



MetroTM

**City of Santa Monica
Annual Financial Report of its**

**Proposition A Local Return Fund
Proposition C Local Return Fund
Measure R Local Return Fund
Measure M Local Return Fund
Transportation Development Act Article 3 Fund**

**As of and for the Years Ended June 30, 2022 and 2021
with Independent Auditor's Report**

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FINANCIAL SECTION



Independent Auditor's Report

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

Report of the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of Santa Monica, California (the City) which comprise the Funds' balance sheets as of June 30, 2022 and 2021, the related statements of revenues, expenditures and changes in fund balances for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund of the City of Santa Monica, California as of June 30, 2022 and 2021, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 2, the financial statements present only the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund of the City of Santa Monica, California, and do not purport to, and do not present fairly the financial position of the City as of June 30, 2022 and 2021, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.



Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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



Supplementary Information

Our audits were conducted for the purpose of forming opinions on each of the Funds' financial statements as a whole. The supplementary information identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the Funds' basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the Funds' 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 Funds' basic financial statements or to the Funds' basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to each of the Funds' basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2022 on our consideration of the City's internal control over the Funds' 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 solely to describe the scope of our testing of internal control over the Funds' financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over the Funds' 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 the Funds' financial reporting and compliance.

**Glendale, California
December 14, 2022**

**City of Santa Monica
Proposition A Local Return Fund
Balance Sheets**

		June 30	
		2022	2021
ASSETS			
Cash and investments	\$	3,600,244	\$ 2,965,440
Interest receivable		6,707	3,937
Total assets	\$	3,606,951	\$ 2,969,377
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	8,615	\$ 5,298
Retainage payable		-	1,600
Total liabilities		8,615	6,898
Fund balance			
Restricted - Rail Reserve (Note 9)		410,864	424,057
Restricted		3,187,472	2,538,422
Total fund balance		3,598,336	2,962,479
Total liabilities and fund balance	\$	3,606,951	\$ 2,969,377

See notes to Funds financial statements.

City of Santa Monica
Proposition A Local Return Fund
Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2022	2021
Revenues		
Proposition A	\$ 2,332,293	\$ 1,883,102
Investment income (loss)	(103,672)	8,052
Project generated revenues (Note 8)	13,477	7,572
Total revenues	2,242,098	1,898,726
Expenditures		
Various projects	1,606,241	1,222,793
Total expenditures	1,606,241	1,222,793
Excess of revenues over expenditures	635,857	675,933
Fund balance at beginning of year	2,962,479	2,286,546
Fund balance at end of year	\$ 3,598,336	\$ 2,962,479

See notes to Funds financial statements.

City of Santa Monica
Proposition A Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and Metro Approved Project Budget
Year Ended June 30, 2022
(With Comparative Actuals for 2021)

Project Code	Project Name	2022			2021 Actual
		Metro Budget	Actual	Variance Positive (Negative)	
105	Fixed Route Transit	\$ 466,276	\$ 583,073	\$ (116,797)	\$ 470,775
106	Paratransit Service	603,000	624,889	(21,889)	410,325
107	Disabled Transit	25,000	-	25,000	-
135	Youth Fare Subsidy	110,000	42,698	67,302	2,280
135	Rideshare Program	-	-	-	17,459
135	WISE Senior and Disabled Services	248,000	247,938	62	247,938
155	Youth Transportation	56,600	35,691	20,909	4,561
155	Arts Transportation	15,000	-	15,000	-
170	Bus Stop Shelter Maintenance	60,000	60,000	-	60,000
205	Bus Pads - Lincoln Blvd	50,000	-	50,000	-
215	Rail Reserve: Exposition Commuter Bike Path Component	50,983	-	50,983	-
215	Rail Reserve: Exposition Station Area Planning	45,267	-	45,267	-
220	Rail Reserve: Colorado Ave Vehicle Barriers	117,786	-	117,786	132
324	Bicycle Valet Service - Prop A	40,000	-	40,000	-
610	Direct Administration - Prop A	50,000	11,952	38,048	9,323
Total expenditures		\$ 1,937,912	\$ 1,606,241	\$ 331,671	\$ 1,222,793

See Independent Auditor's Report.

**City of Santa Monica
Proposition A Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year Ended June 30, 2022**

Date Acquired	Description	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
07/30/2008	Wall Mounted Brochure Holder	\$ 20,036	\$ -	-	\$ 20,036
07/30/2008	Wall Mounted Brochure Holder	20,036	-	-	20,036
07/30/2008	3 Sided Freestanding Display	13,630	-	-	13,630
06/29/2013	Expo - Maintenance Yard Buffer	1,608,300	-	-	1,608,300
06/29/2014	Bus PADS - Prop A Light Rail	244,503	-	-	244,503
06/29/2014	Downtown Expo - Colorado Barriers	172,214	-	-	172,214
06/29/2018	Bus Shelters	1,193,559	-	-	1,193,559
Total		\$ 3,272,278	\$ -	-	\$ 3,272,278

See Independent Auditor's Report.

**City of Santa Monica
Proposition C Local Return Fund
Balance Sheets**

		June 30	
		2022	2021
ASSETS			
Cash and investments	\$	4,743,226	\$ 3,522,140
Interest receivable		8,279	5,942
		Total assets	\$ 3,528,082
		4,751,505	\$ 3,528,082
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	44,367	\$ 109,344
Retainage payable		32,348	27,499
		Total liabilities	136,843
		76,715	136,843
Fund balance			
Restricted		4,674,790	3,391,239
		Total fund balance	3,391,239
		4,674,790	3,391,239
		Total liabilities and fund balance	\$ 3,528,082
		4,751,505	\$ 3,528,082

See notes to Funds financial statements.

City of Santa Monica
Proposition C Local Return Fund
Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2022	2021
Revenues		
Proposition C	\$ 1,934,589	\$ 1,561,965
Investment income (loss)	(127,195)	4,100
Project generated revenues (Note 8)	7,634	7,633
Total revenues	1,815,028	1,573,698
Expenditures		
Various projects	531,477	812,845
Total expenditures	531,477	812,845
Excess of revenues over expenditures	1,283,551	760,853
Fund balance at beginning of year	3,391,239	2,630,386
Fund balance at end of year	\$ 4,674,790	\$ 3,391,239

See notes to Funds financial statements.

City of Santa Monica
Proposition C Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and Metro Approved Project Budget
Year Ended June 30, 2022
(With Comparative Actuals for 2021)

Project Code	Project Name	2022			2021 Actual
		Metro Budget	Actual	Variance Positive (Negative)	
620	Direct Administration Prop C	\$ 25,000	\$ 1,014	\$ 23,986	\$ 3,635
705	Annual Paving and Sidewalk Repair Program - FY2018-19	-	-	-	49,498
705	Annual Paving and Sidewalk Repair Program - FY2019-20	417,173	230,121	187,052	594,423
705	Annual Paving and Sidewalk Repair Program - FY2021-22	1,500,000	226,213	1,273,787	-
715	Street Modernization Program	2,000,000	-	2,000,000	-
765	Pavement Management System	30,264	12,990	17,274	64,736
780	Expo and Localized Travel Planning Assistance	93,864	-	93,864	-
806	17th St/SMC/Expo Pedestrian Improvements	27,410	27,410	-	582
806	Pier and Beach Bike Path Connector	34,400	-	34,400	-
806	26th Street/Bergamot Station Connectivity Improvements Project	-	-	-	5,933
806	17th St/SMC/Expo Bike Path Connection	46,915	33,729	13,186	94,038
Total expenditures		\$ 4,175,026	\$ 531,477	\$ 3,643,549	\$ 812,845

See Independent Auditor's Report.

**City of Santa Monica
Proposition C Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year Ended June 30, 2022**

Date Acquired	Description	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
02/15/2011	Transit Mall Kiosk	\$ 46,662	\$ -	\$ -	\$ 46,662
06/12/2011	Train Operations and Existing Traffic Circulation	78,021	-	-	78,021
06/24/2011	Train Operations - Colorado Esplanade	97,850	-	-	97,850
06/28/2011	Citywide Bikeway Network	100,000	-	-	100,000
08/02/2011	Bike Center	633,532	-	-	633,532
06/29/2013	20th and Cloverfield Improvement Project	999,318	-	-	999,318
06/29/2013	Street Resurfacing-Ocean Park Blvd	539,339	-	-	539,339
06/29/2014	ATMS Phase 4	233,250	-	-	233,250
06/29/2015	Colorado Esplanade	1,175,227	-	-	1,175,227
06/29/2016	Downtown Temp Use TOD site	1,180,000	-	-	1,180,000
06/29/2016	Expo Bike Path Blue Phones	149,700	-	-	149,700
06/29/2019	17th St/SMC/Expo Pedestrian Improvements	401,091	61,139	-	462,230
06/29/2019	Montana Avenue Signal Synchronization	1,569,700	-	-	1,569,700
Total		\$ 7,203,690	\$ 61,139	\$ -	\$ 7,264,829

See Independent Auditor's Report.

**City of Santa Monica
Measure R Local Return Fund
Balance Sheets**

		June 30	
		2022	2021
ASSETS			
Cash and investments	\$	2,793,457	\$ 3,289,240
Interest receivable		7,144	4,517
		2,800,601	\$ 3,293,757
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	6,738	\$ 20,425
Retainage payable		24,771	39,752
		31,509	60,177
Fund balance			
Restricted		2,769,092	3,233,580
		2,769,092	3,233,580
		2,800,601	\$ 3,293,757

See notes to Funds financial statements.

City of Santa Monica
Measure R Local Return Fund
Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2022	2021
Revenues		
Measure R	\$ 1,450,708	\$ 1,173,097
Investment income (loss)	(111,371)	12,950
Total revenues	1,339,337	1,186,047
Expenditures		
Various projects	1,803,825	870,017
Total expenditures	1,803,825	870,017
Excess (deficiency) of revenues over expenditures	(464,488)	316,030
Fund balance at beginning of year	3,233,580	2,917,550
Fund balance at end of year	\$ 2,769,092	\$ 3,233,580

See notes to Funds financial statements.

City of Santa Monica
Measure R Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and Metro Approved Project Budget
Year Ended June 30, 2022
(With Comparative Actuals for 2021)

Project Code	Project Name	2022			2021 Actual
		Metro Budget	Actual	Variance Positive (Negative)	
705	Street Repair and Maintenance	\$ -	\$ -	\$ -	299,600
705	Annual Paving and Sidewalk Repair Program - FY 2021-22	1,100,000	1,040	1,098,960	-
705	Annual Paving and Sidewalk Repair Program - FY 2019-20	2,445,400	1,689,308	756,092	-
715	Streetlight Modernization Program	165,000	71,786	93,214	-
720	Reconfiguring Streets	72,066	1,534	70,532	-
805	Michigan Ave Greenway 20th Street Bike Connection	67,250	5,422	61,828	-
805	Pico Blvd and Santa Monica College Pedestrian Safety Improvements	210,000	15,882	194,118	-
805	Pedestrian Action Plan Implementation	151,975	18,853	133,122	-
815	Safe Routes to School	-	-	-	74,989
820	Pedestrian Improvements at Four Schools	74,314	-	74,314	495,428
Total expenditures		\$ 4,286,005	\$ 1,803,825	\$ 2,482,180	\$ 870,017

See Independent Auditor's Report.

City of Santa Monica
Measure R Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year Ended June 30, 2022

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2022</u>
06/30/2021	Pedestrian Improvements at Four Schools	\$ 495,428	\$ -	\$ -	\$ 495,428
	Total	<u>\$ 495,428</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 495,428</u>

See Independent Auditor's Report.

**City of Santa Monica
Measure M Local Return Fund
Balance Sheets**

		June 30	
		2022	2021
ASSETS			
Cash and investments	\$	5,209,722	\$ 4,955,219
Interest receivable		10,552	5,692
Total assets	\$	5,220,274	\$ 4,960,911
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$	334,459	\$ 150,325
Retainage payable		51,046	3,731
Total liabilities		385,505	154,056
Fund balance			
Restricted		4,834,769	4,806,855
Total fund balance		4,834,769	4,806,855
Total liabilities and fund balance	\$	5,220,274	\$ 4,960,911

See notes to Funds financial statements.

City of Santa Monica
Measure M Local Return Fund
Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2022	2021
Revenues		
Measure M	\$ 1,641,642	\$ 1,329,162
Investment income (loss)	(163,582)	17,393
Total revenues	1,478,060	1,346,555
Expenditures		
Various projects	1,450,146	225,681
Total expenditures	1,450,146	225,681
Excess of revenues over expenditures	27,914	1,120,874
Fund balance at beginning of year	4,806,855	3,685,981
Fund balance at end of year	\$ 4,834,769	\$ 4,806,855

See notes to Funds financial statements.

City of Santa Monica
Measure M Local Return Fund
Supplementary Information
Schedule of Expenditures – Actual and Metro Approved Project Budget
Year Ended June 30, 2022
(With Comparative Actuals for 2021)

Project Code	Project Name	2022			2021 Actual
		Metro Budget	Actual	Variance Positive (Negative)	
302	Traffic Signal Battery - Phase 1	\$ -	\$ -	\$ -	150,000
705	Annual Paving and Sidewalk Repair Program - FY 2021-22	830,000	-	830,000	-
715	Pier and Beach Bike Path Connection	105,000	-	105,000	-
725	Pier Bridge Replacement Project	1,525,000	75,106	1,449,894	-
805	Pedestrian Improvements at 4 Schools	15,440	1,676	13,764	75,356
805	17th Street Expo Bike Connectivity Improvement	3,020,811	1,361,904	1,658,907	-
815	Active Again Pilot Program - Safe Routes for Seniors	94,207	11,460	82,747	325
	Total expenditures	\$ 5,590,458	\$ 1,450,146	\$ 4,140,312	\$ 225,681

See Independent Auditor's Report.

**City of Santa Monica
Measure M Local Return Fund
Supplementary Information
Schedule of Capital Assets
Year Ended June 30, 2022**

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2022</u>
06/30/2021	Pedestrian Improvements at Four Schools	\$ 75,356	\$ 1,676	\$ -	\$ 77,032
06/30/2022	17th St/SMC/Expo Pedestrian Improvements	-	1,361,904	-	1,361,904
	Total	\$ 75,356	\$ 1,363,580	\$ -	\$ 1,438,936

See Independent Auditor's Report.

City of Santa Monica
Transportation Development Act Article 3 Fund
Pursuant to Public Utilities Code Section 99234
Balance Sheets

		June 30	
		2022	2021
ASSETS			
Due from Metro	\$	120,722	\$ 66,012
	Total assets	\$ 120,722	\$ 66,012
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCE (DEFICIT)			
Liabilities			
Cash overdraft	\$	111,047	\$ 66,012
Accounts payable		9,675	-
Retainage payable		-	300
	Total liabilities	120,722	66,312
Deferred inflow of resources			
Unavailable revenue		-	1,300
	Total deferred inflow of resources	-	1,300
Fund balance (deficit)			
Restricted		-	(1,600)
	Total fund balance (deficit)	-	(1,600)
	Total liabilities, deferred inflow of resources and fund balance (deficit)	\$ 120,722	\$ 66,012

See notes to Funds financial statements.

City of Santa Monica
Transportation Development Act Article 3 Fund
Pursuant to Public Utilities Code Section 99234
Statements of Revenues, Expenditures and Changes in Fund Balance

	Years ended June 30	
	2022	2021
Revenues		
Intergovernmental Allocations:		
Article 3	\$ <u>120,722</u>	\$ <u>64,713</u>
Total revenues	<u>120,722</u>	<u>64,713</u>
 Expenditures		
Expo/Bergamot Pedestrian and Bike Enhancements	119,122	-
Michigan Avenue Neighborhood Greenway	<u>-</u>	<u>62,980</u>
Total expenditures	<u>119,122</u>	<u>62,980</u>
 Excess of revenues over expenditures	 1,600	 1,733
 Fund deficit at beginning of year	 <u>(1,600)</u>	 <u>(3,333)</u>
 Fund balance (deficit) at end of year	 \$ <u>-</u>	 \$ <u>(1,600)</u>

See notes to Funds financial statements.

City of Santa Monica
Transportation Development Act Article 3 Fund
Pursuant to Public Utilities Code Section 99234
Supplementary Information
Schedule of Transportation Development Act Allocation for Specific Projects
Year Ended June 30, 2022

Project Description	Program Year	Totals to Date		Unexpended	Project Status
		Allocations	Expenditures	Allocations	
Local Allocations:					
Expo/Bergamot Pedestrian and Bike Enhancements	2022	\$ 120,722	\$ 119,122	\$ 1,600	Ongoing
Totals		\$ 120,722	\$ 119,122	1,600	
Fund deficit at beginning of year				(1,600)	
Fund balance at end of year				\$ -	

See Independent Auditor's Report.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

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

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

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

MMLRF is derived from 17% of the county-wide ½ cent Measure M sales tax which is distributed to the jurisdictions within Los Angeles County based on a per capita basis and must be used exclusively for transportation purposes.

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

Basis of Accounting and Measurement Focus

The PALRF, PCLRF, MRLRF, MMLRF and TDAA3F are reported as Special Revenue Funds of the City and are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become "susceptible to accrual", that is, measurable and available to finance expenditures of the current period. Expenditures are recorded when the liability is incurred.

Special Revenue Funds are reported on a spending or "financial flow" measurement focus. This means that generally, only current assets, current liabilities and deferred inflows and outflows of resources are included on their balance sheets. Statements of revenues, expenditures and changes in fund balances for Special Revenue Funds generally present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Budgets and Budgetary Accounting

The budgeted amounts presented in this report for comparison to the actual amounts are based on budgets approved by Metro and are presented in accordance with accounting principles generally accepted in the United States of America.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, the City categorizes its fair value measurement within the fair value hierarchy that is based on the valuation inputs used to measure the fair value of the investment. Level 1 inputs are quoted prices in active markets for identical investments; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Accordingly, the City reports its investments at fair value and recognizes unrealized gain (loss) on investments.

Refer to the City's Annual Comprehensive Financial Report (ACFR) for detailed disclosures regarding the City's investments policy and fair value measurement disclosures.

Fund Balance Reporting

Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes the fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The PALRF, PCLRF, MRLRF, MMLRF and TDAA3F report the following fund balance classification as of June 30, 2022 and 2021:

- Restricted - Amounts that are constrained for specific purposes, which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation. The use of the Funds' remaining fund balances is restricted for projects approved by Metro.

Information regarding the fund balance reporting policy adopted by the City is described in the City's ACFR.

Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the City recognizes deferred outflows and deferred inflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period.

Deferred inflows of resources reported by the City represent resources that are not available for spending as of June 30, 2022 and 2021.

NOTE 2 ANNUAL FINANCIAL STATEMENTS

The financial statements reflect only the financial position and results of operations of the PALRF, PCLRF, MRLRF, MMLRF and TDAA3F, and do not purport to, and do not present fairly the City's financial position as of June 30, 2022 and 2021, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

NOTE 3 PROPOSITION A AND PROPOSITION C LOCAL RETURN COMPLIANCE REQUIREMENTS

The Proposition A Ordinance requires that Local Return (LR) funds be used exclusively to benefit public transit. Expenditures related to fixed route and paratransit services, Transportation Demand Management, Transportation Systems Management and fare subsidy programs that exclusively benefit transit are all eligible uses of Proposition A LR funds. Proposition A LR funds may also be traded with other Jurisdictions in exchange for general or other funds.

The Proposition C Ordinance directs that LR funds also be used to benefit public transit, as described above, but provides an expanded list of eligible project expenditures including Congestion Management Programs, bikeways and bike lanes, street improvements supporting public transit service, and Pavement Management System projects. Proposition C LR funds cannot be traded.

Proposition A and Proposition C LR funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated.

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

NOTE 4 MEASURE R LOCAL RETURN COMPLIANCE REQUIREMENTS

The Measure R Ordinance specifies that LR funds be used exclusively for transportation purposes.

Measure R LR funds must be expended within five years of the first day of the fiscal year in which funds were originally allocated or received.

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

NOTE 5 MEASURE M LOCAL RETURN COMPLIANCE REQUIREMENTS

Measure M was approved by the voters of Los Angeles County on November 8, 2016 to improve transportation and ease traffic congestion consistent with the Los Angeles County Traffic Improvement Plan Ordinance approved by the Metro Board of Directors on June 23, 2016. The Measure M Ordinance specifies that LR funds be used exclusively for transportation purposes.

Measure M LR funds must be expended within five years of the first day of the fiscal year in which funds were originally allocated or received.

In accordance with *Measure M Local Return Program Guidelines*, funds received pursuant to these guidelines may only be used for Measure M Local Return approved programs. See accompanying Compliance Matrix.

NOTE 6 TRANSPORTATION DEVELOPMENT ACT COMPLIANCE REQUIREMENTS

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

NOTE 7 CASH AND INVESTMENTS

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

Please refer to the City's ACFR for a full description of risks relating to cash and investments.

NOTE 8 PROJECT GENERATED REVENUES

Project generated revenues under PALRF for the years ended June 30, 2022 and 2021 amounting to \$13,477 and \$7,572, respectively, pertains to revenues generated from paratransit services.

Project generated revenues under PCLRF for the years ended June 30, 2022 and 2021 amounting to \$7,634 and \$7,633, respectively, pertains to concessionaire's rent for the City's bike transit centers.

NOTE 9 RAIL RESERVE – PALRF

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

Per agreement, all interest accrued and placed in the Fund shall be used exclusively for the projects identified under the Rail Reserve Fund.

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

For the years ended June 30, 2022 and 2021, the Rail Reserve Fund transactions were as follows:

	2022	2021
Beginning balance at July 1	\$ 424,057	\$ 422,889
Add: Interest income	-	1,300
Less: Expenditures during the year	-	(132)
Investment loss	(13,193)	-
Ending balance at June 30	\$ 410,864	\$ 424,057

NOTE 10 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND REVENUE ALLOCATION

The revenue allocations for the years ended June 30, 2022 and 2021 consisted of the following:

	2022	2021
FY 2016/17 allocation	\$ -	\$ 50,711
FY 2017/18 allocation	46,979	14,002
FY 2018/19 allocation	63,607	-
FY 2019/20 allocation	10,136	-
	\$ 120,722	\$ 64,713

NOTE 11 TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUNDS RESERVED

In accordance with TDA Article 3 (SB821) Guidelines, funds which will not be spent during the fiscal year have been placed on reserve in the Local Transportation Fund (LTF) account with the County Auditor-Controller to be drawn down whenever the funds become eligible for a specific project and an approved drawdown request is received by Metro. As of June 30, 2022 and 2021, the City has funds on reserve as follows:

	2022	2021
FY 2017/18 allocation	\$ -	\$ 46,979
FY 2018/19 allocation	-	63,607
FY 2019/20 allocation	56,579	66,715
FY 2020/21 allocation	52,162	52,162
FY 2021/22 allocation	67,647	-
Total reserve	\$ 176,388	\$ 229,463

For FY 2021/22, any TDA Article 3 funds left on reserve for FY 2017/18 or prior, are subject to lapse if not claimed by the City by June 30, 2022. There were no funds that lapsed in FY 2021/22.

NOTE 12 IMPACT OF CORONAVIRUS

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the United States.

It is unknown how long these conditions will last and what the complete financial effect will be to businesses and other affected organizations, including local governmental entities. However, the City's management believes that the financial impact, if any, will not materially affect the June 30, 2022 Funds financial statements.

NOTE 13 SUBSEQUENT EVENTS

The City has evaluated events subsequent to June 30, 2022 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through December 14, 2022, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund, the Measure M Local Return Fund and the Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of Santa Monica, California (the City) as of and for the year ended June 30, 2022, and the related notes to the financial statements, and have issued our report thereon dated December 14, 2022.

Report on Internal Control over Financial Reporting

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

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

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



Report Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, Measure M Local Return Fund and Transportation Development Act Article 3 Fund financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

**Glendale, California
December 14, 2022**

COMPLIANCE SECTION



Independent Auditor's Report on Compliance

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

Report on Compliance

Opinion

We have audited the City of Santa Monica, California's (the City) compliance with the Proposition A and Proposition C Local Return Guidelines, Measure R Local Return Guidelines, Measure M Local Return Guidelines, Transportation Development Act Article 3, and the Los Angeles County Metropolitan Transportation Authority's Funding and Allocation Guidelines for Transportation Development Act Article 3 Bicycle and Pedestrian Funds (collectively, the Guidelines) for the year ended June 30, 2022.

In our opinion, the City of Santa Monica, California complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2022.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the Guidelines. Our responsibilities under those standards and the Guidelines are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance with the Guidelines. Our audit does not provide a legal determination of City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for the City's compliance with the Guidelines and for the design, implementation, and maintenance of effective internal control over compliance with the compliance requirements of the Guidelines referred to above.



Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Guidelines will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the Guidelines as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Guidelines, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Guidelines, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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



Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guidelines. Accordingly, this report is not suitable for any other purpose.

Glendale, California
December 14, 2022

**City of Santa Monica
Compliance Matrix
Year ended June 30, 2022**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
A. Proposition A and Proposition C Local Return Funds					
1. Uses the State Controller's Uniform System of Accounts and Records or has established a separate Proposition A and Proposition C Local Transit Assistance Account for Local Return purposes.	X				
2. Revenues received including allocations, project generated revenues and interest income was properly credited to the Proposition A and/or Proposition C Local Return Account.	X				
3. Funds were expended with Metro's approval and were not substituted for property tax.	X				
4. Timely use of funds.	X				
5. Administrative expenses are within the 20% cap.	X				
6. Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A) or electronic equivalent.	X				
7. Annual Project Update Report (Form B) or electronic equivalent was submitted on time.	X				
8. Annual Expenditure Report (Form C) or electronic equivalent was submitted on time.	X				
9. Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.	X				
10. Local Return Account is credited for reimbursable expenditures.			X		
11. Where Proposition A funds were given, loaned or exchanged by one jurisdiction to another, the receiving jurisdiction has credited its Local Return Account with the funds received.			X		
12. Self-Certification was completed and submitted for Intelligent Transportation Systems projects and elements.	X				

See independent auditor's report on compliance.

**City of Santa Monica
Compliance Matrix
Year ended June 30, 2022**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
A. Proposition A and Proposition C Local Return Funds					
13. A separate account was established for Capital reserve funds, Capital reserve was approved by Metro and current status is reported in the Annual Project Update (Form B) or electronic equivalent.	X				
14. Recreational transit form was submitted on time.	X				
15. Fund exchanges (trades, loans, or gifts) were approved by Metro.			X		
16. Proposition C Local Return Funds were used to augment, not supplant existing local revenues being used for road improvement purposes.	X				
17. All on-going and carryover projects were reported on Form B or electronic equivalent.	X				
18. Cash or cash equivalents are maintained.	X				
19. Accounting procedures, record keeping, and documentation are adequate.	X				

See independent auditor's report on compliance.

**City of Santa Monica
Compliance Matrix
Year ended June 30, 2022**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
B. Measure R Local Return Fund					
1. Funds were expended for transportation purposes.	X				
2. Separate Measure R Local Return Account was established.	X				
3. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	X				
4. Funds were expended with Metro's approval.	X				
5. Funds were not substituted for property tax and are in compliance with the Maintenance of Effort.	X				
6. Timely use of funds.	X				
7. Administrative expenses are within the 20% cap.			X		There were no administrative expenditures charged to MRLRF during FY2021/22.
8. Expenditure Plan (Form One or electronic equivalent) was submitted timely.	X				
9. Annual Expenditure Report (Form Two or electronic equivalent) was submitted timely.	X				
10. Where funds expended were reimbursable by other grants or fund sources, the reimbursement was credited to the Local Return Account upon receipt of the reimbursement.			X		
11. Where Measure R funds were given, loaned or exchanged by one jurisdiction to another, the receiving jurisdiction has credited its Local Return Account with the funds received.			X		
12. A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.			X		
13. Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall.	X				

See independent auditor's report on compliance.

**City of Santa Monica
Compliance Matrix
Year ended June 30, 2022**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
B. Measure R Local Return Fund					
14. Recreational transit form was submitted on time.			X		
15. Fund exchanges (trades, loans, or gifts) were approved by Metro.			X		
16. Accounting procedures, record keeping, and documentation are adequate.	X				

See independent auditor's report on compliance.

**City of Santa Monica
Compliance Matrix
Year ended June 30, 2022**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
C. Measure M Local Return Fund					
1. Funds were expended for transportation purposes.	X				
2. Separate Measure M Local Return Account was established.	X				
3. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.	X				
4. Funds were expended with Metro's approval.	X				
5. Funds were not substituted for property tax and are in compliance with the Maintenance of Effort.	X				
6. Timely use of funds.	X				
7. Administrative expenses are within the 20% cap.			X		There were no administrative expenditures charged to MMLRF during FY2021/22.
8. Expenditure Plan (Form M-One or electronic equivalent) was submitted timely.	X				
9. Expenditure Report (Form M-Two or electronic equivalent) was submitted timely.	X				
10. Where funds expended were reimbursable by other grants or fund sources, the reimbursement was credited to the Local Return Account upon receipt of the reimbursement.			X		
11. Where Measure M funds were given, loaned or exchanged by one jurisdiction to another, the receiving jurisdiction has credited its Local Return Account with the funds received.			X		
12. A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.			X		
13. Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall.	X				

See independent auditor's report on compliance.

**City of Santa Monica
Compliance Matrix
Year ended June 30, 2022**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
C. Measure M Local Return Fund					
14. Recreational transit form was submitted on time.			X		
15. Fund exchanges (trades, loans, or gifts) were approved by Metro.			X		
16. Accounting procedures, record keeping, and documentation are adequate.	X				

See independent auditor's report on compliance.

**City of Santa Monica
Compliance Matrix
Year Ended June 30, 2022**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
D. Transportation Development Act Article 3 Fund					
1. Timely use of funds.	X				
2. Expenditures were incurred for activities relating to pedestrian and bicycle facilities and amenities.	X				
3. Annual Claim Form was submitted timely.	X				

See Independent Auditor's Report on compliance.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**City of Santa Monica
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022**

There were no findings noted.

EXIT CONFERENCE

An exit conference was held on December 14, 2022 with the City of Santa Monica representatives. Those in attendance were:

Vasquez and Company LLP representative:
Marialyn Labastilla – Audit Director

City of Santa Monica representatives:
Robert Garcia – Supervising Accountant
Amelia Dawson – Senior Grants Analyst
Nick Felldin – Accountant II

Matters discussed:

Results of the audit disclosed no significant compliance or financial statement issues.

A copy of this report was forwarded to the following City of Santa Monica representatives for comments prior to the issuance of the final report:

Stephanie Manglaras – Financial Operations Manager
Robert Garcia – Supervising Accountant
Amelia Dawson – Senior Grants Analyst
Nick Felldin – Accountant II



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