

SANTA MONICA BAY RESTORATION AUTHORITY

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2019



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SANTA MONICA BAY RESTORATION AUTHORITY

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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 year ended September 30, 2019, 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, 2019, 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.

Emphasis of Matter

As discussed in Note 7 to the financial statements, the Authority will be dissolved pursuant to the resolution 19-01 adopted by its Governing Board on October 24, 2019. The Authority shall have no activity after the receipt of outstanding accounts receivable and payment of its accrual liabilities and disposal of any remaining assets. These events are expected to take place during fiscal year 2019-20.

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 6 and 19 through 22, 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 February 28, 2020 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.



Torrance, California
February 28, 2020

SANTA MONICA BAY RESTORATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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 year ended September 30, 2019. Please read it in conjunction with the accompanying basic financial statements, footnotes and supplementary information.

Background

The Authority was created by a joint exercise of powers agreement between the Santa Monica Bay Restoration Commission (SMBRC) and the Los Angeles County Flood Control District (LACFCD) and operates as a local public agency within the Santa Monica Bay Watershed and the jurisdictional boundaries of the SMBRC and the District. The purpose of the Authority is to broaden funding opportunities for projects beneficial to both the SMBRC and the LACFCD within the Santa Monica Bay Watershed, and it provides an efficient method by which state agencies can fund important programs of the Santa Monica Bay National Estuary Program. The Authority Governing Board approves its annual budget, monitors and supervises its various programs as funded by local, state, and federal sources, and enters into collaborative subaward agreements and/or subcontracts with local entities to carry out projects as needed. The Authority Governing Board is comprised of the Director of the Los Angeles County Department of Public Works or his/her designee, a member of the Los Angeles County Board of Supervisors appointee, and 3 other voting members elected by the SMBRC Governing Board. Appointment to the Authority Governing Board is made at SMBRC Governing Board meetings or Los Angeles County Board of Supervisors meetings, if needed due to a vacancy. There are no term limits for the Authority Governing Board members.

Financial Highlights

- The total assets of the Authority as of September 30, 2019 are \$143,560.
- Revenues mainly consisted of federal and state grants. The total operating revenue of the Authority as of September 30, 2019 is \$277,356.
- The net position of the Authority as of September 30, 2019 is \$7,058.
- The Authority has no short or long-term debt.
- The Authority has capital assets in the amount of \$1,983.

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to the Authority's basic financial statements, which are comprised of the following three components:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

SANTA MONICA BAY RESTORATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2019
(Continued)

This report also includes other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

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

The Statement of Net Position presents information on all Authority assets reduced by liabilities, which represent net position. Over time, increases and decreases in net position may serve as an indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Activities presents information that indicates how the Authority's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying events giving rise to the changes occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that affect cash flows in future periods, for example, accrued but unpaid contract and professional fees.

The government-wide financial statements report the following different types of programs or activities:

Governmental Activities – All of the Authority's programs during fiscal year 2018-19 are reported under this category.

Business-type Activities – The Authority has no business-type activities during fiscal year 2018-19.

Fund Financial Statements

The fund financial statements contain information regarding major individual funds. A fund is a fiscal and accounting entity with a balanced set of accounts. The Authority uses separate funds to ensure compliance with fiscal and legal requirements. The Authority's funds are all classified as governmental funds during fiscal year 2018-19.

Governmental Funds - These funds are used to account for essentially the same services that were previously described as governmental activities above. However, the fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Authority's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Authority's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

SANTA MONICA BAY RESTORATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2019
(Continued)

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary 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.

Capital Assets

As of September 30, 2019, the Authority had capital assets of \$1,983, consisting of data probe equipment and electronic equipment.

Economic Factors

The revenues of the Authority consist primarily of federal, state, and local grants and service agreements, which fund the Authority's expenditures primarily in the form of contracts and professional services. Because of the limited sources of revenue, the Authority constantly monitors and manages its resources to stay within its financial means and to not incur expenditures beyond its secured revenues.

The current and potential new grants and service agreements impacting the Authority are as follows:

Malibu Lagoon Restoration and Enhancement Agreement:

Through a contract for services from the California Department of Parks and Recreation to the Authority, the project continues to monitor, assess, and document the post-restoration habitat conditions of Malibu Lagoon. The term of the existing agreement was extended for six months and ended on June 30, 2019.

US EPA WPDG 2:

Through a competitive grant from the USEPA Wetland Protection Development Grant Program to the Authority, this project continues to advance a coordinated and consistent approach to wetland monitoring and assessment in accordance with the monitoring and assessment strategies developed by the State of California and USEPA. The 3-year award period originally would have ended on September 30, 2018; however, due to a slow start of the project, the term of this grant was extended to October 31, 2019.

The Authority will be dissolved pursuant to the resolution 19-01 adopted by the Governing Board of the SMBRC on October 24, 2019. The Authority shall have no activity after the receipt of outstanding accounts receivable and payment of its accrual liabilities and disposal of any remaining assets. These events are expected to take place during fiscal year 2019-20.

SANTA MONICA BAY RESTORATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2019
(Continued)

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

**STATEMENT OF NET POSITION
SEPTEMBER 30, 2019**

	Governmental Activities
Assets	
Cash and investments (Note 3)	\$ 5,001
Interest receivable	74
Accounts receivable (Note 4)	136,502
Capital assets (Note 5)	1,983
Total Assets	<u>\$ 143,560</u>
Liabilities	
Accrued expenses	<u>\$ 136,502</u>
Total Liabilities	<u>136,502</u>
Net Position	
Net investment in capital assets	1,983
Unrestricted	<u>5,075</u>
Total Net Position	<u>\$ 7,058</u>

See accompanying notes to the basic financial statements.

SANTA MONICA BAY RESTORATION AUTHORITY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

		Program Revenues	Net (Expense) Revenue and Change in Net Position
<u>Functions/Programs</u>	Expenses	Capital Grants and Contributions	Governmental Activities
Governmental activities -			
Santa Monica Bay restoration programs	\$ 281,362	\$ 277,356	\$ (4,006)
Total	\$ 281,362	\$ 277,356	(4,006)
			General revenues:
			Investment income
			1,288
			Change in net position
			(2,718)
			Net position, beginning of year
			9,776
			Net position, end of year
			\$ 7,058

See accompanying notes to the basic financial statements.

SANTA MONICA BAY RESTORATION AUTHORITY

**BALANCE SHEET
SEPTEMBER 30, 2019**

Assets

Cash and investments (Note 3)	\$ 5,001
Interest receivable	74
Accounts receivable (Note 4)	<u>136,502</u>
Total assets	<u><u>\$ 141,577</u></u>

Liabilities and Fund Balance

Accrued expenses	<u>\$ 136,502</u>
Total liabilities	<u>136,502</u>
Fund balance – unassigned	<u>5,075</u>
Total liabilities and fund balance	<u><u>\$ 141,577</u></u>

See accompanying notes to the basic financial statements.

SANTA MONICA BAY RESTORATION AUTHORITY

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE
GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION
SEPTEMBER 30, 2019**

Fund balance – Santa Monica Bay Restoration Programs (page 9)	\$ 5,075
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore, are not reported in the governmental balance sheet.	1,983
Net Position of Governmental Activities (page 7)	<u>\$ 7,058</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 YEAR ENDED SEPTEMBER 30, 2019**

Revenues

Federal grants	\$ 135,207
State grants	132,099
Contributions from other governmental agencies	10,050
Interest income	<u>1,288</u>
Total revenues	<u>278,644</u>

Expenditures

Contract and professional services	252,356
Utilities, supplies and other charges	<u>26,006</u>
Total expenditures	<u>278,362</u>

Excess of revenues over expenditures 282

Fund balance, beginning of year 4,793

Fund balance, end of year \$ 5,075

See accompanying notes to the basic financial statements.

SANTA MONICA BAY RESTORATION AUTHORITY

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUE,
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE
GOVERNMENTAL STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2019**

Net Change in Fund Balance – Governmental Funds (page 11) \$ 282

Amounts reported for governmental statement of activities are different because:

Depreciation expense on capital assets is reported in the governmental statement of activities, but does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in governmental funds. (3,000)

Change in Net Position of Governmental Activities (page 8) \$ (2,718)

See accompanying notes to the basic financial statements.

SANTA MONICA BAY RESTORATION AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2019

NOTE 1 – REPORTING ENTITY

The Santa Monica Bay Restoration Authority (Authority) was created by a joint exercise of powers agreement between the Santa Monica Bay Restoration Commission (SMBRC) and the Los Angeles County Flood Control District (LACFCD) and operates as a local public agency within the Santa Monica Bay Watershed and the jurisdictional boundaries of the SMBRC and the District. The purpose of the Authority is to broaden funding opportunities for projects beneficial to both the SMBRC and the LACFCD within the Santa Monica Bay Watershed, and it provides an efficient method by which state agencies can fund important programs of the Santa Monica Bay National Estuary Program. The Authority's Governing Board approves its annual budget, monitors and supervises its various programs as funded by local, state, and federal sources, and enters into collaborative subaward agreements and/or subcontracts with local entities to carry out projects as needed. The Governing Board is comprised of the Director of the Los Angeles County Department of Public Works or his/her designee, a member of the Los Angeles County Board of Supervisors appointee, and 3 other voting members elected by the SMBRC Governing Board. Appointment to the Authority's Governing Board is made at SMBRC Governing Board meetings or Los Angeles County Board of Supervisors meetings, if needed due to a vacancy. There are no term limits for the Authority's Governing Board members.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basic Financial Statements

In accordance with Governmental Accounting Standards Board (GASB) 34, the basic financial statements consist of the following:

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

Government-wide Financial Statements

The statement of net position and statement of activities display the financial activities of the Authority. These statements present the governmental activities of the Authority.

The statement of activities presents a comparison between direct expenses and program revenues for the Authority's governmental activities. Direct expenses are those that are specifically associated with a program and, therefore, are clearly identifiable to a particular program. Program revenues include capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented instead as general revenues.

Net position is classified into the following three components: 1) net investment in capital assets; 2) restricted and 3) unrestricted. At September 30, 2019, the net investment in capital assets net position balance was \$1,983 and the unrestricted net position balance was \$5,075.

SANTA MONICA BAY RESTORATION AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, and fund balance 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 California Department of Parks and Recreation.

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.

Fund Balances

In the fund financial statements, 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.

SANTA MONICA BAY RESTORATION AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances (Continued)

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. At September 30, 2019, the unassigned fund balance was \$5,075.

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.

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 GASB pronouncements and their impact, if any, on the financial statements.

SANTA MONICA BAY RESTORATION AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Pronouncements (Continued)

GASB Statement No. 83, “*Certain Asset Retirement Obligations*” addresses accounting and financial reporting for certain asset retirement obligations (AROs). This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This statement requires that recognition occur when the liability is both incurred and reasonably estimable. This statement did not have a material impact on the financial statements.

GASB Statement No. 88, “*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*” improves the information that is disclosed in notes to governmental financial statements related to debt, including direct borrowings and direct placements. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

NOTE 3 - CASH AND INVESTMENTS

The Authority’s cash and investments are pooled and invested by the Los Angeles County Treasurer and Tax Collector 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 Authority’s cash and investment balances as of September 30, 2019 is \$5,001.

Investments are stated at fair value and are valued on a monthly basis. The Treasurer categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Securities classified in Level 2 of the fair value hierarchy are valued using other observable inputs such as matrix pricing techniques or based on quoted prices for assets in markets that are not active. Matrix Pricing is used to value securities based on the securities’ relationship to benchmark quoted prices. Level 3 inputs are significant unobservable inputs. Securities classified in Level 3 are valued using the income approach such as discounted cash flow techniques. Investment in an external government investment pool is not subject to reporting within the level hierarchy.

Investment policies and associated risk factors applicable to the Authority are included in the County of Los Angeles’ Comprehensive Annual Financial Report, Note 5, for the year ended June 30, 2019.

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivables of \$136,502 as of September 30, 2019 represents receivables from the California Department of Parks and Recreation for allowable Department of Parks and Recreation expenditures.

SANTA MONICA BAY RESTORATION AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 5 – CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2019 was as follows:

Governmental activities:	Balance at October 1, 2018	Increases	Decreases	Balance at September 30, 2019
Capital asset being depreciated				
Data probes equipment	\$ 8,279	\$ -	\$ -	\$ 8,279
Electronic equipment	6,722	-	-	6,722
Total capital assets being depreciated	15,001	-	-	15,001
Less accumulated depreciation for:				
Data probe equipment	(6,210)	(1,656)	-	(7,866)
Electronic equipment	(3,808)	(1,344)	-	(5,152)
Total Accumulated depreciation	(10,018)	(3,000)	-	(13,018)
Net capital assets	\$ 4,983	\$ (3,000)	\$ -	\$ 1,983

The above equipment are used for the Malibu Lagoon restoration and enhancement project. Depreciation expense for the year ended September 30, 2019 was \$3,000.

NOTE 6 – 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 7 – SUBSEQUENT EVENTS

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through February 28, 2020, the date the financial statements were issued. No subsequent events occurred that require recognition or additional disclosure in the financial statements.

The Authority will be dissolved pursuant to the resolution 19-01 adopted by the Governing Board of the SMBRC on October 24, 2019. The Authority shall have no activity after the receipt of outstanding accounts receivable and payment of its accrual liabilities and disposal of any remaining assets. These events are expected to take place during fiscal year 2019-20.

REQUIRED SUPPLEMENTARY INFORMATION

SANTA MONICA BAY RESTORATION AUTHORITY

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<u>Revenues</u>				
Federal grants	\$ 92,000	\$ 92,000	\$ 135,207	\$ 43,207
State grants	99,000	99,000	132,099	33,099
Contributions from other governmental agencies	13,000	13,000	10,050	(2,950)
Interest income	-	-	1,288	1,288
Total Revenues	204,000	204,000	278,644	74,644
<u>Expenditures</u>				
Salaries, wages and personnel	70,000	70,000	123,724	(53,724)
Utilities, supplies and other charges	17,000	17,000	23,324	(6,324)
Travel	2,000	2,000	2,682	(682)
Consultant's services	115,000	115,000	128,632	(13,632)
Total expenditures	204,000	204,000	278,362	(74,362)
Deficiency of revenues over expenditures	-	-	282	282
Fund balance, beginning of year	4,793	4,793	4,793	4,793
Fund balance, end of year	\$ 4,793	\$ 4,793	\$ 5,075	\$ 5,075

See accompanying notes to required supplementary information.

SANTA MONICA BAY RESTORATION AUTHORITY

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2019**

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 BALANCE SHEET
SEPTEMBER 30, 2019

<u>Assets</u>	<u>SMBRA EPA Grant Fund</u>	<u>Santa Monica Bay Restoration Authority Operating Fund</u>	<u>Total</u>
Cash and investments	\$ 1,277	\$ 3,724	\$ 5,001
Interest receivable	68	6	74
Accounts receivable	46,791	89,711	136,502
Total assets	<u>\$ 48,136</u>	<u>\$ 93,441</u>	<u>\$ 141,577</u>
 <u>Liabilities and Fund Balance</u>			
Accrued expenses	\$ 46,791	\$ 89,711	\$ 136,502
Total liabilities	<u>46,791</u>	<u>89,711</u>	<u>136,502</u>
Fund balance - unassigned	1,345	3,730	5,075
Total liabilities and fund balance	<u>\$ 48,136</u>	<u>\$ 93,441</u>	<u>\$ 141,577</u>

See accompanying notes to required supplementary information.

SANTA MONICA BAY RESTORATION AUTHORITY

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

<u>Revenues</u>	<u>SMBRA EPA Grant Fund</u>	<u>Santa Monica Bay Restoration Authority Operating Fund</u>	<u>Total</u>
Federal Grants	\$ 135,207	\$ -	\$ 135,207
State Grants	-	132,099	132,099
County Departments	-	10,050	10,050
Interest Income	397	891	1,288
Total Revenues	135,604	143,040	278,644
<u>Expenditures</u>			
Contract and Professional Services	133,136	119,220	252,356
Utilities, Supplies and Other Charges	2,071	23,935	26,006
Total Expenditures	135,207	143,155	278,362
Excess/(Deficiency) of Revenues over Expenditures	397	(115)	282
Fund Balance, Beginning of Year	948	3,845	4,793
Fund Balance, End of Year	\$ 1,345	\$ 3,730	\$ 5,075

See accompanying notes to required supplementary information

**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, 2019, and the related notes to the financial statements and have issued our report thereon dated February 28, 2020.

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 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 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
February 28, 2020

SANTA MONICA BAY RESTORATION AUTHORITY
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

There were no audit findings.

SANTA MONICA BAY RESTORATION AUTHORITY
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

There were no prior year audit findings.