55,335	-
Cultural and recreation services	-	-	-	333,289	-	59,851
Housing and community development	-	-	-	110,413	-	-
Debt service expenditures:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	<u>2,008,092</u>	<u>-</u>	<u>1,414,722</u>	<u>477,164</u>	<u>61,094</u>	<u>59,851</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4</u>	<u>2,800,188</u>	<u>1,587,252</u>	<u>66,765</u>	<u>66,073</u>	<u>(43,215)</u>
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	(948,940)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(948,940)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Special item	-	-	-	(1,870,656)	-	-
Net change in fund balances	4	2,800,188	638,312	(1,803,891)	66,073	(43,215)
Fund balances (deficit) at the beginning of year, as restated	78,221	(2,800,188)	8,102,372	11,819,280	618,131	194,299
Fund balances at end of year	<u>\$ 78,225</u>	<u>-</u>	<u>8,740,684</u>	<u>10,015,389</u>	<u>684,204</u>	<u>151,084</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, 2016

	Debt Service Fund	Permanent Funds		Total nonmajor governmental funds
	Debt Service	Cemetery Perpetual Care	Mausoleum Perpetual Care	
Revenues:				
Other taxes	\$ -	-	-	3,001,126
Licenses and permits	-	-	-	92,866
Intergovernmental	-	-	-	21,906,235
Charges for services	-	187,989	24,908	17,628,908
Investment income	51,111	377,458	54,150	983,272
Rental income	-	-	-	1,803,503
Other revenue and special assessments	-	-	-	1,113,568
Total revenues	<u>51,111</u>	<u>565,447</u>	<u>79,058</u>	<u>46,529,478</u>
Expenditures:				
Current:				
General government	-	-	-	12,669
Public safety	-	-	-	851,759
General services	-	-	-	8,982,414
Cultural and recreation services	-	-	-	9,701,257
Housing and community development	-	-	-	21,438,238
Debt service expenditures:				
Principal	6,235,000	-	-	6,235,000
Interest	3,392,287	-	-	3,392,287
Total expenditures	<u>9,627,287</u>	<u>-</u>	<u>-</u>	<u>50,613,624</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(9,576,176)</u>	<u>565,447</u>	<u>79,058</u>	<u>(4,084,146)</u>
Other financing sources (uses)				
Transfers in	9,322,417	-	-	9,830,273
Transfers out	(2,534,463)	(441,554)	(52,402)	(3,977,359)
Total other financing sources (uses)	<u>6,787,954</u>	<u>(441,554)</u>	<u>(52,402)</u>	<u>5,852,914</u>
Special item	-	-	-	(1,870,656)
Net change in fund balances	(2,788,222)	123,893	26,656	(101,888)
Fund balances (deficit) at the beginning of year, as restated	8,718,697	10,228,578	1,190,193	64,449,767
Fund balances at end of year	<u>\$ 5,930,475</u>	<u>10,352,471</u>	<u>1,216,849</u>	<u>64,347,879</u>

CITY OF SANTA MONICA, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual
Beach Recreation Special Revenue Fund
For the fiscal year ended June 30, 2016

	<u>Budget</u>	<u>Actual, GAAP basis</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Licenses and permits	\$ 88,000	92,866	—	92,866	4,866
Intergovernmental	30,000	—	—	—	(30,000)
Charges for services	11,923,041	12,752,195	—	12,752,195	829,154
Investment income	145,000	236,687	—	236,687	91,687
Rental income	1,451,072	1,803,503	—	1,803,503	352,431
Other revenue and special assessments	656,389	843,539	—	843,539	187,150
Total revenues	<u>14,293,502</u>	<u>15,728,790</u>	<u>—</u>	<u>15,728,790</u>	<u>1,435,288</u>
Expenditures:					
General services:					
Public Works	5,326,713	4,999,066	56,347	5,055,413	271,300
Capital improvement	649,167	478,647	160,000	638,647	10,520
Total general services	<u>5,975,880</u>	<u>5,477,713</u>	<u>216,347</u>	<u>5,694,060</u>	<u>281,820</u>
Cultural and recreation services:					
Community and cultural services	8,681,328	8,179,890	213,721	8,393,611	287,717
Other	33,008	33,008	—	33,008	—
Capital improvement	3,910,102	1,095,219	615,913	1,711,132	2,198,970
Total cultural and recreation services	<u>12,624,438</u>	<u>9,308,117</u>	<u>829,634</u>	<u>10,137,751</u>	<u>2,486,687</u>
Total expenditures	<u>18,600,318</u>	<u>14,785,830</u>	<u>1,045,981</u>	<u>15,831,811</u>	<u>2,768,507</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,306,816)</u>	<u>942,960</u>	<u>(1,045,981)</u>	<u>(103,021)</u>	<u>4,203,795</u>
Net change in fund balance	<u>(4,306,816)</u>	<u>942,960</u>	<u>(1,045,981)</u>	<u>(103,021)</u>	<u>4,203,795</u>
Fund balance at beginning of year	<u>10,841,981</u>	<u>10,841,981</u>	<u>—</u>	<u>10,841,981</u>	<u>—</u>
Fund balance at end of year	<u>\$ 6,535,165</u>	<u>11,784,941</u>	<u>(1,045,981)</u>	<u>10,738,960</u>	<u>4,203,795</u>

CITY OF SANTA MONICA, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual
Housing Authority Special Revenue Fund
For the fiscal year ended June 30, 2016

	<u>Budget</u>	<u>Actual, GAAP basis</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Intergovernmental	\$ 17,841,897	16,096,563	—	16,096,563	(1,745,334)
Investment income	—	384	—	384	384
Total revenues	<u>17,841,897</u>	<u>16,096,947</u>	<u>—</u>	<u>16,096,947</u>	<u>(1,744,950)</u>
Expenditures:					
Housing and community development:					
Housing and economic development	18,501,709	16,559,008	—	16,559,008	1,942,701
Other	12,189	—	—	—	12,189
Capital improvement	12,371	12,371	—	12,371	—
Total housing and community development	<u>18,526,269</u>	<u>16,571,379</u>	<u>—</u>	<u>16,571,379</u>	<u>1,954,890</u>
Cultural and recreation services:					
Other	6,005	—	—	—	6,005
Total cultural and recreation services	<u>6,005</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,005</u>
Total expenditures	<u>18,532,274</u>	<u>16,571,379</u>	<u>—</u>	<u>16,571,379</u>	<u>1,960,895</u>
Deficiency of revenues under expenditures	(690,377)	(474,432)	—	(474,432)	215,945
Other financing sources:					
Transfers in	399,970	507,856	—	507,856	107,886
Net change in fund balance	<u>(290,407)</u>	<u>33,424</u>	<u>—</u>	<u>33,424</u>	<u>323,831</u>
Fund balance at beginning of year	<u>146,823</u>	<u>146,823</u>	<u>—</u>	<u>146,823</u>	<u>—</u>
Fund balance at end of year	<u>\$ (143,584)</u>	<u>180,247</u>	<u>—</u>	<u>180,247</u>	<u>323,831</u>

CITY OF SANTA MONICA, CALIFORNIA

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

For the fiscal year ended June 30, 2016

	<u>Budget</u>	<u>Actual, GAAP basis</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Other taxes	\$ 40,000	103,997	—	103,997	63,997
Investment income	50,000	70,998	—	70,998	20,998
Other revenue and special assessments	264,756	266,426	—	266,426	1,670
Total revenues	<u>354,756</u>	<u>441,421</u>	<u>—</u>	<u>441,421</u>	<u>86,665</u>
Expenditures:					
Housing and community development:					
Other	77,433	77,433	—	77,433	—
Capital improvement	5,310,094	10,430	2,999,511	3,009,941	2,300,153
Total housing and community development	<u>5,387,527</u>	<u>87,863</u>	<u>2,999,511</u>	<u>3,087,374</u>	<u>2,300,153</u>
Total expenditures	<u>5,387,527</u>	<u>87,863</u>	<u>2,999,511</u>	<u>3,087,374</u>	<u>2,300,153</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,032,771)</u>	<u>353,558</u>	<u>(2,999,511)</u>	<u>(2,645,953)</u>	<u>2,386,818</u>
Net change in fund balance	<u>(5,032,771)</u>	<u>353,558</u>	<u>(2,999,511)</u>	<u>(2,645,953)</u>	<u>2,386,818</u>
Fund balance at beginning of year	<u>12,790,340</u>	<u>12,790,340</u>	<u>—</u>	<u>12,790,340</u>	<u>—</u>
Fund balance at end of year	<u>\$ 7,757,569</u>	<u>13,143,898</u>	<u>(2,999,511)</u>	<u>10,144,387</u>	<u>2,386,818</u>

CITY OF SANTA MONICA, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual
Citizens Option for Public Safety Special Revenue Fund
For the fiscal year ended June 30, 2016

	<u>Budget</u>	<u>Actual, GAAP basis</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Intergovernmental	\$ 100,000	167,091	—	167,091	67,091
Investment income	1,100	2,991	—	2,991	1,891
Total revenues	<u>101,100</u>	<u>170,082</u>	<u>—</u>	<u>170,082</u>	<u>68,982</u>
Expenditures:					
Public safety:					
Police	293,804	291,605	—	291,605	2,199
Total public safety	<u>293,804</u>	<u>291,605</u>	<u>—</u>	<u>291,605</u>	<u>2,199</u>
Total expenditures	<u>293,804</u>	<u>291,605</u>	<u>—</u>	<u>291,605</u>	<u>2,199</u>
Excess (deficiency) of revenues under expenditures	<u>(192,704)</u>	<u>(121,523)</u>	<u>—</u>	<u>(121,523)</u>	<u>71,181</u>
Net change in fund balance	<u>(192,704)</u>	<u>(121,523)</u>	<u>—</u>	<u>(121,523)</u>	<u>71,181</u>
Fund balance at beginning of year	<u>267,744</u>	<u>267,744</u>	<u>—</u>	<u>267,744</u>	<u>—</u>
Fund balance at end of year	<u><u>\$ 75,040</u></u>	<u><u>146,221</u></u>	<u><u>—</u></u>	<u><u>146,221</u></u>	<u><u>71,181</u></u>

CITY OF SANTA MONICA, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual
Gas Tax Special Revenue Fund
For the fiscal year ended June 30, 2016

	<u>Budget</u>	<u>Actual, GAAP basis</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Intergovernmental	\$ 1,959,004	2,004,349	—	2,004,349	45,345
Investment income	8,000	3,747	—	3,747	(4,253)
Total revenues	<u>1,967,004</u>	<u>2,008,096</u>	<u>—</u>	<u>2,008,096</u>	<u>41,092</u>
Expenditures:					
General services:					
Other	2,009,250	2,008,092	—	2,008,092	1,158
Total general services	<u>2,009,250</u>	<u>2,008,092</u>	<u>—</u>	<u>2,008,092</u>	<u>1,158</u>
Total expenditures	<u>2,009,250</u>	<u>2,008,092</u>	<u>—</u>	<u>2,008,092</u>	<u>1,158</u>
Deficiency of revenues under expenditures	<u>(42,246)</u>	<u>4</u>	<u>—</u>	<u>4</u>	<u>42,250</u>
Net change in fund balance	<u>(42,246)</u>	<u>4</u>	<u>—</u>	<u>4</u>	<u>42,250</u>
Fund balance at beginning of year	<u>78,221</u>	<u>78,221</u>	<u>—</u>	<u>78,221</u>	<u>—</u>
Fund balance at end of year	<u><u>\$ 35,975</u></u>	<u><u>78,225</u></u>	<u><u>—</u></u>	<u><u>78,225</u></u>	<u><u>42,250</u></u>

CITY OF SANTA MONICA, CALIFORNIA

Schedule of Revenues, Expenditures and Changes in
Fund (Deficit) – Budget and Actual
Disaster Relief Special Revenue Fund

For the fiscal year ended June 30, 2016
(As restated)

	<u>Budget</u>	<u>Actual, GAAP basis</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Intergovernmental	\$ —	2,800,188	—	2,800,188	2,800,188
Total revenues	—	2,800,188	—	2,800,188	2,800,188
Excess of revenues over expenditures	—	2,800,188	—	2,800,188	2,800,188
Net change in fund balance	—	2,800,188	—	2,800,188	2,800,188
Fund deficit at beginning of year, as restated	(2,800,188)	(2,800,188)	—	(2,800,188)	—
Fund deficit at end of year	\$ (2,800,188)	—	—	—	2,800,188

CITY OF SANTA MONICA, CALIFORNIA

Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual
Clean Beaches and Ocean Parcel Tax Capital Projects Fund

For the fiscal year ended June 30, 2016

	<u>Budget</u>	<u>Actual, GAAP basis</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Other taxes	\$ 3,065,239	2,882,819	—	2,882,819	(182,420)
Investment income	77,000	119,155	—	119,155	42,155
Total revenues	<u>3,142,239</u>	<u>3,001,974</u>	<u>—</u>	<u>3,001,974</u>	<u>(140,265)</u>
Expenditures:					
General services:					
Public works	892,472	445,202	95,175	540,377	352,095
Capital improvement	7,505,613	969,520	2,886,360	3,855,880	3,649,733
Total general services	<u>8,398,085</u>	<u>1,414,722</u>	<u>2,981,535</u>	<u>4,396,257</u>	<u>4,001,828</u>
Total expenditures	<u>8,398,085</u>	<u>1,414,722</u>	<u>2,981,535</u>	<u>4,396,257</u>	<u>4,001,828</u>
Excess (deficiency) of revenues over (under) expenditures	(5,255,846)	1,587,252	(2,981,535)	(1,394,283)	3,861,563
Other financing uses:					
Transfers out	(948,940)	(948,940)	—	(948,940)	—
Net change in fund balance	<u>(6,204,786)</u>	<u>638,312</u>	<u>(2,981,535)</u>	<u>(2,343,223)</u>	<u>3,861,563</u>
Fund balance at beginning of year	<u>8,102,372</u>	<u>8,102,372</u>	<u>—</u>	<u>8,102,372</u>	<u>—</u>
Fund balance at end of year	<u>\$ 1,897,586</u>	<u>8,740,684</u>	<u>(2,981,535)</u>	<u>5,759,149</u>	<u>3,861,563</u>

CITY OF SANTA MONICA, CALIFORNIA

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

For the fiscal year ended June 30, 2016

	<u>Budget</u>	<u>Actual, GAAP basis</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Intergovernmental	\$ 1,310,493	539,353	—	539,353	(771,140)
Investment income	—	4,576	—	4,576	4,576
Total revenues	<u>1,310,493</u>	<u>543,929</u>	<u>—</u>	<u>543,929</u>	<u>(766,564)</u>
Expenditures:					
General government:					
Other	6,899	6,910	—	6,910	(11)
Total general government	6,899	6,910	—	6,910	(11)
General services:					
Other	50,000	26,481	—	26,481	23,519
Capital improvement	71	71	—	71	—
Total general government	50,071	26,552	—	26,552	23,519
Cultural and recreation services:					
Community and cultural services	201,268	201,268	—	201,268	—
Capital improvement	196,463	57,070	3,103	60,173	136,290
Total cultural and recreation services	397,731	258,338	3,103	261,441	136,290
Housing and community development:					
Housing and community development:	355,000	74,951	120,000	194,951	160,049
Other	227,600	98,485	—	98,485	129,115
Capital improvement	792,300	11,928	738,364	750,292	42,008
Total housing and community development	1,374,900	185,364	858,364	1,043,728	331,172
Total expenditures	<u>1,829,601</u>	<u>477,164</u>	<u>861,467</u>	<u>1,338,631</u>	<u>490,970</u>
Excess (deficiency) of revenues over (under) expenditures	(519,108)	66,765	(861,467)	(794,702)	(275,594)
Special item	(1,870,656)	(1,870,656)	—	(1,870,656)	—
Net change in fund balance	(2,389,764)	(1,803,891)	(861,467)	(2,665,358)	(275,594)
Fund balance at beginning of year	11,819,280	11,819,280	—	11,819,280	—
Fund balance at end of year	<u>\$ 9,429,516</u>	<u>10,015,389</u>	<u>(861,467)</u>	<u>9,153,922</u>	<u>(275,594)</u>

CITY OF SANTA MONICA, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual
South Coast Air Quality Management District (SCAQMD) Capital Projects Fund
For the fiscal year ended June 30, 2016

	<u>Budget</u>	<u>Actual, GAAP basis</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Intergovernmental	\$ 110,000	118,852	—	118,852	8,852
Investment income	3,000	8,315	—	8,315	5,315
Total revenues	<u>113,000</u>	<u>127,167</u>	<u>—</u>	<u>127,167</u>	<u>14,167</u>
Expenditures:					
General government:					
Other	12,519	5,759	6,760	12,519	—
Total general government	<u>12,519</u>	<u>5,759</u>	<u>6,760</u>	<u>12,519</u>	<u>—</u>
General services:					
Capital improvement	357,059	55,335	187,810	243,145	113,914
Total general services	<u>357,059</u>	<u>55,335</u>	<u>187,810</u>	<u>243,145</u>	<u>113,914</u>
Total expenditures	<u>369,578</u>	<u>61,094</u>	<u>194,570</u>	<u>255,664</u>	<u>113,914</u>
Deficiency of revenues under expenditures	<u>(256,578)</u>	<u>66,073</u>	<u>(194,570)</u>	<u>(128,497)</u>	<u>128,081</u>
Net change in fund balance	<u>(256,578)</u>	<u>66,073</u>	<u>(194,570)</u>	<u>(128,497)</u>	<u>128,081</u>
Fund balance at beginning of year	<u>618,131</u>	<u>618,131</u>	<u>—</u>	<u>618,131</u>	<u>—</u>
Fund balance at end of year	<u>\$ 361,553</u>	<u>684,204</u>	<u>(194,570)</u>	<u>489,634</u>	<u>128,081</u>

CITY OF SANTA MONICA, CALIFORNIA

Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual
Parks and Recreation Capital Projects Fund

For the fiscal year ended June 30, 2016

	<u>Budget</u>	<u>Actual, GAAP basis</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:					
Other taxes	\$ —	14,310	—	14,310	14,310
Investment income	1,000	2,326	—	2,326	1,326
Total revenues	<u>1,000</u>	<u>16,636</u>	<u>—</u>	<u>16,636</u>	<u>15,636</u>
Expenditures:					
Cultural and recreation services:					
Capital improvement	292,483	59,851	20,412	80,263	212,220
Total cultural and recreation services	<u>292,483</u>	<u>59,851</u>	<u>20,412</u>	<u>80,263</u>	<u>212,220</u>
Total expenditures	<u>292,483</u>	<u>59,851</u>	<u>20,412</u>	<u>80,263</u>	<u>212,220</u>
Deficiency of revenues under expenditures	<u>(291,483)</u>	<u>(43,215)</u>	<u>(20,412)</u>	<u>(63,627)</u>	<u>227,856</u>
Net change in fund balance	<u>(291,483)</u>	<u>(43,215)</u>	<u>(20,412)</u>	<u>(63,627)</u>	<u>227,856</u>
Fund balance at beginning of year	<u>194,299</u>	<u>194,299</u>	<u>—</u>	<u>194,299</u>	<u>—</u>
Fund balance at end of year	<u><u>\$ (97,184)</u></u>	<u><u>151,084</u></u>	<u><u>(20,412)</u></u>	<u><u>130,672</u></u>	<u><u>227,856</u></u>

CITY OF SANTA MONICA, CALIFORNIA

Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual
Miscellaneous Grants Capital Projects Fund
For the fiscal year ended June 30, 2016

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual, GAAP basis</u>	<u>Encumbrance</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:						
Intergovernmental	\$ 30,121,693	45,380,518	16,125,852	—	16,125,852	(29,254,666)
Investment income	66,000	66,000	110,296	—	110,296	44,296
Total revenues	<u>30,187,693</u>	<u>45,446,518</u>	<u>16,236,148</u>	<u>—</u>	<u>16,236,148</u>	<u>(29,210,370)</u>
Expenditures:						
General government:						
City manager	25,000	258,400	170,993	126,449	297,442	(39,042)
Community and cultural services	—	417,461	130,000	57,500	187,500	229,961
Capital improvement	—	1,487,609	—	—	—	1,487,609
Total general government	<u>25,000</u>	<u>2,163,470</u>	<u>300,993</u>	<u>183,949</u>	<u>484,942</u>	<u>1,678,528</u>
Public safety:						
Police	484,316	729,857	406,088	—	406,088	323,769
Fire	—	1,248,677	1,071,570	—	1,071,570	177,107
Capital improvement	—	3,285,043	47,756	3,197,543	3,245,299	39,744
Total public safety	<u>484,316</u>	<u>5,263,577</u>	<u>1,525,414</u>	<u>3,197,543</u>	<u>4,722,957</u>	<u>540,620</u>
General services:						
Public works	40,000	411,171	366,378	—	366,378	44,793
Big Blue Bus	387,538	387,538	363,329	—	363,329	24,209
Other	710,000	710,000	694,045	—	694,045	15,955
Capital improvement	3,088,772	36,219,935	16,382,475	8,183,177	24,565,652	11,654,283
Total general services	<u>4,226,310</u>	<u>37,728,644</u>	<u>17,806,227</u>	<u>8,183,177</u>	<u>25,989,404</u>	<u>11,739,240</u>
Cultural and recreation services:						
Community and cultural services	570,911	716,105	469,509	—	469,509	246,596
Capital improvement	—	35,000	35,000	—	35,000	—
Total cultural and recreation services	<u>570,911</u>	<u>751,105</u>	<u>504,509</u>	<u>—</u>	<u>504,509</u>	<u>246,596</u>
Library						
Library	—	30,000	25,502	—	25,502	4,498
Total library	<u>—</u>	<u>30,000</u>	<u>25,502</u>	<u>—</u>	<u>25,502</u>	<u>4,498</u>
Housing and community development:						
Planning and community development	—	875,000	264,735	77,265	342,000	533,000
Big Blue Bus	96,000	96,000	96,000	—	96,000	—
Housing and economic development	594,027	598,086	301,860	—	301,860	296,226
Capital improvement	—	5,468,606	5,042,873	312,806	5,355,679	112,927
Total housing and community development	<u>690,027</u>	<u>7,037,692</u>	<u>5,705,468</u>	<u>390,071</u>	<u>6,095,539</u>	<u>942,153</u>
Total expenditures	<u>5,996,564</u>	<u>52,974,488</u>	<u>25,868,113</u>	<u>11,954,740</u>	<u>37,822,853</u>	<u>15,151,635</u>
Deficiency of revenues under expenditures	<u>24,191,129</u>	<u>(7,527,970)</u>	<u>(9,631,965)</u>	<u>(11,954,740)</u>	<u>(21,586,705)</u>	<u>(14,058,735)</u>
Net change in fund balance	24,191,129	(7,527,970)	(9,631,965)	(11,954,740)	(21,586,705)	(14,058,735)
Fund balance at beginning of year	11,705,833	11,705,833	11,705,833	—	11,705,833	—
Fund balance at end of year	<u>\$ 35,896,962</u>	<u>4,177,863</u>	<u>2,073,868</u>	<u>(11,954,740)</u>	<u>(9,880,872)</u>	<u>(14,058,735)</u>

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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.

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, 2016

Business-Type Activities - Enterprise Funds						
Assets	Airport	Pier	Stormwater Management	Cemetery	Parking Authority	Total nonmajor enterprise funds
Current assets:						
Cash and investments	\$ 7,239,777	3,356,127	9,953	168	2,815,459	13,421,484
Restricted cash and investments	533,938	533,263	3,940,976	-	-	5,008,177
Receivables (net, where applicable, of allowances for uncollectibles):						
Accounts	292,143	15,759	14,983	151,438	-	474,323
Notes receivable Successor Agency	-	-	-	-	3,700,000	3,700,000
Interest	16,856	7,289	7,926	54	17,255	49,380
Prepays	-	5,115	-	-	-	5,115
Total current assets	<u>8,082,714</u>	<u>3,917,553</u>	<u>3,973,838</u>	<u>151,660</u>	<u>6,532,714</u>	<u>22,658,479</u>
Noncurrent assets:						
Notes receivable Successor Agency noncurrent	-	-	-	-	31,612,125	31,612,125
Accrued interest non current	-	-	-	-	16,423,896	16,423,896
Capital assets:						
Land	8	-	-	4	1,362,700	1,362,712
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	-	17,382,609	10,739,803	-	-	28,122,412
Less: accumulated depreciation	(17,136,044)	(12,793,694)	(4,158,577)	(2,115,158)	(473,225)	(36,676,698)
Net capital assets	<u>4,583,893</u>	<u>15,251,351</u>	<u>6,764,275</u>	<u>770,161</u>	<u>1,985,545</u>	<u>29,355,225</u>
Total noncurrent assets	<u>4,583,893</u>	<u>15,251,351</u>	<u>6,764,275</u>	<u>770,161</u>	<u>50,021,566</u>	<u>77,391,246</u>
Total assets	<u>12,666,607</u>	<u>19,168,904</u>	<u>10,738,113</u>	<u>921,821</u>	<u>56,554,280</u>	<u>100,049,725</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows from pensions	179,965	276,153	-	102,083	-	558,201
Liabilities						
Current liabilities:						
Accounts payable	407,945	299,611	34	74,715	68	782,373
Accrued liabilities	69,375	86,106	-	36,471	300	192,252
Contracts payable (retained percentage)	-	25,353	-	-	-	25,353
Compensated absences due within one year	53,861	73,078	-	27,183	-	154,122
Accrued interest payable	-	-	10,516	-	-	10,516
Loans and bonds payable due within one year	-	-	291,777	-	-	291,777
Liabilities payable from restricted assets - deposits	533,938	533,263	-	-	-	1,067,201
Total current liabilities	<u>1,065,119</u>	<u>1,017,411</u>	<u>302,327</u>	<u>138,369</u>	<u>368</u>	<u>2,523,594</u>
Long-term liabilities:						
Compensated absences due in more than one year	23,503	95,726	-	-	-	119,229
Advances from other funds	9,852,117	-	112,285	-	-	9,964,402
Loans and bonds payable due in more than one year	-	-	921,634	-	-	921,634
Net OPEB obligation	31,581	40,215	-	39,405	-	111,201
Net pension liability	1,482,819	2,071,267	-	664,000	-	4,218,086
Total long-term liabilities	<u>11,390,020</u>	<u>2,207,208</u>	<u>1,033,919</u>	<u>703,405</u>	<u>-</u>	<u>15,334,552</u>
Total liabilities	<u>12,455,139</u>	<u>3,224,619</u>	<u>1,336,246</u>	<u>841,774</u>	<u>368</u>	<u>17,858,146</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows from pensions	195,961	263,451	-	81,291	-	540,703
Net position						
Net investment in capital assets	4,583,893	15,251,351	5,550,864	770,161	1,985,545	28,141,814
Unrestricted	(4,388,421)	705,636	3,851,003	(669,322)	54,568,367	54,067,263
Total net position	<u>\$ 195,472</u>	<u>15,956,987</u>	<u>9,401,867</u>	<u>100,839</u>	<u>56,553,912</u>	<u>82,209,077</u>

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, 2016

	Business-Type Activities - Enterprise Funds					Total nonmajor enterprise funds
	Airport	Pier	Stormwater Management	Cemetery	Parking Authority	
Operating revenues						
Charges for services	\$ 7,972,555	7,251,687	1,500,877	1,501,350	-	18,226,469
Total operating revenues	<u>7,972,555</u>	<u>7,251,687</u>	<u>1,500,877</u>	<u>1,501,350</u>	<u>-</u>	<u>18,226,469</u>
Operating expenses						
Personnel services	1,341,319	2,439,999	866,000	823,123	580	5,471,021
Administrative indirect	657,610	395,587	77,616	400,910	-	1,531,723
Contractual services	377,560	1,233,900	134,796	345,945	-	2,092,201
Repairs and maintenance	393,192	533,248	807,554	35,582	-	1,769,576
Materials and supplies	825,127	302,987	122,019	323,764	1,335	1,575,232
Utilities	254,279	182,986	1,832	108,751	-	547,848
Casualty property and liability costs	149,440	301,220	13,810	64,622	-	529,092
Depreciation and amortization	408,969	640,143	301,816	43,073	15,827	1,409,828
Other	800,455	882,728	83,269	24,850	-	1,791,302
Total operating expenses	<u>5,207,951</u>	<u>6,912,798</u>	<u>2,408,712</u>	<u>2,170,620</u>	<u>17,742</u>	<u>16,717,823</u>
Operating income (loss)	<u>2,764,604</u>	<u>338,889</u>	<u>(907,835)</u>	<u>(669,270)</u>	<u>(17,742)</u>	<u>1,508,646</u>
Nonoperating revenues (expenses)						
Investment income	91,380	37,884	45,825	567	939,380	1,115,036
Interest expense	(129,214)	-	(38,986)	-	-	(168,200)
Loss on disposal of capital assets	-	(9,025)	-	-	-	(9,025)
Other nonoperating revenues	829,712	191,664	1,688,546	30,086	-	2,740,008
Total nonoperating revenues (expenses) net	<u>791,878</u>	<u>220,523</u>	<u>1,695,385</u>	<u>30,653</u>	<u>939,380</u>	<u>3,677,819</u>
Income (loss) before transfers, special item and extraordinary item	3,556,482	559,412	787,550	(638,617)	921,638	5,186,465
Transfers in (note 11)	-	-	954,760	617,627	-	1,572,387
Transfers out (note 11)	-	-	-	-	(8,575,795)	(8,575,795)
Special item (note 20)	2,136,023	-	-	-	-	2,136,023
Extraordinary item (note 20)	-	-	-	-	4,837,753	4,837,753
Change in net position	<u>5,692,505</u>	<u>559,412</u>	<u>1,742,310</u>	<u>(20,990)</u>	<u>(2,816,404)</u>	<u>5,156,833</u>
Net position at beginning of year, as restated	<u>(5,497,033)</u>	<u>15,397,575</u>	<u>7,659,557</u>	<u>121,829</u>	<u>59,370,316</u>	<u>77,052,244</u>
Net position at end of year	<u>\$ 195,472</u>	<u>15,956,987</u>	<u>9,401,867</u>	<u>100,839</u>	<u>56,553,912</u>	<u>82,209,077</u>

CITY OF SANTA MONICA, CALIFORNIA

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the fiscal year ended June 30, 2016

	Business-Type Activities - Enterprise Funds					Total nonmajor enterprise funds
	Airport	Pier	Stormwater Management	Cemetery	Parking Authority	
Cash flows from operating activities:						
Cash received from customers	\$ 8,034,504	7,303,828	1,502,431	1,494,432	—	18,335,195
Cash payments for materials and services	(3,233,442)	(3,793,617)	(1,240,887)	(1,292,921)	(2,126)	(9,562,993)
Cash payments to employees for services	(1,344,786)	(2,445,429)	(866,000)	(823,764)	(350)	(5,480,329)
Other nonoperating revenue received	829,712	191,664	1,688,546	30,086	—	2,740,008
Net cash provided by (used in) operating activities	<u>4,285,988</u>	<u>1,256,446</u>	<u>1,084,090</u>	<u>(592,167)</u>	<u>(2,476)</u>	<u>6,031,881</u>
Cash flows from noncapital financing activities:						
Repayment of advances from other funds	(1,070,786)	—	(55,870)	(25,848)	7,937,437	6,784,933
Transfers in	—	—	954,760	617,627	—	1,572,387
Transfers out	—	—	—	—	(8,575,795)	(8,575,795)
Net cash provided by (used in) noncapital financing activities	<u>(1,070,786)</u>	<u>—</u>	<u>898,890</u>	<u>591,779</u>	<u>(638,358)</u>	<u>(218,475)</u>
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	—	(781,116)	—	—	—	(781,116)
Reduction in long-term obligations	—	—	(284,381)	—	—	(284,381)
Interest paid on long-term obligations	(129,214)	—	(41,451)	—	—	(170,665)
Net cash used in capital and related financing activities	<u>(129,214)</u>	<u>(781,116)</u>	<u>(325,832)</u>	<u>—</u>	<u>—</u>	<u>(1,236,162)</u>
Cash flows from investing activities:						
Interest received on investments	84,579	36,798	41,181	556	74,991	238,105
Net cash provided by investing activities	<u>84,579</u>	<u>36,798</u>	<u>41,181</u>	<u>556</u>	<u>74,991</u>	<u>238,105</u>
Net increase (decrease) in cash and cash equivalents	3,170,567	512,128	1,698,329	168	(565,843)	4,815,349
Cash and cash equivalents at beginning of year	4,603,148	3,377,262	2,252,600	—	3,381,302	13,614,312
Cash and cash equivalents at end of year	<u>\$ 7,773,715</u>	<u>3,889,390</u>	<u>3,950,929</u>	<u>168</u>	<u>2,815,459</u>	<u>18,429,661</u>
Cash and investments	\$ 7,239,777	3,356,127	9,953	168	2,815,459	13,421,484
Restricted cash and investments	533,938	533,263	3,940,976	—	—	5,008,177
Total cash and cash equivalents	<u>\$ 7,773,715</u>	<u>3,889,390</u>	<u>3,950,929</u>	<u>168</u>	<u>2,815,459</u>	<u>18,429,661</u>

(Continued)

CITY OF SANTA MONICA, CALIFORNIA

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the fiscal year ended June 30, 2016

	<u>Business-Type Activities - Enterprise Funds</u>					
	<u>Airport</u>	<u>Pier</u>	<u>Stormwater Management</u>	<u>Cemetery</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)	\$ 2,764,604	338,889	(907,835)	(669,270)	(17,742)	1,508,646
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Add depreciation	408,969	640,143	301,816	43,073	15,827	1,409,828
Other nonoperating revenue received	829,712	191,664	1,688,546	30,086	—	2,740,008
Changes in assets and liabilities and deferred outflows and inflows of resources:						
(Increase) decrease in accounts receivable	(73,359)	52,141	1,554	(6,918)	—	(26,582)
(Increase) decrease in prepaids	3,168	(5,115)	—	—	—	(1,947)
Increase (decrease) in accounts payable	236,833	18,801	9	11,503	(791)	266,355
Increase in accrued liabilities	17,448	12,956	—	12,786	230	43,420
Increase (decrease) in contracts payable	(15,780)	25,353	—	—	—	9,573
Increase in deposits payable from restricted assets	135,308	—	—	—	—	135,308
Increase (decrease) in compensated absences payable	8,762	4,512	—	(6,079)	—	7,195
Net OPEB obligation	307	412	—	335	—	1,054
Net pension liability and related changes in deferred outflows and inflows of resources	(29,984)	(23,310)	—	(7,683)	—	(60,977)
Total adjustments	<u>1,521,384</u>	<u>917,557</u>	<u>1,991,925</u>	<u>77,103</u>	<u>15,266</u>	<u>4,523,235</u>
Net cash provided by (used in) operating activities	<u>\$ 4,285,988</u>	<u>1,256,446</u>	<u>1,084,090</u>	<u>(592,167)</u>	<u>(2,476)</u>	<u>6,031,881</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, 2016

	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	\$ 30,148,897	7,661,716	14,376,287	5,939,569	1,065,001	36,410,001	95,601,471
Receivables:							
Accounts	16,226	-	-	-	21,565	-	37,791
Interest	61,141	18,065	34,369	12,380	-	73,186	199,141
Inventory	33,183	-	-	-	-	-	33,183
Prepays	-	-	-	-	9,682	-	9,682
Total current assets	<u>30,259,447</u>	<u>7,679,781</u>	<u>14,410,656</u>	<u>5,951,949</u>	<u>1,096,248</u>	<u>36,483,187</u>	<u>95,881,268</u>
Noncurrent assets:							
Capital assets:							
Machinery and equipment	36,005,496	1,056,015	2,849	7,386	919	10,065	37,082,730
Less: accumulated depreciation	<u>(25,501,278)</u>	<u>(1,009,402)</u>	<u>(2,849)</u>	<u>(7,386)</u>	<u>(919)</u>	<u>(10,065)</u>	<u>(26,531,899)</u>
Net capital assets	10,504,218	46,613	-	-	-	-	10,550,831
Total assets	<u>40,763,665</u>	<u>7,726,394</u>	<u>14,410,656</u>	<u>5,951,949</u>	<u>1,096,248</u>	<u>36,483,187</u>	<u>106,432,099</u>
DEFERRED OUTFLOWS OF RESOURCES							
Deferred outflows from pensions	427,468	-	-	-	242,420	-	669,888
Liabilities							
Current liabilities:							
Accounts payable	342,576	552,749	72,240	16,957	2,374	53,265	1,040,161
Accrued liabilities	134,580	-	-	-	86,135	-	220,715
Compensated absences due within one year	103,081	-	-	-	62,093	-	165,174
Claims payable due within one year	-	-	2,697,180	2,986,570	-	8,587,019	14,270,769
Total current liabilities	<u>580,237</u>	<u>552,749</u>	<u>2,769,420</u>	<u>3,003,527</u>	<u>150,602</u>	<u>8,640,284</u>	<u>15,696,819</u>
Long-term liabilities:							
Compensated absences due in more than one year	84,390	-	-	-	47,569	-	131,959
Claims payable due in more than one year	-	-	3,753,480	2,974,702	-	31,487,353	38,215,535
Net OPEB obligation	114,618	-	-	-	83,226	-	197,844
Net pension liability	3,238,401	-	-	-	1,675,358	-	4,913,759
Total long-term liabilities	<u>3,437,409</u>	<u>-</u>	<u>3,753,480</u>	<u>2,974,702</u>	<u>1,806,153</u>	<u>31,487,353</u>	<u>43,459,097</u>
Total liabilities	<u>4,017,646</u>	<u>552,749</u>	<u>6,522,900</u>	<u>5,978,229</u>	<u>1,956,755</u>	<u>40,127,637</u>	<u>59,155,916</u>
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows from pensions	416,135	-	-	-	209,540	-	625,675
Net position							
Investment in capital assets	10,504,218	46,613	-	-	-	-	10,550,831
Unrestricted	26,253,134	7,127,032	7,887,756	(26,280)	(827,627)	(3,644,450)	36,769,565
Total net position	<u>\$ 36,757,352</u>	<u>7,173,645</u>	<u>7,887,756</u>	<u>(26,280)</u>	<u>(827,627)</u>	<u>(3,644,450)</u>	<u>47,320,396</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, 2016

	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	\$ 11,471,394	2,318,556	3,202,636	2,510,200	2,788,683	13,075,891	35,367,360
Total operating revenues	<u>11,471,394</u>	<u>2,318,556</u>	<u>3,202,636</u>	<u>2,510,200</u>	<u>2,788,683</u>	<u>13,075,891</u>	<u>35,367,360</u>
Operating expenses							
Personnel services	3,408,895	-	381,540	251,364	-	1,173,032	5,214,831
Administrative indirect	601,997	-	50,236	50,236	-	234,433	936,902
Contractual services	141,020	-	80,843	25,415	-	425,367	672,645
Repairs and maintenance	1,875,125	-	19,063	19,063	-	38,657	1,951,908
Materials and supplies	3,328,371	2,323,563	1,688	1,687	3,448	35,132	5,693,889
Utilities	44,264	-	203	202	-	945	45,614
Casualty property and liability costs	93,550	-	1,519	1,519	-	7,088	103,676
Claims expense net of claims reserve adjustment	-	-	3,131,477	2,645,464	-	13,303,284	19,080,225
Insurance and bonds	-	-	764,629	745,631	2,556,908	737,961	4,805,129
Miscellaneous fees and costs	6,795	-	407,712	165,392	1	384,820	964,720
Depreciation and amortization	2,537,386	44,506	-	-	-	-	2,581,892
Total operating expenses	<u>12,037,403</u>	<u>2,368,069</u>	<u>4,838,910</u>	<u>3,905,973</u>	<u>2,560,357</u>	<u>16,340,719</u>	<u>42,051,431</u>
Operating income (loss)	<u>(566,009)</u>	<u>(49,513)</u>	<u>(1,636,274)</u>	<u>(1,395,773)</u>	<u>228,326</u>	<u>(3,264,828)</u>	<u>(6,684,071)</u>
Nonoperating revenues (expenses)							
Investment income	343,561	93,682	186,623	72,704	(251)	443,951	1,140,270
Loss on disposal of capital assets	23,308	-	-	-	-	-	23,308
Other nonoperating revenues	17,821	26,130	1,596	450	4,281	7,914	58,192
Total nonoperating revenues (expenses)	<u>384,690</u>	<u>119,812</u>	<u>188,219</u>	<u>73,154</u>	<u>4,030</u>	<u>451,865</u>	<u>1,221,770</u>
Change in net position	<u>(181,319)</u>	<u>70,299</u>	<u>(1,448,055)</u>	<u>(1,322,619)</u>	<u>232,356</u>	<u>(2,812,963)</u>	<u>(5,462,301)</u>
Net position at beginning 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>
Net position at end of year	<u>\$ 36,757,352</u>	<u>7,173,645</u>	<u>7,887,756</u>	<u>(26,280)</u>	<u>(827,627)</u>	<u>(3,644,450)</u>	<u>47,320,396</u>

CITY OF SANTA MONICA, CALIFORNIA

Combining Statement of Cash Flows

Internal Service Funds

For the fiscal year ended June 30, 2016

	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	\$ 11,469,488	2,318,556	3,202,636	2,510,200	2,787,704	13,075,891	35,364,475
Cash payments for materials and services	(6,276,444)	(1,865,854)	(1,301,830)	(1,083,288)	(2,560,828)	(1,830,021)	(14,918,265)
Cash payments to employees for services	(3,420,953)	—	(381,540)	(251,364)	7,321	(1,173,032)	(5,219,568)
Cash payments for claims and related expenses	—	—	(2,737,752)	(1,374,452)	—	(8,490,158)	(12,602,362)
Other nonoperating revenue received	17,821	26,130	1,596	450	4,281	7,914	58,192
Net cash provided by (used in) operating activities	<u>1,789,912</u>	<u>478,832</u>	<u>(1,216,890)</u>	<u>(198,454)</u>	<u>238,478</u>	<u>1,590,594</u>	<u>2,682,472</u>
Cash flows from capital and related financing activities:							
Acquisition and construction of capital assets	(2,301,906)	—	—	—	—	—	(2,301,906)
Proceeds from sale of capital assets	96,591	—	—	—	—	—	96,591
Net cash used in capital and related financing activities	<u>(2,205,315)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(2,205,315)</u>
Cash flows from investing activities – interest received on investments	333,433	90,259	182,660	70,540	101	421,979	1,098,972
Net increase (decrease) in cash and cash equivalents	<u>(81,970)</u>	<u>569,091</u>	<u>(1,034,230)</u>	<u>(127,914)</u>	<u>238,579</u>	<u>2,012,573</u>	<u>1,576,129</u>
Cash and cash equivalents at beginning of year	30,230,867	7,092,625	15,410,517	6,067,483	826,422	34,397,428	94,025,342
Cash and cash equivalents at end of year	<u>\$ 30,148,897</u>	<u>7,661,716</u>	<u>14,376,287</u>	<u>5,939,569</u>	<u>1,065,001</u>	<u>36,410,001</u>	<u>95,601,471</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating income (loss):							
Operating income (loss)	\$ (566,009)	(49,513)	(1,636,274)	(1,395,773)	228,326	(3,264,828)	(6,684,071)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Add depreciation	2,537,386	44,506	—	—	—	—	2,581,892
Other nonoperating revenue received	17,821	26,130	1,596	450	4,281	7,914	58,192
Changes in assets and liabilities and deferred outflows and inflows of resources:							
Decrease in accounts receivable	(1,906)	—	—	—	(979)	—	(2,885)
Increase in prepaids	—	—	—	—	(267)	—	(267)
Decrease in inventory	43,270	—	—	—	—	—	43,270
Increase (decrease) in accounts payable	(228,592)	457,709	24,063	(74,143)	(204)	34,382	213,215
Increase in accrued liabilities	34,445	—	—	—	19,786	—	54,231
Increase in compensated absences payable	2,150	—	—	—	9,713	—	11,863
Increase in claims payable	—	—	393,725	1,271,012	—	4,813,126	6,477,863
Net OPEB obligation	1,352	—	—	—	741	—	2,093
Net pension liability and related changes in deferred outflows and inflows of resources	<u>(50,005)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(22,919)</u>	<u>—</u>	<u>(72,924)</u>
Total adjustments	<u>2,355,921</u>	<u>528,345</u>	<u>419,384</u>	<u>1,197,319</u>	<u>10,152</u>	<u>4,855,422</u>	<u>9,366,543</u>
Net cash provided by (used in) operating activities	<u>\$ 1,789,912</u>	<u>478,832</u>	<u>(1,216,890)</u>	<u>(198,454)</u>	<u>238,478</u>	<u>1,590,594</u>	<u>2,682,472</u>

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, 2016

	<u>General Trust</u>	<u>Street Light</u>	<u>Total Agency Funds</u>
Assets			
Restricted cash and investments	\$ 5,522,295	7,693	5,529,988
Accounts receivable	80,483	—	80,483
Total assets	<u>5,602,778</u>	<u>7,693</u>	<u>5,610,471</u>
Liabilities			
Accounts payable and accrued liabilities	<u>5,602,778</u>	<u>7,693</u>	<u>5,610,471</u>
Total liabilities	<u>\$ 5,602,778</u>	<u>7,693</u>	<u>5,610,471</u>

CITY OF SANTA MONICA, CALIFORNIA

Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

For the fiscal year ended June 30, 2016

	<u>June 30, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2016</u>
Fiduciary Funds				
Agency Funds:				
General Trust				
Assets:				
Restricted cash and investments	\$ 7,716,917	68,673,105	70,867,727	5,522,295
Accounts receivable	139,241	222,311	281,069	80,483
Total assets	<u>\$ 7,856,158</u>	<u>68,895,416</u>	<u>71,148,796</u>	<u>5,602,778</u>
Liabilities:				
Accounts payable and accrued liabilities	\$ 7,856,158	131,910,317	134,163,697	5,602,778
Total liabilities	<u>\$ 7,856,158</u>	<u>131,910,317</u>	<u>134,163,697</u>	<u>5,602,778</u>
Street Light				
Assets:				
Restricted cash and investments	\$ 4,676	20,568	17,551	7,693
Total assets	<u>\$ 4,676</u>	<u>20,568</u>	<u>17,551</u>	<u>7,693</u>
Liabilities:				
Accounts payable and accrued liabilities	\$ 4,676	41,135	38,118	7,693
Total liabilities	<u>\$ 4,676</u>	<u>41,135</u>	<u>38,118</u>	<u>7,693</u>
Total Fiduciary Funds				
Total Agency Funds				
Assets:				
Restricted cash and investments	\$ 7,721,593	68,693,673	70,885,278	5,529,988
Accounts receivable	139,241	222,311	281,069	80,483
Total assets	<u>\$ 7,860,834</u>	<u>68,915,984</u>	<u>71,166,347</u>	<u>5,610,471</u>
Liabilities:				
Accounts payable and accrued liabilities	\$ 7,860,834	131,951,452	134,201,815	5,610,471
Total liabilities	<u>\$ 7,860,834</u>	<u>131,951,452</u>	<u>134,201,815</u>	<u>5,610,471</u>

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City of Santa Monica, California
Year Ended June 30, 2016

STATISTICAL SECTION

CITY OF SANTA MONICA, CALIFORNIA

For the fiscal year ended June 30, 2016

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)

	2015-16	2014-15 (2)	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07 (1)
Governmental activities										
Net investment in capital assets	\$ 728,041,792	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
Restricted	196,524,874	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
Unrestricted	19,956,676	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
Total governmental activities net position	944,523,342	908,061,476	1,211,717,977	1,201,505,013	1,259,831,538	1,013,370,855	990,468,248	1,009,013,299	1,015,691,599	1,022,448,717
Business-type activities										
Net investment in capital assets	440,369,455	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
Restricted	12,797,570	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
Unrestricted	130,752,666	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
Total business-type activities net position	583,919,691	512,848,296	600,110,889	590,889,283	568,640,908	558,586,426	544,893,978	531,886,681	495,989,994	491,703,222
Primary government										
Net investment in capital assets	1,168,411,247	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
Restricted	209,322,444	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
Unrestricted	150,709,342	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
Total primary government net position	\$ 1,528,443,033	1,420,909,772	1,811,828,866	1,792,394,296	1,828,472,446	1,571,957,281	1,535,362,226	1,540,899,980	1,511,681,593	1,514,151,939

(1) Before restatement

(2) reduction in 2014-15 unrestricted net position due primarily to the implementation of GASB 68

TABLE 2

CITY OF SANTA MONICA, CALIFORNIA

Changes in Net Position
Last Ten Fiscal Years

	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
Expenses										
Governmental activities:										
General government	\$ 56,728,329	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
Public safety	128,149,081	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
General services	84,178,175	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
Cultural and recreation services	58,427,336	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
Library	14,338,093	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
Housing and community development	59,633,639	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
Other (1)	—	—	—	—	—	—	—	—	—	469,285
Interest on long-term debt	2,668,433	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
Total governmental activities	404,123,086	381,937,086	381,919,995	393,820,233	491,788,469	374,049,203	402,917,219	487,139,337	386,709,890	312,278,358
Business-type activities:										
Water	23,259,781	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
Resource recovery and recycling	25,419,861	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
Pier	6,935,901	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
Wastewater	16,485,444	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
Civic auditorium (2)	—	—	—	4,691,051	3,239,999	3,638,257	3,663,427	3,933,159	3,718,652	3,535,624
Airport	5,335,556	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
Storm water management	2,447,698	2,172,116	651,361	406,721	411,985	422,048	424,122	721,728	474,683	502,183
Cemetery	2,184,834	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
Big Blue Bus	90,560,535	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
Special aviation	—	—	—	—	—	—	—	28,904	18,333	69,374
Parking authority	17,742	403,822	369,367	295,651	315,736	474,629	554,117	1,598,765	349,576	709,982
Total business-type activities	172,647,352	162,551,237	163,410,323	157,660,591	159,607,484	147,772,125	141,494,611	144,813,784	133,359,332	133,776,807
Total primary governmental activities expenses	\$ 576,770,438	544,488,323	545,330,318	551,480,824	651,395,953	521,821,328	544,411,830	631,953,121	520,069,222	446,055,165
Program revenues										
Governmental activities:										
Charges for services:										
General government	\$ 19,279,411	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
Public safety	24,285,947	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
General services	49,336,541	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
Cultural and recreation services	22,466,168	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
Library	487,809	601,618	614,715	486,204	465,891	488,279	468,385	410,908	363,987	349,139
Housing and community development	42,858,129	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
Operating grants and contributions	24,647,506	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
Capital grants and contributions	12,616,479	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
Total governmental activities program revenues	195,977,990	162,255,917	161,503,522	152,376,043	136,073,284	127,658,113	125,484,584	130,534,780	118,090,383	109,849,872

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TABLE 2

CITY OF SANTA MONICA, CALIFORNIA

Changes in Net Position
Last Ten Fiscal Years

	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
<i>(continues from previous page)</i>										
Business-type activities:										
Charges for services:										
Water	22,311,686	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
Resource recovery and recycling	26,831,010	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
Pier	7,443,351	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
Wastewater	19,316,170	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
Civic auditorium (2)	—	—	—	1,468,300	1,667,172	2,603,146	2,620,897	2,975,749	3,117,033	2,789,196
Airport	8,679,711	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
Storm water management	1,500,877	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
Cemetery	1,501,371	1,604,607	1,325,778	1,315,119	1,133,990	856,141	952,972	1,009,595	1,080,532	735,718
Big Blue Bus	19,895,338	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
Parking authority	—	—	—	—	161,504	152,200	152,200	149,200	145,600	141,600
Operating grants and contributions	48,652,428	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
Capital grants and contributions	23,924,743	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
Business-type activities program revenues	180,056,685	157,123,615	167,463,242	156,493,703	157,085,034	154,874,771	147,672,211	166,488,576	126,919,616	115,666,223
Total primary government program revenues	376,034,675	319,379,532	328,966,764	308,869,746	293,158,318	282,532,884	273,156,795	297,023,356	245,009,999	225,516,095
Net revenue (expense)										
Governmental activities	(208,145,096)	(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)
Business-type activities	7,409,333	(5,427,622)	4,052,919	(1,166,888)	(2,522,450)	7,102,646	6,177,600	21,674,792	(6,439,716)	(18,110,584)
Total primary government net expense	(200,735,763)	(225,108,791)	(216,363,554)	(242,611,078)	(358,237,635)	(239,288,444)	(271,255,035)	(334,929,765)	(275,059,223)	(220,539,070)
General revenues and other changes in net position										
Governmental activities:										
Taxes:										
Business	30,799,020	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
Property	50,452,377	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
Transient occupancy (3)	51,021,050	—	—	—	—	—	—	—	—	—
Sales and use	54,802,839	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
Utility users (3)	30,772,815	—	—	—	—	—	—	—	—	—
Real property transfer (3)	7,850,960	—	—	—	—	—	—	—	—	—
Parking facility (3)	10,718,156	—	—	—	—	—	—	—	—	—
Other	3,111,764	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
Settlement income	—	—	—	9,608,247	3,750,000	—	—	89,910,872	1,012,863	69,153,512
Other revenues	15,572,745	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
Investment earnings	7,049,816	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
Special item	(11,893,876)	—	—	—	—	—	—	—	—	—
Extraordinary gain (loss)	(12,620,539)	(5,106,828)	(19,149,679)	(48,185,126)	261,255,080	—	—	—	—	—
Transfers	6,969,835	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)
Total governmental activities	244,606,962	249,845,043	230,629,437	183,117,665	602,175,868	269,293,697	258,887,584	349,926,257	270,302,142	316,225,639

(continues next page)

TABLE 2

CITY OF SANTA MONICA, CALIFORNIA

Changes in Net Position
Last Ten Fiscal Years

(continues from previous page)

	<u>2015-16</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>
Business-type activities:										
Other revenues	3,723,521	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
Investment earnings	3,489,865	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
Special item	10,617,561	—	—	—	—	—	—	—	—	—
Extraordinary gain (loss)	4,837,753	—	—	—	—	—	—	—	—	—
Transfers	(6,969,835)	(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
Total business-type activities	<u>15,698,865</u>	<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>
Total primary government	<u>260,305,827</u>	<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>
Changes in net position										
Governmental activities	36,461,866	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
Business-type activities	<u>23,108,198</u>	<u>(130,676)</u>	<u>9,221,606</u>	<u>22,248,375</u>	<u>10,054,482</u>	<u>13,692,448</u>	<u>13,007,297</u>	<u>35,896,687</u>	<u>4,286,772</u>	<u>2,469,784</u>
Total primary government	<u>\$ 59,570,064</u>	<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>

(1) Other expenses allocated to programs in FY 07-08.

(2) Civic auditorium merged with General services in FY 13-14.

(3) Included in "Other" in prior fiscal years.

TABLE 3

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

	<u>2015-16</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>
General Fund										
Reserved	\$ —	—	—	—	—	—	36,257,776	41,432,273	81,056,800	91,843,183
Unreserved	—	—	—	—	—	—	179,212,920	155,521,957	67,745,079	63,826,421
* Nondspendable	21,062,205	23,725,864	22,257,819	22,179,119	22,181,490	26,249,121	—	—	—	—
* Restricted	18,330,042	17,951,299	12,371,619	23,808,940	43,056,449	503,645	—	—	—	—
* Committed	31,365	520,574	519,937	519,506	640,000	710,000	—	—	—	—
* Assigned	280,303,334	218,630,183	212,669,876	220,409,168	233,153,471	159,430,759	—	—	—	—
* Unassigned	67,347,773	114,196,108	118,192,052	117,324,362	117,225,871	108,382,191	—	—	—	—
Total General Fund	<u>387,074,719</u>	<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>
All other governmental funds										
Reserved	—	—	—	—	—	—	138,504,430	134,770,865	217,888,723	314,507,732
Unreserved, reported in:										
Special revenue funds	—	—	—	—	—	—	37,657,180	42,902,430	67,387,055	11,027,475
Capital project funds	—	—	—	—	—	—	50,427,715	66,021,140	(7,937,337)	(5,053,769)
* Nondspendable	11,618,768	11,463,849	30,932,430	31,524,610	23,331,591	10,788,188	—	—	—	—
* Restricted	167,750,111	144,902,038	128,610,718	124,852,862	123,658,262	170,449,269	—	—	—	—
* Committed	26,876,316	17,877,709	4,404,491	4,372,829	872,830	51,975	—	—	—	—
* Assigned	927,562	9,649,617	18,033,673	15,057,474	32,550,023	125,697,278	—	—	—	—
* Unassigned	(7,279,890)	(814,287)	(966,157)	(1,148,932)	(187,396)	(16,868,340)	—	—	—	—
Total all other governmental funds	<u>\$ 199,892,867</u>	<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>

* 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)

	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
Revenues										
Property taxes	\$50,452,377	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
Incremental property taxes (1)	—	—	—	—	19,794,851	73,735,955	73,526,738	71,289,749	66,148,046	58,163,695
Sales & use taxes	54,802,839	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
Transient occupancy taxes (3)	51,021,050	—	—	—	—	—	—	—	—	—
Utility user taxes (3)	30,772,815	—	—	—	—	—	—	—	—	—
Business license taxes (3)	29,893,341	—	—	—	—	—	—	—	—	—
Other taxes	22,586,559	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
License and permits	41,367,924	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
Intergovernmental	39,612,770	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
Charges for services	61,667,576	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
Fines and forfeitures	15,904,736	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
Investment earnings	6,721,207	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
Rental income	11,683,408	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
Settlement income	2,433,175	2,433,175	2,433,175	52,287,404	33,277,271	—	40,196,472	4,429,738	1,012,863	69,153,512
Other	34,384,558	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
Total revenue	453,304,335	419,479,036	407,179,119	426,695,911	511,734,482	396,641,357	424,129,802	406,152,305	394,294,383	434,219,897
Expenditures										
Current										
General government	61,354,272	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
Public safety	132,629,455	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
General services	88,130,346	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
Cultural and recreation services	54,742,936	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
Library	12,667,433	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
Housing and community development	67,085,802	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
Other	—	—	—	—	—	—	—	—	2,749,086	609,225
Debt service										
Principal	8,788,463	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
Interest	3,392,287	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
Bond issuance costs	535,048	—	—	—	441,993	440,308	219,405	—	—	—
Total expenditures	429,326,042	389,326,275	387,269,359	418,723,794	542,070,392	423,138,169	430,635,297	406,828,220	438,797,722	324,547,567

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TABLE 4

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

(continues from previous page)

	<u>2015-16</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>
Excess (deficiency) of revenues over (under) expenditures	23,978,293	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
Other financing sources (uses)										
Transfers in	24,241,261	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
Transfers out	(17,271,426)	(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)
Line of credit proceeds	—	—	—	—	—	26,528,395	7,986,281	15,485,324	—	—
Long-term debt issued	—	—	—	—	32,178,250	—	—	—	—	—
Refunding bonds issued	26,360,000	—	—	—	19,950,000	41,050,000	9,155,000	—	—	—
Premium on bonds issued	2,020,710	—	—	—	4,339,840	409,674	558,699	—	—	—
Payments to refunded bond escrow agent	(27,826,666)	—	—	—	(22,289,654)	(1,900,000)	(9,478,850)	—	—	—
Proceeds from loans payable	—	—	—	—	—	102,500,000	—	—	—	—
Total other financing sources (uses)	<u>7,523,879</u>	<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>
Special item	(4,462,166)	—	—	(21,254,908)	—	—	—	—	—	—
Extraordinary gain (loss)	324,615	(21,564,585)	(33,345,736)	(14,196,057)	13,703,213	—	—	—	—	—
Net change in fund balance	<u>\$27,364,621</u>	<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>
Debt service as a percentage of noncapital expenditures (2)	3.16%	2.65%	2.76%	2.07%	5.23%	5.34%	4.25%	4.54%	4.52%	5.51%

- (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.
- (3) Included in "Other taxes" in prior fiscal 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>2015-16</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>
Sales taxes	\$ 54,803	51,090	49,210	47,881	45,832	31,690	26,637	28,297	32,357	33,267
Utility users tax	30,773	32,066	32,817	31,450	31,296	31,625	31,620	31,579	31,622	31,243
Transient occupancy tax	51,021	47,629	44,396	40,997	36,143	32,747	29,804	31,265	34,969	31,892
Property taxes (2)	50,452	55,044	50,114	44,392	40,226	36,048	37,420	37,763	36,068	32,586
Business license taxes	30,799	30,354	29,783	27,518	26,325	25,480	26,553	27,216	24,654	22,637
Parking facility tax	10,718	11,072	10,598	9,954	9,394	8,786	7,848	7,980	7,826	7,400
Documentary transfer tax	7,851	7,903	6,273	6,027	5,192	3,954	3,432	2,653	4,739	6,409
Vehicle license fees	38	38	39	48	46	492	273	263	390	608
Condominium taxes	73	45	14	18	37	21	19	35	50	39
Total	<u>\$ 236,528</u>	<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>

(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)
2015-16	\$ 17,890,583	\$ 12,932,934	\$ 472,362	\$ —	\$ 31,295,879	\$ 1,042,924	\$ 30,252,955	\$ 902,502	\$ 31,155,457	1.00%
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%

(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
2015-16	\$ 0.01	\$ 1.00	\$ 0.13	\$ —	\$ 1.14
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

* 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	2015-16			2006-07		
	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	\$ 504,193,850	1	1.65 %	\$ 443,292,000	1	2.25 %
Water Garden Company	488,597,872	2	1.60	401,080,164	2	2.04
SC Enterprises SMBP LLC	371,777,229	3	1.22	222,256,738	5	1.13
Douglas Emmett	335,830,873	4	1.10	255,482,516	4	1.30
Macerich Santa Monica Place LP	321,276,215	5	1.05	135,307,020	6	0.69
Jamestown Lantana North LP	319,967,726	6	1.05	—		—
2700 Colorado LLC	243,020,857	7	0.80	—		—
Prudential Financial Inc	189,061,475	8	0.62	—		—
Hart Arboretum LLC	171,878,446	9	0.56	—		—
Providence Health System Southern CA	161,390,197	10	0.53	—		—
St. John's Hospital & Health Center	—		—	336,046,546	3	1.71
New Santa Monica Beach Hotel	—		—	134,487,860	7	0.68
RAND Corporation	—		—	128,771,303	8	0.65
Shores Barrington LLC	—		—	103,395,957	9	0.52
CLPF Arboretum	—		—	98,838,000	10	0.50
Total principal property taxpayers assessed value	<u>\$ 3,106,994,740</u>		<u>10.18</u>	<u>\$ 2,258,958,104</u>		<u>11.47</u>
Total City net taxable assessed value	<u>\$ 30,538,386,085</u>		<u>100.00 %</u>	<u>\$ 19,705,610,279</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
2015-16	\$ 25,198,360	\$ 27,662,256	109.8 %	\$ 512,080	\$ 28,174,336	111.8 %	\$ 358,568	1.4 %
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

(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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Apparel stores	\$ 395,773	403,129	413,794	403,566	381,960	307,409	278,980	316,993	337,956	342,883
General merchandise	99,658	102,419	107,483	114,375	111,962	66,521	28,349	50,545	62,504	68,587
Food stores	99,055	98,709	92,794	86,213	84,007	80,779	82,841	87,586	85,500	81,369
Eating & drinking places	653,626	594,556	490,165	541,432	503,540	456,846	431,011	457,549	459,403	441,502
Building materials	115,150	115,313	104,249	90,255	92,249	88,913	88,971	119,095	130,025	120,516
Auto dealers & auto suppliers	750,069	738,361	699,105	640,142	632,304	600,140	609,517	647,526	714,128	715,820
Service stations	108,224	120,557	131,887	137,246	134,962	151,952	106,193	146,276	137,306	132,438
Other retail stores	694,454	623,367	623,225	643,207	638,691	527,688	518,096	620,078	680,459	644,346
Retail stores total	2,916,009	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
All other outlets	371,143	355,662	392,160	289,380	284,577	276,099	270,337	317,818	336,863	409,547
Total all outlets	\$ 3,287,152	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

(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 (2)	Line of credit (2)	Wastewater bonds	Certificates of participation	Term loans payable	Capital leases			
2015-16	\$ 8,554,417	\$ —	\$ 69,944,367	\$ 400,000	\$ —	\$ 9,504,426	\$ —	\$ 1,213,411	\$ —	\$ 89,616,621	0.29%	\$ 957
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

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.
(2) 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>2015-16</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>
General bonded debt outstanding										
General obligation bonds	\$ 8,554,417	9,857,652	11,205,890	12,518,284	12,650,793	15,044,398	16,793,432	18,507,466	20,196,499	21,860,531
Tax allocation bonds (3)	—	—	—	—	—	103,546,185	66,727,384	69,348,470	71,839,555	74,183,320
Total	<u>\$ 8,554,417</u>	<u>9,857,652</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>
Assessed value (in thousands) (1)	\$ 31,155,457	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
Percentage of assessed										
Property value	0.03%	0.03%	0.04%	0.05%	0.05%	0.50%	0.35%	0.37%	0.44%	0.49%
Population (2)	93,640	93,283	92,185	91,040	90,223	90,174	92,703	92,494	91,439	91,124
Per capita	\$ 91	106	122	138	140	1,315	901	950	1,007	1,054

(1) See Table 6 for Assessed Value Data

(2) See Table 16 for Population Data

(3) 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, 2016

	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated share of Overlapping Debt
Overlapping debt:			
Los Angeles County General Fund Obligations	\$ 2,029,010,694	2.445%	\$ 49,609,311
Los Angeles County Superintendent of Schools Certificates of Participation	7,944,360	2.445%	194,240
Los Angeles County Flood Control District	12,630,000	2.494%	314,992
Metropolitan Water District	92,865,000	1.271%	1,180,314
Santa Monica Community College District	423,733,508	66.411%	281,405,660
Los Angeles Unified School District	10,457,615,000	0.0002%	20,915
Santa Monica-Malibu Unified School District	339,223,144	66.460%	225,447,702
Los Angeles County Regional Park and Open Space Assessment District	50,610,000	2.445%	1,237,415
Santa Monica Community College District Certificates of Participation	14,840,000	66.411%	9,855,392
Los Angeles Unified School District Certificates of Participation	273,805,000	0.0002%	548
Los Angeles Community College District	3,671,000,000	0.010%	367,100
Santa Monica-Malibu Unified School District Certificates of Participation	9,701,501	66.460%	6,447,618
Overlapping Tax Increment Debt			86,335,000
Subtotal, overlapping debt			<u>662,416,207</u>
City direct governmental debt			
City of Santa Monica Parking Authority Lease Revenue Bonds (2002 Refunding)			1,085,000
City of Santa Monica General Obligation Bonds Main Library Improvements (2012)			8,554,417
City of Santa Monica Public Safety Lease Revenue Bonds (2009)			5,352,912
City of Santa Monica Public Safety Lease Revenue Bonds (2011)			5,174,909
City of Santa Monica Civic Parking Structure Lease Revenue Bonds (2015)			28,268,449
City of Santa Monica Parking Structure 6 Lease Revenue Bonds (2011)			30,063,097
State Dept of Housing and Community Development			<u>400,000</u>
Subtotal, direct debt (2)			<u>78,898,784</u>
Total direct and overlapping governmental debt (3)			<u>\$ 741,314,991</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>2015-16</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>
Total net debt applicable to limit	\$ 67,444,525	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
Debt limit	3,219,838,100	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
Legal debt margin	3,152,393,575	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
Total net debt applicable to the limit as a percentage of debt limit	2.09%	2.44%	2.78%	3.20%	3.54%	5.98%	5.25%	5.77%	6.71%	7.59%

Net assessed value	31,155,457,000
Add: exempt property	1,042,924,000
Total gross assessed value	<u>\$32,198,381,000</u>
Debt limit - 10% of total assessed value (1)	3,219,838,100
Amount of debt applicable to debt limit:	
Total bonded debt	73,375,000
Less:	
Assets in debt service funds available for payment of bonds	<u>5,930,475</u>
Total amount of debt applicable to debt limit	<u>67,444,525</u>
Legal debt margin	<u>\$ 3,152,393,575</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	
2015-16	\$ 19,680,491	\$ 9,573,340	\$ 10,107,151	\$ —	\$ 266,550	\$ 266,550	37.92
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

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>	
2016	93,640	*	*	3.6	%
2015	93,283	\$ 673,074	\$ 50,751	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	

* No data is available for 2016 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	2015-16			2006-07		
	Number of employees	Rank	Percentage of total City employment	Number of employees	Rank	Percentage of total City employment
UCLA Medical Center, Santa Monica	2,351	1	2.65 %	1,350	5	1.77 %
Santa Monica College	1,977	2	2.23	2,517	1	3.31
City of Santa Monica	1,870	3	2.10	2,177	2	2.86
Providence Saint John's Health Center	1,750	4	1.97	1,543	4	2.03
Santa Monica-Malibu Unified School District	1,457	5	1.64	1,650	3	2.17
RAND Corporation	862	6	0.97	862	7	1.13
Activision Publishing (Including Beachhead Studios, Treyarch Corp)	827	7	0.93	800	8	1.05
Lion's Gate Entertainment Corp (Including Artisan Home Entertainment Inc, Artisan Releasing LLC)	799	8	0.90	—	—	—
Universal Music Group	760	9	0.86	—	—	—
ET Whitehall, Inc. (Casa del Mar, Shutters on the Beach)	610	10	0.69	750	9	0.99
MTV Networks	—	—	—	1,060	6	1.39
Symantec Corporation	—	—	—	720	10	0.95
Total jobs provided by principal employers	<u>13,263</u>			<u>13,429</u>		
Average total jobs in Santa Monica	88,848			76,060		
Principal employers as percent of total jobs	14.93%			17.66%		

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	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
General government	281.5	265.7	232.9	230.7	238.6	221.7	222.7	217.0	191.6	186.1
Public safety										
Police										
Sworn	221.0	221.0	216.0	216.0	209.0	216.0	216.0	216.0	216.0	216.0
Non-sworn	202.4	197.4	217.4	220.4	225.4	221.4	227.4	223.4	246.9	243.0
Fire										
Sworn	114.0	114.0	108.0	108.0	108.0	105.0	109.0	106.0	107.0	106.0
Non-sworn	15.8	15.8	21.0	21.0	21.0	22.0	19.0	11.0	27.3	29.6
General services	257.3	257.3	256.1	184.3	184.3	261.9	261.3	260.1	268.9	131.7
Cultural and recreation services	153.0	153.7	151.9	231.1	231.1	151.9	152.8	148.5	145.4	228.3
Library	111.0	111.0	114.8	106.1	106.1	107.1	107.3	107.3	107.1	107.1
Housing and community development	159.5	149.8	138.8	144.4	144.4	146.4	148.4	158.4	139.9	145.2
Beach recreation	50.3	48.9	49.9	46.6	46.6	46.6	47.6	46.5	24.8	24.3
Water	46.0	46.0	46.0	46.0	46.0	47.0	47.0	47.0	52.2	52.2
Resource Recovery & Recycling	89.7	87.7	86.7	75.2	84.2	84.2	84.0	84.0	83.1	106.8
Pier	19.3	17.8	17.8	17.2	15.8	16.2	16.2	16.2	16.5	25.8
Wastewater	22.2	22.2	22.2	22.2	22.2	22.2	22.2	22.2	39.6	39.6
Civic Auditorium	—	—	—	11.0	30.3	34.4	34.4	34.4	35.0	35.0
Airport	12.9	12.4	12.5	12.2	4.0	12.2	12.2	12.2	12.4	12.3
Cemetery	7.1	7.1	7.1	12.1	12.1	12.1	11.1	10.1	10.2	9.5
Big Blue Bus	464.5	436.0	435.5	419.0	419.0	413.7	418.7	417.7	441.9	441.9
Vehicle management	29.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0	28.8	24.8
Self insurance - workers' compensation	13.0	12.0	12.0	14.0	14.0	12.0	12.0	12.0	12.1	12.1
Total all funds	<u>2,269.5</u>	<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>

Note: Includes permanent and temporary employees (2,080 hours = 1 full-time position).

Source: City of Santa Monica Budget

TABLE 19

CITY OF SANTA MONICA, CALIFORNIA
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function / program	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
General government:										
Electronic requests for government information	12,558,833	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
Hours of live public meeting coverage	275	319	284	330	300	300	300	216	444	332
Public safety:										
Number of emergency response incidents	15,963	14,629	13,637	13,540	12,842	12,000	12,005	11,690	11,553	12,551
Number of inspections	10,202	8,119	9,031	8,706	9,549	8,549	7,235	8,918	7,053	6,562
Calls to Police Department for service	130,016	133,516	128,323	120,320	105,642	104,097	109,045	107,604	106,497	109,328
Police reports issued	14,358	13,984	13,983	13,708	13,086	13,377	13,995	14,373	14,346	15,334
Number of crimes recorded	8,774	8,500	8,744	8,986	8,579	8,581	8,793	9,561	9,604	9,902
General services:										
Number of square feet of sidewalks repaired	14,001	10,359	6,025	3,279	40,000	40,000	33,670	190,000	140,000	127,170
Number of graffiti removals performed	38,311	37,940	37,948	34,289	20,000	20,000	19,500	18,481	25,251	22,865
Feet of sewer mains cleaned	1,985,816	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
Cultural and recreation services:										
Number of cars parked in beach lots	2,580,752	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
Senior services meals served	52,917	48,253	43,020	64,711	56,232	52,440	49,786	42,459	30,917	30,721
Number of low income persons receiving primary health care	4,137	3,089	3,519	3,568	4,164	4,453	3,942	4,344	3,650	3,231
Number of youth regularly attending homework assistance programs	745	624	583	469	466	458	423	558	547	511
Library:										
Library visitors	1,184,130	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
Materials used	1,888,473	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
Public access computer sessions	164,318	182,655	215,907	271,680	300,000	300,000	300,000	290,000	286,077	274,239
Housing and community development:										
Building and Safety plan checks completed	2,823	3,080	2,366	1,998	1,500	1,500	1,712	1,798	1,786	1,601
Building inspections performed	23,858	20,690	20,732	21,576	16,000	16,000	13,608	18,103	17,671	17,120
Transportation Managements plan checks completed	632	748	839	465	500	500	444	750	531	573
Resident parking passes sold	48,962	56,356	51,674	76,000	73,000	70,000	60,000	39,000	45,657	42,645
Number of traffic signs installed, replaced, repaired, or removed	1,659	2,079	2,417	2,859	5,600	5,600	4,600	5,600	5,633	5,447
Number of parking meters installed, replaced, repaired, or removed	13,844	5,875	5,874	6,100	23,000	23,000	49,000	45,257	45,532	42,645
Water:										
Number of direct customer accounts	17,842	17,798	17,760	17,705	17,902	17,823	17,709	17,356	17,272	17,175
Water sold to direct customers in whole acre feet	11,242	12,323	13,344	15,147	11,996	11,779	12,629	12,879	12,975	13,378
Airport:										
Number of tenant aircraft	309	325	274	420	420	420	420	420	420	420
Noise ordinance violations issued	162	118	153	160	142	148	154	210	244	223
Big Blue Bus:										
Revenue Miles	4,862,782	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
Farebox revenue (in millions)	12.84	13.36	13.68	14.09	11.86	11.74	11.63	11.51	10.91	9.72
Total passenger trips (in millions)	16.5	18.7	18.8	19.3	22.0	22.0	22.0	22.0	21.0	21.8
Number of customer relations phone calls	38,705	56,995	64,525	69,075	73,586	73,447	69,738	71,868	74,131	60,096
Total number of charters	0	0	3	3	90	349	202	224	554	1,121

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	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
Public safety:										
Number of police vehicles	232 (1)	220	223	241	239	215	215	244	232	213
Number of fire vehicles	71	68	64	56	52	54	57	58	58	60
Number of fire stations	4	4	4	5	5	5	5	5	5	5
Number of police substations including Public Safety Facility	3	3	3	4	4	4	4	4	4	4
General services:										
Square footage of asphalt paved streets	30,170,740	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
Square footage of concrete paved streets	1,177,981	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
Square footage of sidewalks	8,451,871	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
Square footage of curbs and gutters	1,938,420 (2)	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
Cultural and recreation services:										
Number of beach parking lots	16 (3)	16	17	17	17	17	17	16	16	16
Number of parks	29	29	29	29	27	27	26	26	26	24
Number of swim centers	2	2	2	2	2	2	2	2	1	1
Library:										
Number of facilities: main and branches	5	5	5	4	4	4	4	4	4	4
Housing and community development:										
Downtown structure visitors	6,722,688 (4)	6,405,636	6,455,602	6,790,058	6,659,246	5,958,593	4,078,062	3,928,900	3,768,746	3,817,550
Water:										
Number of feet of water main installed	2,495 (5)	10,465	9,510	9,510	12,384	—	—	—	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	5	5	4	4	4	4	4	4	4
Wastewater:										
City sewage flow in million gallons/day	13.9	13.9	12.2	11.4	11.4	11.3	10.6	13.3	10.4	12.3
Sewer main system (in miles)	151	151	151	151	151	152	152	152	152	152
Stormwater:										
Daily gallons treated for recycling by SMURRF	160,059	170,000	108,000	123,000	122,890	330,000	275,000	275,000	330,000	330,000
Storm drain system (in miles)	59	59	59	59	59	58	58	58	58	58
Airport:										
Aircraft operations (departures and arrivals)	89,217	84,633	85,052	102,109	105,026	106,521	112,212	117,250	136,485	136,270
Big Blue Bus:										
Number of buses	200	188	201	192	200	214	199	197	202	202

(1) Includes police patrol boat, Mobile Command Center, and SUVs (to eventually replace old Crown Victorias)

(2) Per Engineers, curbs and gutters are in linear feet. Thus, use approximate factor of 2 to convert from linear feet to square feet.

(3) 1650 Appian is residential parking only and has been removed from count.

(4) Includes Civic and Library.

(5) Per Engineers, this total is lower compared to last year because no water main CIP was started this year.

Sources: Various City departments.

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