

SANTA MONICA BAY RESTORATION AUTHORITY

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED SEPTEMBER 30, 2006 THROUGH 2014



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SANTA MONICA BAY RESTORATION AUTHORITY

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TABLE OF CONTENTS

	Page
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Balance Sheet	6
Statement of Revenues, Expenditures and Changes in Fund Balance.....	7
Notes to Basic Financial Statements.....	8
Required Supplementary Information	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	14
Notes to Required Supplementary Information.....	19
Combining Balance Sheet	20
Combining Statement of Revenues, Expenditures and Changes in Fund Balance.....	21
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Schedule of Service Fees and Contract Reimbursement Performed in Accordance with <i>Government Auditing Standards</i>	22
Schedule of Findings	24

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Santa Monica Bay Restoration Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Santa Monica Bay Restoration Authority (Authority) as of and for the years ended September 30, 2006 through 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion 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 opinion.

Opinion

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2006 through 2014, and the respective changes in financial position 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 (MD&A) and the Required Supplementary Information on pages 3 through 5 and 14 through 21, respectively 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2015 on our consideration of the Authority'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 Authority's internal control over financial reporting and compliance.

BCA Watson Rice, LLP

Torrance, California
May 5, 2015

SANTA MONICA BAY RESTORATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE YEARS ENDED SEPTEMBER 30, 2006 THROUGH 2014

The Management's Discussion and Analysis (MD&A) of the financial activities of the Santa Monica Bay Restoration Authority (Authority) provides a narrative overview of the Authority's financial activities for the fiscal years ended September 30, 2006 through 2014. Please read it in conjunction with the accompanying basic financial statements, footnotes and supplementary information.

Financial Highlights

- The total assets of the Authority as of September 30, 2006 through 2014 are as follows:

<u>Fiscal Year</u>	<u>Total Assets</u>
2006	\$ 168,739
2007	505
2008	528
2009	541
2010	549
2011	117,617
2012	178,019
2013	162,569
2014	314,421

The assets are higher in FY 2014 because grant revenue was received in FY 2014, but was not spent until the following fiscal year.

- Revenues mainly consisted of federal and state grants. The total operating revenue of the Authority as of September 30, 2006 through 2014 are as follows:

<u>Fiscal Year</u>	<u>Revenue</u>
2006	\$ 392,681
2007	120,766
2008	23
2009	13
2010	8
2011	117,067
2012	303,008
2013	302,908
2014	313,697

SANTA MONICA BAY RESTORATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE YEARS ENDED SEPTEMBER 30, 2006 THROUGH 2014

- The fund balances of the Authority as of September 30, 2006 through 2014 are as follows:

<u>Fiscal Year</u>	<u>Fund Balance</u>
2006	\$ 95
2007	505
2008	528
2009	541
2010	549
2011	557
2012	669
2013	724
2014	107,018

- The Authority has no short or long term debt.

Overview of Financial Statements

This MD&A serves as an introduction to the Authority's basic financial statements. The basic financial statements include four components: 1) Balance Sheet; 2) Statement of Revenues, Expenses and Changes in Fund Balance; 3) Notes to the Financial Statements and 4) Supplemental Information.

- The Balance Sheet presents all of the Authority's assets and liabilities, with the difference reported as fund balance. Over time, increases or decreases in fund balance may serve as a useful indicator to determine whether the financial position of the Authority is improving or deteriorating.
- The Statement of Revenues, Expenses and Changes in Fund Balance present information showing how the Authority's fund balance changed during the fiscal year. All changes in fund balance (revenues and expenses) are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Accordingly, revenues and expenses are reported in this statement for items that will result in cash flows in future fiscal periods (e.g. accrued but unpaid contract and professional service fees).
- The notes provide additional information that is essential for a full understanding of the data provided in the basic financial statements.
- The supplemental information includes schedules in the format of the basic financial statements, showing the activity for each fund.

Financial Statement Analysis

Operating revenues consist primarily of federal and state grants. Operating expenses consist primarily of contract and professional service fees.

SANTA MONICA BAY RESTORATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE YEARS ENDED SEPTEMBER 30, 2006 THROUGH 2014

Capital Assets

As of September 30, 2006 through 2014, the Authority had no capital assets.

Economic Factors

The Authority is currently seeking opportunities for funding stability and growth. Because of watershed environmental needs, it is expected that the Authority will need to establish future partnerships with new funds coming within the next two years. In the works is a potential partnership with the City of Los Angeles, with cooperative sharing of costs and resources to improve ecological health at the Los Angeles/El Segundo Dunes Habitat. This partnership will provide parties with research opportunities, community involvement and environmental awareness and stewardship, youth and workforce development, rare species and habitat preservation and enhancement, and the maintenance of the dunes facility and safe airport operations, and bring new funding resources to the Authority. Also, while two of the Authority's three current funding agreements expire in 2015 (Boater Education Program & Wetlands Program Development Grant (WPDG)), a new funding agreement has been awarded to continue the Boater Education Program through the end of 2016 and it is expected that the Authority will re-apply for a new round of WPDG funding.

Contacting the Authority's Financial Management

This financial report is designed to provide our citizens and other interested parties with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the County of Los Angeles, Department of Auditor-Controller, 500 West Temple Street, Room 525, Los Angeles, CA 90012.

SANTA MONICA BAY RESTORATION AUTHORITY

BALANCE SHEET
SEPTEMBER 30, 2006 THROUGH 2014

<u>Assets</u>	2014	2013	2012	2011	2010	2009	2008	2007	2006
Cash and investments (Note 3)	\$ 107,011	\$ 722	\$ 659	\$ 556	\$ 549	\$ 540	\$ 527	\$ 502	\$ 81
Interest receivable	7	2	10	1		1	1	3	14
Accounts receivable (Note 4)	207,403	161,845	177,350	117,060					168,644
Total assets	<u>\$ 314,421</u>	<u>\$ 162,569</u>	<u>\$ 178,019</u>	<u>\$ 117,617</u>	<u>\$ 549</u>	<u>\$ 541</u>	<u>\$ 528</u>	<u>\$ 505</u>	<u>\$ 168,739</u>
<u>Liabilities and Fund Balance</u>									
Accrued expenses	\$ 207,403	\$ 161,845	\$ 177,350	\$ 117,060	\$	\$	\$	\$	\$ 168,644
Total liabilities	<u>207,403</u>	<u>161,845</u>	<u>177,350</u>	<u>117,060</u>					<u>168,644</u>
Fund balance – unreserved					549	541	528	505	95
Fund balance – unassigned	107,018	724	669	557					
Total liabilities and fund balance	<u>\$ 314,421</u>	<u>\$ 162,569</u>	<u>\$ 178,019</u>	<u>\$ 117,617</u>	<u>\$ 549</u>	<u>\$ 541</u>	<u>\$ 528</u>	<u>\$ 505</u>	<u>\$ 168,739</u>

See accompanying notes to the basic financial statements.

SANTA MONICA BAY RESTORATION AUTHORITY

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEARS ENDED SEPTEMBER 30, 2006 THROUGH 2014**

	2014	2013	2012	2011	2010	2009	2008	2007	2006
<u>Revenues</u>									
Federal grants	\$ 106,242	\$ 44,570	\$ 53,388	\$	\$	\$	\$	\$ 120,356	\$ 392,586
State grants	207,403	258,283	249,508	117,060				410	95
Interest income	52	55	112	7	8	13	23		
Total revenues	<u>313,697</u>	<u>302,908</u>	<u>303,008</u>	<u>117,067</u>	<u>8</u>	<u>13</u>	<u>23</u>	<u>120,766</u>	<u>392,681</u>
<u>Expenditures</u>									
Contract and professional services	173,074	254,449	241,095	98,846				98,202	379,050
Insurance									2,327
Utilities, supplies and other charges	34,329	48,404	61,801	18,213				22,154	6,928
Legal services									4,281
Total expenditures	<u>207,403</u>	<u>302,853</u>	<u>302,896</u>	<u>117,059</u>				<u>120,356</u>	<u>392,586</u>
Excess (deficiency) of revenues over expenditures	106,294	55	112	8	8	13	23	410	95
Fund balance, beginning of year	724	669	557	549	541	528	505	95	
Fund balance, end of year	<u>\$ 107,018</u>	<u>\$ 724</u>	<u>\$ 669</u>	<u>\$ 557</u>	<u>\$ 549</u>	<u>\$ 541</u>	<u>\$ 528</u>	<u>\$ 505</u>	<u>\$ 95</u>

See accompanying notes to the basic financial statements.

SANTA MONICA BAY RESTORATION AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2006 THROUGH 2014

NOTE 1 – REPORTING ENTITY

The Santa Monica Bay Restoration Authority (Authority), a separate public entity, was established in March 2004 through a Joint Powers Agreement (JPA) between the Santa Monica Bay Restoration Commission (Commission) and the Los Angeles County Flood Control District (District) to develop and facilitate programs for the protection and enhancement of the natural resources of the Santa Monica Bay Watersheds and the Santa Monica Bay consistent with the goals and responsibilities of the Commission and District.

The Authority is governed by a five voting member Board of Directors as follows:

- Three voting members of the Governing Board of the Commission appointed by the Governing Board of the Commission, none of whom may be a member appointed by the Los Angeles County Board of Supervisors.
- The Director of the Los Angeles County Department of Public Works or his/her designee.
- The member of the Los Angeles County Board of Supervisors of the Los Angeles County Flood Control District, or his/her designee, who has been appointed to the Governing Board of the Commission.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The accounts of the Authority are organized on the basis of funds. A fund is defined as an independent fiscal and accounting entity wherein operations of each fund are accounted for in a separate set of self-balancing accounts that record resources, related liabilities, obligations, reserves and equity segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Government resources are allocated to and for individual funds based on the purpose for which they are spent and means by which spending activities are controlled.

The Authority's Operating Fund is available for any authorized purpose and is used to account for and report all financial resources not accounted for and reported in another fund. Beginning in fiscal year 2013, the Authority established a SMBRA EPA Grant Fund in addition to the Operating Fund. The funding for both funds comes primarily from federal and state grants through the Environmental Protection Agency and the State Department of Boating and Waterways.

Basis of Accounting

Both the Operating Fund and SMBRA EPA Grant Fund are accounted for 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 collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, revenues are available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred.

SANTA MONICA BAY RESTORATION AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2006 THROUGH 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances

In the fund financial statements beginning fiscal year ended September 30, 2011, the governmental funds report the classification of fund balance in accordance with GASB Statement No. 54 “Fund Balance Reporting and Governmental Fund Type Definitions.” The reported fund balances are categorized as non-spendable, restricted, committed, assigned, or unassigned based on the extent to which the Authority is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable Fund Balance – amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories and long-term notes receivable.

Restricted Fund Balance – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. Restrictions may effectively be changed or lifted only by changing the condition of the constraint.

Committed Fund Balance – amounts that can only be used for the specific purposes determined by a formal action of the Authority’s highest level of decision-making authority, the Authority’s Board. Commitments may be changed or lifted only by the Authority taking the same formal action that imposed the constraint originally. The underlying action that imposed the limitation needs to occur no later than the close of the fiscal year.

Assigned Fund Balance – amounts intended to be used by the Authority for specific purposes that are neither restricted nor committed. The intent can be established at either the highest level of decision making, or by a body or an official designated for that purpose.

Unassigned Fund Balance – the residual classification for the Authority’s General Fund that includes amounts not contained in other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The Authority’s Board establishes, modifies, or rescinds fund balance commitments and assignments through the adoption of the budget and subsequent amendments that occur throughout the fiscal year.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

SANTA MONICA BAY RESTORATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2006 THROUGH 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue

Recognition of revenues arising from non-exchange transactions, which include revenues from grants and contributions, is based on the primary characteristic from which the revenues are received by the Authority. Grant funds are considered earned to the extent of expenditures made under the provisions of the grants.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

New Pronouncements

The following summarizes Governmental Accounting Standards Board (GASB) pronouncements and their impact, if any, on the financial statements.

In March 2009, GASB issued Statement No. 54, *“Fund Balance Reporting and Governmental Fund Type Definitions”*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the fund type definitions. This statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints and control how specific amounts can be spent. Disclosure of policies in the notes to the financial statements is required. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2010. The Authority implemented the new reporting requirements of GASB 54 for fiscal year ended September 30, 2011.

In April 2009, GASB issued Statement No. 55, *“The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”*. This statement incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB’s authoritative literature. This statement will improve financial reporting by contributing to GASB’s efforts to codify all GAAP for state and local governments so that they derive from a single source. The requirements of this statement are effective immediately. The Authority implemented the new reporting requirements of GASB 55 for fiscal year ending September 30, 2010.

In April 2009, GASB issued Statement No. 56, *“Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards”*. This statement incorporates into GASB’s authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants’ Statements on Auditing Standards. This statement addresses three issues not included in the authoritative literature that establishes accounting principles – related party transactions, going concern considerations, and subsequent events. The requirements of this statement are effectively immediately. The Authority implemented the new reporting requirements of GASB 56 for fiscal year ending September 30, 2010.

SANTA MONICA BAY RESTORATION AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2006 THROUGH 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Pronouncements (Continued)

The Authority implemented the provisions of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (effective July 1, 2012). GASB 62 incorporates into the GASB's accounting and financial reporting that is included in the FASB Statements and Interpretations, APB Opinions and Research Bulletins, which do not conflict with or contradict GASB statements, which were issued on or before November 30, 1989. The adoption of GASB 62 did not have a material impact on the Authority's basic financial statements.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities.* This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements of deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limits the use of the term deferred in the financial statement presentations. The implementation of GASB 65 for the fiscal year ended June 30, 2014 did not have an impact on the Authority's financial statements.

NOTE 3 - CASH AND INVESTMENTS

The Authority's cash and investments are pooled and invested by the County Treasurer and are subject to withdrawal from the pool upon demand. The Authority's share in this pool is displayed in the accompanying financial statements as cash and investments. Investment income earned by the pooled investments is allocated to the various funds based on the fund's average cash and investment balance, as provided by the California Government Code Section 53647. The table below summarizes the Authority's cash and investment balances as of September 30, 2006 through 2014:

<u>Fiscal Year</u>	<u>Cash and Investments</u>
2006	\$ 81
2007	502
2008	527
2009	540
2010	549
2011	556
2012	659
2013	722
2014	107,011

Investment policies and associated risk factors applicable to the Authority are included in the County of Los Angeles' Comprehensive Annual Financial Report for the years ended June 30, 2006 through 2014.

SANTA MONICA BAY RESTORATION AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2006 THROUGH 2014

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivables include the following and represents receivables from the Environment Protection Agency and State Department of Boating and Waterways for allowable Environment Protection Agency and State Department of Boating and Waterways Program expenditures.

NOTE 5 – CONTINGENT LIABILITIES

The Authority is aware of potential claims that may be filed against them. The outcome of these matters is not presently determinable, but the resolution of these matters is not expected to have a significant impact on the financial condition of the Authority.

NOTE 6 – SUBSEQUENT EVENTS

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through May 5, 2015, the date the financial statements were issued.

REQUIRED SUPPLEMENTARY INFORMATION

SANTA MONICA BAY RESTORATION AUTHORITY

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEARS ENDED SEPTEMBER 30, 2006 THROUGH 2014**

	FY 2014				FY 2013		
	Budget Amounts		Actual	Variance with Final Budget	Budget Amounts		Variance with Final Budget
	Original	Final			Original	Final	
<u>Revenues</u>							
Federal grants	\$ 386,982	\$ 386,982	\$ 106,242	\$ (280,740)	\$ 296,552	\$ 44,570	\$ (251,982)
State grants	302,798	302,798	207,403	(95,395)	561,082	258,283	(302,799)
Interest income			52	52		55	55
Total revenues	689,780	689,780	313,697	(376,083)	857,634	302,908	(554,726)
<u>Expenditures</u>							
Contract and professional services	461,375	461,375	173,074	288,301	580,823	254,449	326,375
Utilities, supplies and other charges	111,169	111,169	34,329	76,840	159,575	48,404	111,081
Travel	44,811	44,811	44,811	44,811	44,811	44,900	44,900
Indirect costs	72,425	72,425	72,425	72,425	72,425	72,425	72,425
Total expenditures	689,780	689,780	207,403	482,377	857,634	302,853	554,781
Excess (deficiency) of revenues over expenditures			106,294	106,294		55	55
Fund balance, beginning of year			724	724		669	669
Fund balance, end of year	\$	\$	\$ 107,018	\$ 107,018	\$	\$ 724	\$ 724

See accompanying notes to required supplementary information.

SANTA MONICA BAY RESTORATION AUTHORITY

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL (Continued)
FOR THE YEARS ENDED SEPTEMBER 30, 2006 THROUGH 2014**

	FY 2012				FY 2011			
	Budget Amounts		Actual	Variance with Final Budget	Budget Amounts		Actual	Variance with Final Budget
	Original	Final			Original	Final		
<u>Revenues</u>								
Federal grants	\$ 349,940	\$ 349,940	\$ 53,388	\$ (296,552)	\$ -	\$ -	\$ -	\$ -
State grants	535,590	535,590	249,508	(286,082)	386,100	386,100	117,060	(269,040)
Interest income			112	112	-	-	7	7
Total revenues	885,530	885,530	303,008	(582,522)	386,100	386,100	117,067	(269,033)
<u>Expenditures</u>								
Contract and professional services	629,994	629,994	241,095	388,899	215,000	215,000	98,846	116,154
Utilities, supplies and other charges	182,786	182,786	61,801	120,985	120,000	120,000	18,213	101,787
Travel	32,100	32,100	-	32,100	12,000	12,000	-	12,000
Indirect costs	40,650	40,650	-	40,650	39,100	39,100	-	39,100
Total expenditures	885,530	885,530	302,896	582,634	386,100	386,100	117,059	269,041
Excess (deficiency) of revenues over expenditures			112	112	-	-	8	8
Fund balance, beginning of year			557	557	-	-	549	549
Fund balance, end of year		\$	\$ 669	\$ 669	\$	\$	\$ 557	\$ 557

See accompanying notes to required supplementary information.

SANTA MONICA BAY RESTORATION AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL (Continued)
FOR THE YEARS ENDED SEPTEMBER 30, 2006 THROUGH 2014

	FY 2010			FY 2009			Variance with Final Budget
	Budget Amounts			Budget Amounts			
	Original	Final	Actual	Original	Final	Actual	
<u>Revenues</u>							
Federal grants	\$	\$	\$	\$	\$	\$	\$
State grants			8				13
Interest income			8				13
Total revenues			8				13
<u>Expenditures</u>							
Contract and professional services							
Utilities, supplies and other charges							
Travel							
Indirect costs							
Total expenditures							
Excess (deficiency) of revenues over expenditures			8			13	13
Fund balance, beginning of year			541			528	528
Fund balance, end of year	\$	\$	\$ 549	\$	\$	\$ 541	\$ 541

See accompanying notes to required supplementary information.

SANTA MONICA BAY RESTORATION AUTHORITY

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL (Continued)
FOR THE YEARS ENDED SEPTEMBER 30, 2006 THROUGH 2014**

	FY 2008			FY 2007			Variance with Final Budget
	Budget Amounts			Budget Amounts			
	Original	Final	Actual	Original	Final	Actual	
<u>Revenues</u>							
Federal grants	\$	\$	\$	\$ 120,358	\$ 120,358	\$ 120,356	\$ (2)
State grants			23			410	410
Interest income			23	120,358	120,358	120,766	408
Total revenues							
<u>Expenditures</u>							
Contract and professional services				120,358	120,358	98,202	22,156
Insurance							
Utilities, supplies and other charges						22,154	(22,154)
Legal services							
Total expenditures				120,358	120,358	120,356	2
Excess (deficiency) of revenues over expenditures			23			410	410
Fund balance, beginning of year			505			95	95
Fund balance, end of year	\$	\$	\$ 528	\$	\$	\$ 505	\$ 505

See accompanying notes to required supplementary information.

SANTA MONICA BAY RESTORATION AUTHORITY

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL (Continued)
FOR THE YEARS ENDED SEPTEMBER 30, 2006 THROUGH 2014**

	FY 2006			
	Budget Amounts			Variance with Final Budget
	Original	Final	Actual	
<u>Revenues</u>				
Federal grants	\$ 512,944	\$ 512,944	\$ 392,586	\$ (120,358)
State grants				
Interest income			95	95
Total revenues	512,944	512,944	392,681	(120,263)
<u>Expenditures</u>				
Contract and professional services	506,323	506,323	379,050	127,273
Insurance			2,327	(2,327)
Utilities, supplies and other charges	6,621	6,621	6,928	(307)
Legal services			4,281	(4,281)
Total expenditures	512,944	512,944	392,586	120,358
Excess (deficiency) of revenues over expenditures			95	95
Fund balance, beginning of year				
Fund balance, end of year	\$	\$	\$ 95	\$ 95

See accompanying notes to required supplementary information.

SANTA MONICA BAY RESTORATION AUTHORITY

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEARS ENDED SEPTEMBER 30, 2006 THROUGH 2014

BUDGETARY DATA

The Authority prepares an annual budget on a grant by grant basis. The Authority utilizes a budgetary basis, which is a management control technique to assist in controlling expenditures and enforcing revenue provisions. Under this system, the current year expenditures are charged against appropriations. Accordingly, actual revenues and expenditures can be compared with related budget amounts without any significant reconciling items.

SANTA MONICA BAY RESTORATION AUTHORITY

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

	2014		2013	
	SMBRA EPA Grant Fund	Santa Monica Bay Restoration Authority Operating Fund	SMBRA EPA Grant Fund	Santa Monica Bay Restoration Authority Operating Fund
<u>Revenues</u>		<u>Total</u>		<u>Total</u>
Federal grants	\$ 106,242	\$ 106,242	\$ 30,086	\$ 14,484
State grants		207,403		258,283
Interest income	14	38		55
Total revenues	106,256	313,697	30,086	272,822
<u>Expenditures</u>				
Contract and professional services		173,074	29,421	225,028
Utilities, supplies and other charges		34,329	665	47,739
Total expenditures		207,403	30,086	272,767
Excess (deficiency) of revenues over expenditures	106,256	106,294		55
Fund balance, beginning of year		724		669
Fund balance, end of year	\$ 106,256	\$ 107,018	\$	\$ 724

**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 Board of Directors of
The Santa Monica Bay Restoration Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Santa Monica Bay Restoration Authority (Authority) as of and for the year ended September 30, 2006 through 2014, and the related notes to the financial statements and have issued our report thereon dated May 5, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying Schedule of Findings as items 2014-01, 2014-02, 2014-03, and 2014-04.

Authority's Response to Finding

The Authority's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The Contractor's responses are not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance.

Restriction on Use

This report is intended solely for the information and use of the Board of Directors, management and others within the Authority, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BCA Watson Rice, LLP

Torrance, California

May 5, 2015

SANTA MONICA BAY RESTORATION AUTHORITY
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED SEPTEMBER 30, 2006 THROUGH 2014

Finding #2014-01 – Annual Budgets

Based on our audit of nine years from FY 2006 through FY 2014, we found that the Authority developed an annual budget of the agency for FY 2006, FY 2011 and FY 2012 only. We were provided grant budgets for the other six fiscal years, which was used as the Authority's budget. The budget on the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual were based on grant budgets. We verified that the Authority's expenditures were in accordance with the grant budgets.

In addition, the FY 2006, FY 2011 and 2012 annual budgets were approved by the Commission and the Board of Supervisors of the District. However, we found that three out of six grant budgets were approved by the Governing Board of the Commission, but none were approved by the Board of Supervisors of the District.

Section 10.2 of the Joint Powers Agreement between the Santa Monica Bay Restoration Commission (Commission) and the Los Angeles County Flood Control District (District) states that *“The Authority shall be accountable for all funds, receipts, and disbursements. The Authority shall adopt an annual budget, in a form approved by the Commission and the District, which budget shall be submitted to the Commission and to the Board of Supervisors of the District for approval, in time and manner specified by all of these public agencies. Public funds may not be disbursed by the Authority without a budget adopted by the Authority, and approved by the Board of Supervisors of the District and the Governing Board of the Commission, and all receipts and disbursements shall be in strict conformance with the adopted and approved budget.”*

Recommendation

We recommend that the Authority adopt an annual budget of the agency, which includes all grant budgets, in a form approved by the Governing Board of the Commission and the Board of Supervisors of the District in accordance with the Joint Powers Agreement.

Authority's Response

The Authority agrees with this recommendation. The budget for fiscal year 2014-2015 was approved by all parties as of March 17, 2015 and in future years, every attempt will be made to have the budget approved as soon as possible and no expenditures will be made until a budget has been approved.

SANTA MONICA BAY RESTORATION AUTHORITY
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED SEPTEMBER 30, 2006 THROUGH 2014

Finding #2014-02 – Annual Audits

Santa Monica Bay Restoration Authority Joint Powers Agreement was executed on April 6, 2004, and funding was received by the Authority in FY 2006. However, an audit of the Authority was never conducted until FY 2014.

Section 10.4 of the Joint Powers Agreement states that *“The Auditor-Controller shall either make or contract with a certified public accountant to make an annual audit of the accounts and records of the Authority.”*

Recommendation

We recommend that an annual audit of the Authority be conducted in accordance with the Joint Powers Agreement.

Authority’s Response

We agree with the recommendation that an annual audit should be conducted for the Authority and now that a funding source has been identified, we will continue to have them completed on an annual basis.

Finding #2014-03 – Bond

We found that the Authority did not require that each member of the Governing Board, the executive officer, and the treasurer file an official bond with the Authority.

Section 10.4 of the Joint Powers Agreement states that *“Each member of the Governing Board, the executive officer, and the treasurer shall file an official bond with the Authority. When deemed appropriate by the Authority, a master bond may be utilized as referred to in Government Code Section 1481, and the bond shall also comply with the requirements of Title 1, Division 4, Chapter 3 of the Government Code, with those sections being deemed applicable to the Authority to the extent the Authority deems appropriate. The bond shall be in the amount of \$50,000. The premium shall be paid by the Authority.”*

Recommendation

We recommend that each member of the Governing Board, the executive officer, and the treasurer file an official bond with the Authority in accordance with the Joint Powers Agreement.

Authority’s Response

The Authority has started the process of securing a master bond for the SMBRA’s Executive Director and each member of the SMBRA Governing Board, in accordance with and as referred to in Government Code Section 1481, to comply with the requirements of Title 1, Division 4, Chapter 3 of the Government Code. This process is expected to be completed within the current fiscal year ending September 30, 2015.

SANTA MONICA BAY RESTORATION AUTHORITY
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED SEPTEMBER 30, 2006 THROUGH 2014

Finding #2014-04 – Competitive Bids

During our audit, the Authority was unable to provide evidence to show that competitive bids (at least 3 bids) were obtained for three out of four contracts tested in fiscal years 2006 and 2007. Since the evidence was not provided, we were unable to determine whether the Authority was in compliance with the contract procedural requirements.

The Authority's purchasing and contracting procedures state that "*contracts in excess of twenty-five thousand dollars (\$25,000) shall be let after the three-bid procedure and advertisement of bids.*"

Recommendation

We recommend that all contracts in excess of \$25,000 evidence competition showing at least 3 bids were received in accordance with the Authority's purchasing and contracting procedures.

Authority's Response

We agree with this recommendation. The Authority's Purchasing and Contracting Procedures require that "contracts in excess of twenty-five thousand dollars (\$25,000) shall be let after the three-bid procedure and advertisement of bids unless this practice is deemed inefficient or redundant for a project where a sole source or prior experience and/or professional qualifications have proven that a particular make and/or type of equipment, material, supply or service is more satisfactory or economical for SMBRA purposes" (Section 3.4(d)). For the exceptions noted above, we are unable to provide evidence because of staffing changes over the past seven years and difficulty locating documents since so much time has passed. However, the Authority has followed and will continue to follow the policy on all purchases and contracts.