



JOHN NAIMO
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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March 18, 2016

The Board of Directors
Los Angeles Regional Interoperable
Communications Systems Authority
c/o John Radeleff, Interim Executive Director
2525 Corporate Place, Suite 200
Monterey Park, CA 91754

Members of the Board:

**AUDIT OF THE LOS ANGELES REGIONAL INTEROPERABLE
COMMUNICATIONS SYSTEM AUTHORITY FOR
THE YEAR ENDED JUNE 30, 2015**

Attached are the independently audited financial statements for the Los Angeles Regional Interoperable Communications System Authority (LA-RICS) for the year ended June 30, 2015.

The auditor's report (attached) concludes that the financial statements are presented fairly in conformance with generally accepted accounting principles and State regulations governing special districts. The auditor's report also indicates that there were no findings of material deficiencies in LA-RICS' controls over financial reporting.

If you have any questions, please call me, or your staff may contact Rachelle Anema at (213) 974-8327.

Very truly yours,

A handwritten signature in blue ink that reads "John Naimo".

John Naimo
Auditor-Controller

JN:CY:JG:RA

H:\Special Funds\Special Funds Unit\Audits\JPA\LARICS\LARICS - FY 2014-2015\Final Reports\ Cover Letter-LARICS Audit FY14-15.doc

Attachment

c: Michael Iwanaga, Chief Executive Office

Los Angeles Regional
Interoperable Communications System Authority

**Financial Statements
And Independent Auditor's Report**

For the Year Ended June 30, 2015



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**THE LOS ANGELES REGIONAL
INTEROPERABLE COMMUNICATIONS SYSTEM AUTHORITY**

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2015**

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**THE LOS ANGELES REGIONAL
INTEROPERABLE COMMUNICATIONS SYSTEM AUTHORITY**

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2015**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Los Angeles Regional Interoperable Communications System Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of the Los Angeles Regional Interoperable Communications System Authority (Authority) as of and for the year ended June 30, 2015, 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 governmental activities of the Authority as of June 30, 2015, 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) (pages 4 through 7) and the Required Supplementary Information (page 23) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2016 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
January 8, 2016

**THE LOS ANGELES REGIONAL
INTEROPERABLE COMMUNICATIONS SYSTEM AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2015**

The Management's Discussion and Analysis (MD&A) of the financial activities of the Los Angeles Regional Interoperable Communications System Authority (Authority) provides a narrative overview of the Authority's financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the accompanying basic financial statements, footnotes and supplementary information.

Financial Highlights

- During the current year, the Authority's assets totaled \$81,462,216. Cash and Investments deposited in the County Treasury Pool totaled \$1,478,537.
- Program revenues totaled \$55,760,448 and mainly consisted of federal grants in the amount of \$47,365,618 and contributions from the County of Los Angeles in the amount of \$3,937,600.
- The Authority has a cash operating loan from the County of Los Angeles for the funding of start-up and operational costs. The loan bears no interest and has no definite repayment schedule.
- As of June 30, 2015, the Authority had \$63,845,068 in Capital Assets consisting of telecommunication equipment under construction of \$63,661,877 and office furniture of \$183,191, respectively.

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

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 LOS ANGELES REGIONAL
INTEROPERABLE COMMUNICATIONS SYSTEM AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2015**

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 2014-2015 are reported under this category.

Business-type Activities -- The Authority has no business-type activities during fiscal year 2014-2015.

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 2014-2015.

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.

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

Construction of the Land Mobile Radio (LMR) system and the Long Term Evolution (LTE) system is currently underway resulting in expenditures increasing to \$54.5 million in fiscal year 2014-2015. Because the majority of the projects are grant funded, operating revenues also increased from \$43.8 million in fiscal year 2013-2014 to \$53.8 million in fiscal year 2014-2015. These increases are expected to continue until the completion of the LMR and LTE systems.

**THE LOS ANGELES REGIONAL
INTEROPERABLE COMMUNICATIONS SYSTEM AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2015**

Capital Assets

During fiscal year 2014-2015, the Authority continued building the LTE and LMR systems and purchased equipment that will eventually be used to operate and support these systems. As of June 30, 2015, the Authority has capital assets in the form of telecommunication equipment under construction of \$63,661,877 and office furniture of \$183,191, respectively.

Debt Administration

The County of Los Angeles has provided the Authority a cash operating loan for the funding of start-up and operational costs until a long term funding plan is adopted by the Authority members. This loan bears no interest and has no definite repayment schedule. As of June 30, 2015, the Authority has \$7,044,932 in loans payable compared to \$1,907,976 loans payable as of June 30, 2014.

Economic Factors

The Authority was established to engage in regional and cooperative planning and coordination of governmental services to establish a wide-area interoperable public safety communications network (commonly referred to as the "Los Angeles Regional Interoperable Communication Systems (LA-RICS)"). The Authority is a collaborative effort of local government, law enforcement, fire service, and health professionals with elected and appointed officials working towards the common goal to develop LA-RICS.

The Authority is the recipient of the Broadband Technology Opportunity Program (BTOP) grant administered by the Department of Commerce (DOC) to fund its proposed public safety broadband network. The grant will continue to be administered by DOC in fiscal year 2015-2016.

During fiscal year 2013-2014, the Authority prepared and distributed to the member agencies a funding plan to address the ongoing operation of the LMR and LTE systems and the administration of the Authority after the systems are operational and the grants have expired. The funding plan was circulated to the members on March 7, 2014, and following comments and feedback from members, and some revisions, was adopted by the Authority's Board on May 28, 2014. The funding plan required, among other things, for the member agencies to share in the ongoing costs. Due to a few extensions of the opt-out period by the Authority's Board, the member agencies were allowed to opt-out of the Authority by November 24, 2015. As of June 30, 2015, 13 agencies had opted out of the Authority.

The following LA-RICS activity is anticipated for fiscal year 2015-2016:

- **Status of LMR and LTE systems**

The LMR system contract was executed in August 2013 and LMR system work began in September 2013. The system design work will be ongoing through the end of fiscal year 2015-2016. The Authority anticipates that managing cash flow will be critical through this project. While the majority of the project is grant funded, the grantors require that expenditures be paid before they are reimbursed.

**THE LOS ANGELES REGIONAL
INTEROPERABLE COMMUNICATIONS SYSTEM AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2015**

The LTE Contract was executed in March 2014. The work on the LTE system began in fiscal year 2014-2015. It is anticipated that the LTE system will be primarily grant funded and cash flow should be sufficient, as the LTE grant will be managed on an advance basis.

- Amendment to the Broadband Engineering Contract

The contract for Broadband Engineering services was last amended in fiscal year 2014-2015 in May 2015. The Authority executed an LTE System contract in March 2014, and thus requires further amending the Broadband Engineering contract to assist with further build-out, testing, optimization and tuning of the LTE System.

- Reduction of Authority membership

The Authority continued to experience a reduction in membership in fiscal year 2015-2016. Only 23 of the original 85 members remain in the Authority. The Board of Directors now consists of 10 Board members, rather than the original 17. As a result, the proportionate share of membership contributions assigned to these member agencies were reapportioned to remaining members in the Authority as set forth in the Authority's adopted Funding Plan.

- Extension of the BTOP grant expenditure deadline

On September 30, 2015, the expenditure deadline for the BTOP grant was extended through fiscal year 2019-2020. This has allowed the Authority to request an additional \$37 million to be restored to the award, returning the award to the original \$154 million. If the additional award is approved, the DOC has stated that the match requirement will be returned to its original amount of 20%. The Authority is working with the DOC on whether such match requirement can be met, or whether a request for reduction in the match requirement should be considered.

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.

**THE LOS ANGELES REGIONAL
INTEROPERABLE COMMUNICATIONS SYSTEM AUTHORITY**

STATEMENT OF NET POSITION
June 30, 2015

	Governmental Activities
ASSETS	
Cash and investments (Note 3)	\$ 1,478,537
Interest receivable	13,504
Accounts receivable (Note 4)	16,053,554
Prepaid expenses (Note 5)	71,553
Capital Assets (Note 6)	63,845,068
Total Assets	\$ 81,462,216
 LIABILITIES	
Accounts payable	\$ 8,746,711
Loans payable (Note 7)	7,044,932
Due to other governments (Note 8)	555,276
Total Liabilities	16,346,919
 NET POSITION	
Net investment in capital assets	63,845,068
Unrestricted	1,270,229
Total Net Position	\$ 65,115,297

See accompanying notes to the basic financial statements.

**THE LOS ANGELES REGIONAL
INTEROPERABLE COMMUNICATIONS SYSTEM AUTHORITY**

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015**

		<u>Program Revenues</u>	<u>Net (Expense) Revenue and Change in Net Position</u>
<u>Functions/Programs</u>	<u>Expenses</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities -			
Interoperable communications and safety programs	\$ 21,885,840	\$ 55,760,448	\$ 33,874,608
Total	<u>\$ 21,885,840</u>	<u>\$ 55,760,448</u>	<u>33,874,608</u>
		General revenues:	
		Investment income	26,968
		Change in net position	<u>33,901,576</u>
		Net position, beginning of year	31,213,721
		Net position, end of year	<u><u>\$ 65,115,297</u></u>

See accompanying notes to the basic financial statements.

**THE LOS ANGELES REGIONAL
INTEROPERABLE COMMUNICATIONS SYSTEM AUTHORITY**

BALANCE SHEET
June 30, 2015

ASSETS

Cash and investments (Note 3)	\$ 1,478,537
Interest receivable	13,504
Accounts receivable (Note 5)	16,053,554
Prepaid expense (Note 6)	71,553
Total Assets	<u>\$ 17,617,148</u>

LIABILITIES

Accounts payable	\$ 8,746,711
Loans payable (Note 7)	7,044,932
Due to other governments (Note 8)	555,276
Total Liabilities	<u>16,346,919</u>

FUND BALANCE

Unassigned	1,270,229
Total Fund Balance	<u>\$ 1,270,229</u>

See accompanying notes to the basic financial statements.

**THE LOS ANGELES REGIONAL
INTEROPERABLE COMMUNICATIONS SYSTEM AUTHORITY**

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE
GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION**

June 30, 2015

Fund balance - Interoperable Communications and Safety Programs (page 10)	\$ 1,270,229
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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.	63,845,068
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Net Position of Governmental Activities (page 8)	<u>\$ 65,115,297</u>
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See accompanying notes to the basic financial statements.

**THE LOS ANGELES REGIONAL
INTEROPERABLE COMMUNICATIONS SYSTEM AUTHORITY**

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
For the Year Ended June 30, 2015

<u>Revenues</u>	
Federal grants	\$ 47,365,618
Contribution from other governmental agencies	3,937,600
Local match (Note 10)	4,457,230
Interest income	26,968
Total revenues	<u>55,787,416</u>
<u>Expenditures</u>	
Capital expenditures - telecommunication equipment	32,414,626
Capital expenditures - office furniture	193,683
Consultants' services	13,358,636
County department services	3,782,889
Donated services (Note 10)	4,457,230
Rentals	127,887
Travel and transportation	92,035
Audit	29,050
Legal services	4,967
Communication	2,181
Utilities	710
Miscellaneous	19,763
Total expenditures	<u>54,483,657</u>
Excess of revenues over expenditures	1,303,759
Fund balance, beginning of year	<u>(33,530)</u>
Fund balance, end of year	<u>\$ 1,270,229</u>

See accompanying notes to the basic financial statements.

**THE LOS ANGELES REGIONAL
INTEROPERABLE COMMUNICATIONS SYSTEM AUTHORITY**

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

June 30, 2015

Net Change in Fund Balance – Governmental Funds (page 12)	\$ 1,303,759
Amounts reported for governmental statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the governmental statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Additions to capital assets amounted to \$32,608,309 in the current period.	32,608,309
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.	(10,492)
Change in Net Position of Governmental Activities (page 9)	<u>\$ 33,901,576</u>

See accompanying notes to the basic financial statements.

**THE LOS ANGELES REGIONAL
INTEROPERABLE COMMUNICATIONS SYSTEM AUTHORITY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – REPORTING ENTITY

The Los Angeles Regional Interoperable Communications System Authority (Authority), a separate public entity, was created in May 2009 through a Joint Powers Agreement (JPA) between the County of Los Angeles, the City of Los Angeles, and eighty-five (85) other public agencies located in the greater Los Angeles Area. The Authority was created to exercise the powers shared in common by its members to engage in regional and cooperative planning and coordination of the governmental services to establish a wide-area interoperable public safety communications network.

During most of fiscal year 2014-2015, the Authority was governed by a seventeen (17) member Board of Directors which served without compensation. This was later reduced to a fourteen (14) member Board by the end of the fiscal year, as the Board seats represented by the Los Angeles Unified School District Police Chief, City of Long Beach, and City of El Segundo were vacant due to the withdrawal of the underlying member agencies. The remaining 14 Board members at the end of the fiscal year consisted of the following:

1. County of Los Angeles, Chief Executive Officer
2. County of Los Angeles, Fire Chief
3. County of Los Angeles, Sheriff
4. County of Los Angeles, Department of Health Services Director
5. City of Los Angeles, City Administrative Officer
6. City of Los Angeles, Fire Chief
7. City of Los Angeles, Police Chief
8. City of Los Angeles, Chief Legislative Analyst
9. Los Angeles Area Fire Chief Association
10. Los Angeles County Police Chiefs Association
11. California Contract Cities Association
12. City of Sierra Madre (At Large)
13. City of Covina, Police Chief (At Large)
14. City of Rolling Hills (At Large)

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.

**THE LOS ANGELES REGIONAL
INTEROPERABLE COMMUNICATIONS SYSTEM AUTHORITY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 June 30, 2015, the net investment in capital assets net position balance was \$63,845,068 and the unrestricted net position balance was \$1,270,229.

Fund Financial Statements

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 General 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. Funding comes primarily from federal grants through the Department of Commerce, Broadband Technology Opportunities Program (BTOP) and the Department of Homeland Security, State Homeland Security Grant Program and contributions from the County of Los Angeles.

Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

The General Fund is 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.

**THE LOS ANGELES REGIONAL
INTEROPERABLE COMMUNICATIONS SYSTEM AUTHORITY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, consisting primarily of telecommunication equipment, are defined as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed. Costs include labor, materials, interest during construction, retirement plan contribution and other fringe benefits. Donated assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Capital assets other than land are depreciated using the straight-line method over the estimated useful lives of the assets.

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 nonspendable, 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.

**THE LOS ANGELES REGIONAL
INTEROPERABLE COMMUNICATIONS SYSTEM AUTHORITY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances (Continued)

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.

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.

Deferred inflow of resources arises when potential revenues do not meet both the measurable and availability criteria for recognition in the current period. Deferred inflow of resources also arises when the Authority receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualified expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Authority has a legal claim to the resources, the liability for deferred inflow of resources is removed from the balance sheet and revenue is recognized.

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.

**THE LOS ANGELES REGIONAL
INTEROPERABLE COMMUNICATIONS SYSTEM AUTHORITY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Pronouncements Issued and Implemented

The following summarizes recent GASB pronouncements issued and implemented during fiscal year ended June 30, 2015 and their impact, if any, on the basic financial statements:

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This statement requires the liability of employers and non-employer contributing entities to employees for defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. This statement is effective for fiscal years beginning after June 15, 2014. Implementation of the GASB Statement No. 68 did not have an impact on the Authority's financial statements for the fiscal year ended June 30, 2015.

For the fiscal year ended June 30, 2015, the Authority implemented GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement is effective for periods beginning after December 15, 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. Implementation of the GASB Statement No. 69 did not have an impact on the Authority's financial statements for the fiscal year ended June 30, 2015.

For the fiscal year ended June 30, 2015, the Authority implemented GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. This Statement is effective for periods beginning after June 15, 2014. The objective of this Statement is to address an issue regarding application of the transition of GASB Statement No. 68 Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This statement will eliminate the source of potential significant understatement of restated beginning net position and expense in the first year of implementation of GASB Statement No. 68 in the accrual-basis financial statements of employers and non-employer contributing entities. Implementation of the GASB Statement No. 71 did not have an impact on the Authority's financial statements for the fiscal year ended June 30, 2015.

**THE LOS ANGELES REGIONAL
INTEROPERABLE COMMUNICATIONS SYSTEM AUTHORITY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 3 - CASH AND INVESTMENTS

The Authority's cash and investments are pooled and invested by the County of Los Angeles 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 balance as of June 30, 2015 is \$1,478,537.

Investment policies and associated risk factors applicable to the Authority are included in the County of Los Angeles' Comprehensive Annual Financial Report for the year ended June 30, 2015. Detailed deposit and investment risk disclosures are included in Note 5 of the County of Los Angeles' Comprehensive Annual Financial Report.

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2015 in the amount of \$16,053,554, represents a \$13,562,769 receivable from the Department of Commerce for allowable Broadband Technology Opportunities Program (BTOP) expenditures and a \$2,490,785 receivable from the Department of Homeland Security for allowable State Homeland Security Grant Program expenditures.

NOTE 5 – PREPAID EXPENSES

Prepaid expenses as of June 30, 2015 in the amount of \$71,553, represent prepaid office rental of \$60,012 and unexpired insurance premiums of \$11,541.

NOTE 6 – CAPITAL ASSETS

Capital assets as of June 30, 2015 consist of the following:

	Balance at June 30, 2014	Increases	Decreases	Balance at June 30, 2015
Governmental activities:				
Capital assets, not being depreciated:				
Construction in progress-telecommunication equipment	\$ 31,247,251	\$ 32,414,626	\$ -	\$ 63,661,877
Total capital assets, not being depreciated	<u>31,247,251</u>	<u>32,414,626</u>	<u>-</u>	<u>63,661,877</u>
Capital assets, being depreciated:				
Office furniture and fixture	-	193,683	-	193,683
Less accumulated depreciation	-	(10,492)	-	(10,492)
Total capital assets, being depreciated	<u>-</u>	<u>183,191</u>	<u>-</u>	<u>183,191</u>
Governmental activities capital assets, net	<u>\$ 31,247,251</u>	<u>\$ 32,597,817</u>	<u>\$ -</u>	<u>\$ 63,845,068</u>

Depreciation expense for the government activities during fiscal year 2014-2015 was \$10,492.

**THE LOS ANGELES REGIONAL
INTEROPERABLE COMMUNICATIONS SYSTEM AUTHORITY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 7 – LOANS PAYABLE

The initial funding of the Authority's start-up and operational costs was provided through a cash operating loan from the County of Los Angeles. This loan bears no interest and has no definite repayment schedule. The balance of this loan as of June 30, 2015 was \$7,044,932.

NOTE 8 – DUE TO OTHER GOVERNMENTS

Due to other governments as of June 30, 2015 in the amount of \$555,276, represents unpaid billings from the Los Angeles County Departments for various services extended to the Authority.

NOTE 9 – OFFICE LEASE

The Authority leases 8,335 square feet of office space in a building located in Monterey Park, California. The operating lease agreement is for seven (7) years commencing on October 15, 2014. Rent expense under this operating lease during fiscal year 2014-2015 was \$127,887.

As of June 30, 2015, future minimum payments of the operating lease are as follows:

Fiscal Year Ending June 30:	
2016	\$ 183,862
2017	189,378
2018	195,059
2019	200,911
2020	206,938
2021-2022	275,847
	<u>\$ 1,251,995</u>

NOTE 10 – LOCAL MATCH

The BTOP grant requires the Authority to provide, from non-federal sources not less than 20% of the total project cost. This amount was reduced to 15.05% on May 1, 2015. Matching funds can be in the form of either cash or in-kind contributions. The Authority has recorded the in-kind contributions and donated services in the amount of \$4,457,230 for the year ended June 30, 2015.

**THE LOS ANGELES REGIONAL
INTEROPERABLE COMMUNICATIONS SYSTEM AUTHORITY**

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 11 – COMMITMENTS AND CONTINGENCIES

In May, 2011 the Authority received notification that the Long Term Evolution Activities (LTE) portion of the Broadband Technology Opportunities Program (BTOP) grant was being partially suspended. This was a result of the President of the United States signing into law the “Middle Class Tax Relief and Job Creation Act of 2013” (the Act). Title VI of the Act requires the Federal Communications Commission (FCC) to reallocate the use of the 700 Mhz D block spectrum. However, in July 2014, the Authority was able to execute a spectrum lease agreement for use of the 700 Mhz D block spectrum. The partial suspension was lifted by National Telecommunications and Information Administration on August 9, 2014, extending the performance period of the BTOP award through September 30, 2015.

The Authority prepared a funding plan to allow for the ongoing operation of the LMR and LTE systems and the administration of the Authority on an ongoing basis after the systems were operational. It required, among other things, for the member agencies to share in the ongoing costs. The member agencies were allowed to opt-out of the Authority by November 24, 2015. As of June 30, 2015, 13 agencies had opted out of the Authority.

NOTE 12 – 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 13 – SUBSEQUENT EVENTS

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through January 8, 2016, the date the financial statements were issued.

On September 30, 2015, the House voted 277-151 to approve H.R. 719, a Continuing Resolution (CR) that will fund the government through December 11, 2015. Section 121 of H.R. 719 includes language that extends the expenditure deadline for Broadband Technology Opportunities Program (BTOP) grant recipients, including LA-RICS, through fiscal year 2019-2020. Without this provision, the Authority would have had to return its unspent BTOP funds to the Federal Treasury. This now allows the Authority to request an additional \$37 million be restored to the award, returning the award to the original \$154 million. If the additional award is approved, the match requirement will be returned to its original amount of 20%, unless a reduction is approved by the DOC.

As discussed in Note 11, a funding plan was adopted by the Authority Board of Directors and the member agencies were allowed to opt-out of the Authority by November 24, 2015. Only 23 of the original 85 members remain in the Authority. The Board of Directors now consists of 10 Board members, rather than the original 17. The impact this will have on the ongoing funding of the Authority, once the grants have been expended, is still to be determined.

REQUIRED SUPPLEMENTARY INFORMATION

**THE LOS ANGELES REGIONAL
INTEROPERABLE COMMUNICATIONS SYSTEM AUTHORITY**
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Federal grants	\$ 161,152,000	\$ 179,416,000	\$ 47,365,618	\$(132,050,382)
Contribution from other governmental agencies	1,013,000	1,013,000	3,937,600	2,924,600
Local match (Note 10)	13,078,000	13,078,000	4,457,230	(8,620,770)
Interest income	-	-	26,968	26,968
Total revenue	<u>175,243,000</u>	<u>193,507,000</u>	<u>55,787,416</u>	<u>(137,719,584)</u>
Expenditures:				
Consultant' services	167,642,000	185,906,000	13,358,636	172,547,364
County department services	5,275,500	5,275,500	3,782,889	1,492,611
Donated services (Note 10)	-	-	4,457,230	(4,457,230)
Building rentals	800,000	800,000	127,887	672,113
Travel and transportation	200,000	200,000	92,035	107,965
Audit	50,500	50,500	29,050	21,450
Legal services	620,000	620,000	4,967	615,033
Communication	-	-	2,181	(2,181)
Utilities	-	-	710	(710)
Supplies	250,000	250,000	-	250,000
Insurance premiums	155,000	155,000	-	155,000
Miscellaneous	50,000	50,000	19,763	30,237
Capital expenditures	200,000	200,000	32,608,309	(32,408,309)
Total expenditures	<u>175,243,000</u>	<u>193,507,000</u>	<u>54,483,657</u>	<u>139,023,343</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>1,303,759</u>	<u>1,303,759</u>
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>(33,530)</u>	<u>(33,530)</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,270,229</u>	<u>\$ 1,270,229</u>

See accompanying notes to the required supplementary information.

**THE LOS ANGELES REGIONAL
INTEROPERABLE COMMUNICATIONS SYSTEM AUTHORITY**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015

BUDGETARY DATA

The Authority adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America and utilizes an encumbrance system as 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.

AUDIT OF FEDERAL AWARDS PROGRAMS

**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 Los Angeles Regional Interoperable Communications System 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 Los Angeles Regional Interoperable Communications System Authority (Authority) as of and for the year ended June 30, 2015 and the related notes to the financial statements and have issued our report thereon dated January 8, 2016.

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
January 8, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors of
The Los Angeles Regional Interoperable Communications System Authority

Report on Compliance for Each Major Federal Program

We have audited the Los Angeles Regional Interoperable Communications System Authority's (Authority) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2015. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133.

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
January 8, 2016

**THE LOS ANGELES REGIONAL
INTEROPERABLE COMMUNICATIONS SYSTEM AUTHORITY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015**

Federal Grantor/Pass-Through Grantor / Program Title	CFDA Number	Grant Amount	Grant Period	Total Expenditures
FEDERAL				
<u>U.S. Department of Commerce/National Telecommunications and Information Administration</u>				
<i>Direct Program</i>				
Broadband Technology Opportunities Program (BTOP) – ARRA	11.557*	\$ 117,142,727	9/1/10 - 12/31/15	\$ 36,200,982
<u>U.S. Department of Homeland Security</u>				
<i>Passed through the County of Los Angeles</i>				
Homeland Security Grant Program - 2011	97.067*	4,483,367	11/18/11-07/31/15	4,174,277
Homeland Security Grant Program - 2012	97.067*	1,842,851	10/12/12-07/31/15	500,000
Homeland Security Grant Program - 2013	97.067*	808,982	09/01/13-03/31/15	508,982
Subtotal				<u>5,183,259</u>
<u>U.S. Department of Homeland Security</u>				
<i>Passed through the City of Los Angeles</i>				
Homeland Security Grant Program – 2010	97.067*	17,439,817	10/28/10-03/31/15	4,966,503
Homeland Security Grant Program – 2011	97.067*	18,227,386	06/06/12-06/30/15	1,014,874
Subtotal				<u>5,981,377</u>
Total Federal Expenditures				<u>\$ 47,365,618</u>

* Major Program

See accompanying notes to the schedule of expenditures of federal awards.

**THE LOS ANGELES REGIONAL
INTEROPERABLE COMMUNICATIONS SYSTEM AUTHORITY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015**

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Los Angeles Regional Interoperable Communications System Authority and is presented using the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**THE LOS ANGELES REGIONAL
INTEROPERABLE COMMUNICATIONS SYSTEM AUTHORITY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

A - Financial Statements

- | | |
|--|---------------|
| 1) Type of auditor’s report issued: | Unmodified |
| 2) Internal control over financial reporting: | |
| a) Material weakness (es) identified? | No |
| b) Significant deficiency (ies) identified not considered to be material weaknesses? | None reported |
| 3) Noncompliance material to financial statements noted? | No |

B - Federal Awards

- | | |
|---|---------------|
| 1) Type of auditor’s report issued on compliance for major programs: | Unmodified |
| 2) Internal control over major programs: | |
| a) Material weakness(es) identified? | No |
| b) Significant deficiency(ies) identified not considered material weakness(es)? | None reported |
| 3) Any audit findings disclosed that are required to be reported in accordance with OMB A-133.510(a)? | No |

**LOS ANGELES REGIONAL
INTEROPERABLE COMMUNICATIONS SYSTEM AUTHORITY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015**

SECTION I – SUMMARY OF AUDITOR’S RESULTS (Continued)

B - Federal Awards (Continued)

4) Identification of major program:

CFDA Number(s)	Name of Federal Program
11.557	Broadband Technology Opportunities Program (BTOP) – ARRA
97.067	State Homeland Security Grant Program - 2013
97.067	State Homeland Security Grant Program - 2012
97.067	State Homeland Security Grant Program - 2011
97.067	State Homeland Security Grant Program - 2010

5) Dollar threshold used to distinguish between
Type A and Type B programs: \$300,000

6) Auditee qualified as low-risk auditee? Yes

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None reported.

January 8, 2016

To the Board of Directors of
The Los Angeles Regional Interoperable Communications System Authority

We have audited the basic financial statements of the Los Angeles Regional Interoperable Communication System Authority (Authority) as of and for the year ended June 30, 2015, and have issued our report thereon dated January 8, 2016. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

Our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Authority solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team and our firm have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Authority is included in Note 2 to the financial statements. There have been no changes in significant accounting policies or their application during 2015. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. There were no sensitive accounting estimates affecting the financial statements.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. There was no sensitive disclosure affecting the financial statements.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. There were no uncorrected financial statement misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. There was no material, corrected financial statement misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Authority's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated January 8, 2016.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

In the normal course of our professional association with the Authority, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Authority's auditors.

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

Very truly yours,

BCA Watson Rice, LLP