

**SAN FERNANDO VALLEY
COUNCIL OF GOVERNMENTS**

ANNUAL FINANCIAL REPORT

June 30, 2016

SAN FERNANDO VALLEY COUNCIL OF GOVERNMENTS
JUNE 30, 2016

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Independent Auditor's Report

To the Honorable Board of Directors
San Fernando Valley Council of Governments
Van Nuys, California

Report on the Financial Statements

We have audited the accompanying financial statements of the San Fernando Valley Council of Governments (the Authority), as of and for the fiscal year ended June 30, 2016, 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

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. 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 June 30, 2016, and the changes in financial position and cash flow for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1 to the basic financial statements, effective July 1, 2015, the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and Statement No. 79, *Certain External Investment Pools and Pool Participants*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 and 4, 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 22, 2017, 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 the 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.



Moss, Levy & Hartzheim, LLP
Culver City, California
February 22, 2017

**SAN FERNANDO VALLEY COUNCIL OF GOVERNMENTS
JOINT POWERS AUTHORITY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016**

Management's discussion and analysis of the San Fernando Valley Council of Governments Joint Powers Authority (the Authority) provides a narrative overview of the Authority's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the accompanying financial statements, footnotes, and required supplementary information.

Financial Highlights

- During the current fiscal year, the Authority's net position increased by \$32,384 to \$96,964.
- Operating revenues increased by \$60,000 to \$120,000 while operating expenses increased by \$36,655 to \$88,604.
- 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) Statement of Net Position; 2) Statement of Revenues, Expenses, and Changes in Net Position; 3) Statement of Cash Flows; and 4) Notes to the Basic Financial Statements.

- The Statement of Net Position presents all of the Authority's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position 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 Net Position presents information showing how the Authority's net assets changed during the fiscal year. All changes in net position (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 Statement of Cash Flows presents information regarding the Authority's use of cash during the fiscal year and is an indicator of whether or not sufficient cash flow is being generated during the fiscal year to meet the operating needs of the Authority.
- The notes provide additional information that is essential for a full understanding of the data provided in the financial statements.

Financial Statement Analysis

The operating revenues come from member dues from the participating agencies. Beginning in fiscal year 2015-2016, the annual dues were increased from \$10,000 per member agency to \$35,000 annually from both the County of Los Angeles and the City of Los Angeles and \$12,500 from the other member cities. Total annual dues increased from \$60,000 to \$120,000. Operating expenses consist primarily of contract and professional service fees and supplies.

As of June 30, 2016, the Authority had total assets of \$96,964 and no liabilities.

**SAN FERNANDO VALLEY COUNCIL OF GOVERNMENTS
JOINT POWERS AUTHORITY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Continued)**

Capital Assets

As of June 30, 2016, the Authority did not have any capital assets.

Debt Administration

As of June 30, 2016, the Authority had no outstanding debt.

Economic Factors

The Authority was established to allow the members to engage in cooperative local and regional planning and the coordination of government services and responsibilities to assist the members in the conduct of their affairs; to conduct studies and projects designed to improve and coordinate the common governmental responsibilities and services on a Valley area and regional basis; and to coordinate implementation programming. The Authority continues to pursue additional funding opportunities.

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.

SAN FERNANDO VALLEY COUNCIL OF GOVERNMENTS
Statement of Net Position
June 30, 2016

Assets

Cash on deposit with County Treasurer (Note 3)	\$	96,624
Receivables:		
Accrued interest		256
Prepaid expenses		84
Total Assets		<u>96,964</u>

Net Position

Unrestricted		96,964
Total Net Position	\$	<u><u>96,964</u></u>

See accompanying notes to the basic financial statements

SAN FERNANDO VALLEY COUNCIL OF GOVERNMENTS
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2016

Operating Revenues:	
Membership dues	\$ 120,000
Total Operating Revenues	120,000
 Operating Expenses:	
Contract and professional service fees	85,964
Utilities, supplies, and other charges	2,640
Total Operating Expenses	88,604
 Operating Income	 31,396
 Non-Operating Revenues:	
Interest on deposited funds	988
 Change in Net Position	 32,384
 Net Position, beginning of the fiscal year	 64,580
Net Position, end of the fiscal year	\$ 96,964

See accompanying notes to the basic financial statements

SAN FERNANDO VALLEY COUNCIL OF GOVERNMENTS
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2016

Cash Flows from Operating Activities:	
Cash received from membership dues	\$ 120,000
Cash paid to suppliers for goods and services	(92,854)
Net Cash Provided by Operating Activities	<u>27,146</u>
 Cash Flows from Investing Activities:	
Interest received	970
Net Cash Provided by Investing Activities	<u>970</u>
 Net Increase in Cash and Cash Equivalents	 28,116
 Cash Deposited with County Treasurer, Beginning of Fiscal Year	 <u>68,508</u>
 Cash Deposited with County Treasurer, End of Fiscal Year	 <u>\$ 96,624</u>
 Reconciliation of Cash Deposited with County Treasurer to Amounts Reported on the Statement of Net Position	
Cash on deposit with County Treasurer	<u>\$ 96,624</u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 31,396
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) decrease in prepaid expenses	(84)
Increase (decrease) in accounts payable	(4,166)
Net Cash Provided by Operating Activities	<u>\$ 27,146</u>

See accompanying notes to the basic financial statements

NOTES TO THE BASIC FINANCIAL STATEMENTS

SAN FERNANDO VALLEY COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The San Fernando Valley Council of Governments (the Authority) was formed on May 25, 2010, as a joint powers authority by the County of Los Angeles, the City of Los Angeles, the City of Santa Clarita, the City of San Fernando, the City of Glendale, and the City of Burbank. The Authority was established for the purpose of allowing the members to engage in cooperative local and regional planning and coordination of government services and responsibilities to assist the members in the conduct of studies and projects designed to improve the San Fernando Valley region.

The Authority is governed by a Board of Directors composed of thirteen appointed directors: two from the Board of Supervisors of the County of Los Angeles supervisorial districts that are entirely or partially located in the San Fernando Valley, seven from the City of Los Angeles council districts that are located partially or entirely in the San Fernando Valley, one from the City of Santa Clarita, one from the City of San Fernando, one from the City of Glendale, and one from the City of Burbank. The Authority is legally separate and fiscally independent from each of the member entities. This means it can incur debt, set and modify its own budget and fees, enter into contracts, and sue and be sued in its own name. The County of Los Angeles and the City of Los Angeles each pay annual dues of \$35,000. The other cities each pay \$12,500. The Authority has no employees and has contracted for Executive Director services.

The Auditor-Controller and the Treasurer and Tax Collector of the Los Angeles County serve as the Auditor-Controller and Treasurer of the Authority and are responsible for the accountability of all funds and for reporting all receipts and disbursements of the Authority.

The accompanying basic financial statements reflect the financial activities of the Authority. The Authority has no component units.

B. Significant Accounting Policies

The Authority's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Basis of Accounting and Measurement Focus

The Authority is accounted for as an enterprise fund (proprietary fund type). A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. The activities of enterprise funds closely resemble those of ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges. The Authority utilizes the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the liability is incurred.

SAN FERNANDO VALLEY COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

B. Significant Accounting Policies (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The principal operating revenue of the Authority is the annual dues received from the members. Operating expenses include the cost of executive services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Authority's financial statements are presented in accordance with the provisions of GASB No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and GASB Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB No. 34 established standards for external financial reporting for all state and local governmental entities and GASB No. 63 established standards for reporting deferred outflows of resources, deferred inflow of resources, and net position in a statement of financial position. The net position is required to be classified into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and is reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at fiscal year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds. As of June 30, 2016, the Authority had no capital assets or debt obligations.

Restricted net position – This component of net position represents restricted assets net of liabilities that relate to those specific restricted assets. A restricted asset is an asset for which constraints have been placed on the asset's use by creditors, contributors, laws, or regulations of other governments, or as a consequence of a restriction established by the reporting government's own governing body at the time a particular fee, charge, levy, or assessment was approved. These restrictions must be narrower than the general purposes for which the reporting government can use its resources. As of June 30, 2016, the Authority had no restricted net position.

Unrestricted net position – This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets." As of June 30, 2016, the Authority had a balance of \$96,964 of unrestricted net position.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

SAN FERNANDO VALLEY COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

C. Revenue Recognition

The Authority's major source of revenue is the annual dues from the members. Per the Joint Powers Agreement, the County of Los Angeles and the City of Los Angeles each pay \$35,000 in annual dues. The other cities each pay \$12,500 annually for participation in the Authority.

D. Capital Assets

Capital assets, which include land, buildings, and improvements, are reported in the statement of net position. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

As of June 30, 2016, there were no capital assets reported for the Authority.

E. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash represents balances that can be readily withdrawn without substantial notice or penalty. Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates, and have an original maturity date of three months or less.

SAN FERNANDO VALLEY COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

G. New Accounting Pronouncements

The following GASB Statements have been implemented in the current basic financial statements.

GASB 72	Fair Value Measurement and Application	Addresses accounting and financial issues related to fair value measurements. It provides guidance for determining a fair value measurement for financial reporting purposes. This statement had an impact on the financial statements. Refer to note 3.
GASB 73	Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68	Improves the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This statement did not have an impact on the District's financial statements.
GASB 76	The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments	Reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This statement did not have an impact on the District's financial statements.
GASB 79	Certain External Investment Pools and Pool Participants	Addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This statement did not have an impact on the District's financial statements.

NOTE 2 RELATED PARTY TRANSACTIONS

The County of Los Angeles maintains the books and records of the Authority, including the investment with the County Treasurer and Tax Collector.

SAN FERNANDO VALLEY COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 3 CASH ON DEPOSIT WITH COUNTY TREASURER

In accordance with the Joint Powers agreement and Government Code, cash balances of the Authority are deposited with and pooled and invested by the Los Angeles County Treasurer and Tax Collector for the purpose of increasing interest earnings through investment activities. Interest earned on pooled investments is deposited to participating funds based upon each fund's average daily balance during the allocation period.

Statutes authorize the County of Los Angeles to invest pooled investments in obligations of the United States Treasury, federal agencies, State and local agencies, municipalities, asset-backed securities, bankers' acceptances, commercial paper rated A-1 by Standard & Poor's Global Rating Services (S&P) or P-1 by Moody's Investors Service (Moody's), and F-1 by Fitch, negotiable certificates of deposit, medium-term notes, corporate notes, repurchase agreements, reverse repurchase agreements, time deposits, shares of beneficial interest of a Joint Powers Authority that invests in authorized securities, shares of beneficial interest issued by diversified management companies known as money market mutual funds (MMF) registered with the Securities and Exchange Commission (SEC), the State of California's Local Agency Investment Fund (LAIF), interest rate swaps, and supranational institutions.

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.

See the County of Los Angeles' Comprehensive Annual Financial Report for disclosures related to cash and investments and the related interest rate risk, credit rate risk, custodial risk, and concentration risk.

Funds deposited in the Los Angeles County Treasury Pool amounted to \$96,624 as of June 30, 2016. This represents less than 0.01% of the total balance of the Los Angeles County Treasury Pool.

NOTE 4 NET POSITION

Net position at June 30, 2016 consisted of the following:

Unrestricted Net Position	<u>\$ 96,624</u>
Total Net Position	<u><u>\$ 96,624</u></u>

SAN FERNANDO VALLEY COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 5 CONTINGENT LIABILITIES

The Authority has represented there is no pending or threatened litigation.