

**NORTH LOS ANGELES COUNTY
TRANSPORTATION COALITION**

BASIC FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2019**



NORTH LOS ANGELES COUNTY TRANSPORTATION COALITION

Basic Financial Statements

For the Year Ended June 30, 2019

Table of Contents

Independent Auditor’s Report..... 1

Management’s Discussion and Analysis (Unaudited)..... 3

Basic Financial Statements

 Statement of Net Position 6

 Statement of Revenue, Expenses and Changes in Fund Net Position..... 7

 Statement of Cash Flows..... 8

 Notes to Basic Financial Statements 9

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* 13



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
BR. AINARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320
LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

INDEPENDENT AUDITOR'S REPORT

To the Governing Board
North Los Angeles County Transportation Coalition
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of the North Los Angeles County Transportation Coalition (the Authority), which comprise the statement of net position as of June 30, 2019, and the related statements of revenues, expenses, and changes in fund net position, and cash flows for the year then ended, and the related notes to the basic financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2019, and the changes in its financial position and cash flow 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 on pages 3 through 5 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 March 18, 2020 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely 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.

A handwritten signature in black ink, appearing to read 'Simpson & Simpson', is written in a cursive style.

Los Angeles, California
March 18, 2020

NORTH LOS ANGELES COUNTY TRANSPORTATION COALITION

Management's Discussion and Analysis (Unaudited)

June 30, 2019

Management's discussion and analysis (MD&A) of the North Los Angeles County Transportation Coalition Authority (the Authority) provides a narrative overview of the Authority's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the accompanying financial statements, footnotes, and supplementary information.

This discussion is intended to:

- Assist the reader in understanding significant financial issues
- Provide an overview of the Authority's financial activities
- Identify changes in the Authority's financial position

BACKGROUND

The North Los Angeles County Transportation Coalition (the Authority) was created on May 14, 2018 pursuant to the Government Code of the State of California (the State) under a Joint Powers Agreement (JPA) between the City of Lancaster, the City of Palmdale, the City of Santa Clarita, and the County of Los Angeles (hereinafter referred to as the member agencies). The Authority is governed by a Governing Board made up on 12 voting members, representing three representatives from each of the member agencies.

The purpose of the creation of the Authority is to provide a vehicle for the member agencies to coordinate regional and cooperative planning, primarily in the area of transportation and determining how to prioritize regional transportation projects and the allocation of public monies, including building a more connective transportation system between the member agencies. Such efforts will include the development of policies and strategies that directly lead to the implementation of the projects and programs that address critical north county transportation issues, promote economic development, and maximize transportation funding opportunities for member jurisdictions.

This is the first year of operations for the Authority and the first year that financial statements have been prepared.

FINANCIAL HIGHLIGHTS

- The Authority's assets exceeded its liabilities as of June 30, 2019 by \$32,180.
- Total operating revenues totaled \$100,000 and operating expenses totaled \$69,267 for the year ended June 30, 2019.
- Total non-operating revenues totaled \$1,447 for the year ended June 30, 2019.
- The Authority has no short-term or long-term debt.
- The Authority had no capital assets.

NORTH LOS ANGELES COUNTY TRANSPORTATION COALITION

Management's Discussion and Analysis (Unaudited)

June 30, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Authority's audited financial statements, which are comprised of the 1) basic financial statements; and 2) notes to the basic financial statements.

The Authority's financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. It is designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business. Additional information on the Authority's significant accounting policies can be found in Note 1 on pages 9 to 11 of this report.

- The **Statement of Net Position** presents information on all of the Authority's assets, liabilities, and resulting net position. Over time, an increase or decrease in net position may serve as a useful indicator of the Authority's financial position.
- The **Statement of Revenues, Expenses and Changes in Fund Net Position** presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing or related cash flows. Thus, revenue and expenses are reported in these statements for some items that will result in cash flows in future periods.

The **Statement of Cash Flows** relates to the flows of cash and cash equivalents. Consequently, only transactions that affect the Authority's cash accounts are recorded in these statements. A reconciliation is provided at the bottom of the Statement of Cash Flows to assist in the understanding of the difference between cash flows from operating activities and operating income or loss.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the Authority's financial statements. Notes to the financial statements are on pages 9 to 12.

FINANCIAL ANALYSIS

As of June 30, 2019, the Authority's net position was \$32,180.

Revenues for the year ended June 30, 2019 consisted of member contributions from the County of Los Angeles (County) totaling \$100,000, as well as interest income in the amount of \$1,447. Total expenditures in the amount of \$69,267 for the year ended June 30, 2019 consisted mainly of payments for County accounting and legal services, executive director charges, and miscellaneous first-year operating expenses.

NORTH LOS ANGELES COUNTY TRANSPORTATION COALITION

Management's Discussion and Analysis (Unaudited)

June 30, 2019

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2019, the Authority had no capital assets.

Debt Administration

As of June 30, 2019, the Authority had no outstanding debt.

ECONOMIC FACTORS

Member agencies of the Authority decided to create a joint powers authority to assist with streamlining of transportation projects and voluntarily and cooperatively resolve differences in a more representative and formal structure. Such efforts are planned to include the development of policies and strategies that directly lead to the implementation of the projects and programs that address critical north county transportation issues, promote economic development, and maximize transportation funding opportunities for member jurisdictions. Fiscal year 2018-2019 was the Authority's first year of operations.

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, Department of Auditor-Controller, 500 West Temple Street Room 525, Los Angeles, CA 90012.

NORTH LOS ANGELES COUNTY TRANSPORTATION COALITION

Statement of Net Position

June 30, 2019

	<u>2019</u>
Assets	
Current assets	
Cash and cash equivalents (Note 2)	\$ 109,775
Interest receivable	326
Total current assets	<u>110,101</u>
Total assets	<u>110,101</u>
Liabilities	
Current liabilities	
Accounts payable	9,921
Unearned revenue	68,000
Total current liabilities	<u>77,921</u>
Total liabilities	<u>77,921</u>
Net Position (Note 1)	
Restricted for:	
Transportation	32,180
Total net position	<u>32,180</u>
Total Liabilities and Net Position	<u>\$ 110,101</u>

See accompanying notes to the basic financial statements.

NORTH LOS ANGELES COUNTY TRANSPORTATION COALITION

Statement of Revenues, Expenses, and Changes in Fund Net Position

Year Ended June 30, 2019

	<u>2019</u>
Operating Revenues	
Member contributions	\$ 100,000
Total operating revenues	<u>100,000</u>
Operating Expenses	
General operating expenses	872
Professional	54,144
Legal	14,251
Total operating expenses	<u>69,267</u>
Total operating income	<u>30,733</u>
Nonoperating Revenues	
Interest income	1,447
Total non-operating revenues	<u>1,447</u>
Change in net position	32,180
Net Position, beginning of year	-
Net Position, end of year	<u>\$ 32,180</u>

See accompanying notes to the basic financial statements.

NORTH LOS ANGELES COUNTY TRANSPORTATION COALITION

Statement of Cash Flows
Year Ended June 30, 2019

	<u>2019</u>
Cash Flows from Operating Activities	
Cash received from member agencies	\$ 168,000
Cash paid to suppliers for goods and services	<u>(59,346)</u>
Net cash from operating activities	<u>108,654</u>
Cash Flows from Investing Activities	
Interest received	<u>1,121</u>
Net cash from investing activities	<u>1,121</u>
Net increase (decrease) in cash and cash equivalents	109,775
Cash and cash equivalents, beginning of the year	-
Cash and cash equivalents, end of the year	<u>\$ 109,775</u>
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating income	<u>\$ 30,733</u>
Adjustments to reconcile operating income (loss) to net cash from operating activities:	
decrease (increase) in assets:	-
increase (decrease) in liabilities:	
Accounts payable	9,921
Unearned revenue	<u>68,000</u>
Total adjustments	<u>77,921</u>
Net cash from operating activities	<u>\$ 108,654</u>

See accompanying notes to the basic financial statements.

NORTH LOS ANGELES COUNTY TRANSPORTATION COALITION

Notes to Basic Financial Statements

Year Ended June 30, 2019

Note 1 - Summary of Significant Accounting Policies

Reporting Entity: The North Los Angeles County Transportation Coalition (the Authority) was created on May 14, 2018 pursuant to the Government Code of the State of California (the State) under a Joint Powers Agreement (JPA) between the City of Lancaster, the City of Palmdale, the City of Santa Clarita, and the County of Los Angeles (hereinafter referred to as the member agencies). The JPA designates the County of Los Angeles (County) Department of Auditor-Controller as the Authority's fiscal agent. The Authority is governed by a Governing Board made up on 12 voting members, representing three representatives from each of the member agencies.

The purpose of the creation of the Authority is to provide a vehicle for the member agencies to coordinate regional and cooperative planning, primarily in the area of transportation and determining how to prioritize regional transportation projects and the allocation of public monies, including building a more connective transportation system between the member agencies. Such efforts will include the development of policies and strategies that directly lead to the implementation of the projects and programs that address critical north county transportation issues, promote economic development, and maximize transportation funding opportunities for member jurisdictions.

Financial statement presentation: The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units and the Authority is accounted for as a proprietary fund. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting.

The Authority records revenue primarily from member agency dues and reports its financial statements under guidance for special purpose entities engaged in only business-type activities. This model allows all financial information for the Authority to be reported in a single column in the basic financial statements.

Cash and cash equivalents: Cash and cash equivalents represent funds held in the County Treasury Pool. 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 of three months or less. For purposes of the statement of cash flows, cash represents balances that can be readily withdrawn without substantial notice or penalty.

Accounts receivable: Accounts receivable comprises of undistributed interest earnings on the Authority's Cash and Cash Equivalents held in the County Treasury Pool.

Operating revenues and operating expenses: Operating revenues primarily consist of membership contributions from the County. Beginning in fiscal year 2019-20, member agencies are responsible for the annual payment of dues for each fiscal year in the amounts budgeted and adopted by the Governing Board, for the operating costs of the Authority. An annual dues assessment is issued to member agencies and are due and payable in July of each calendar year. Operating expenses represent the costs for the operations of the Authority during the year.

NORTH LOS ANGELES COUNTY TRANSPORTATION COALITION

Notes to Basic Financial Statements

Year Ended June 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

Revenues outside the normal course of operations are recorded as nonoperating revenues in the statement of revenues, expenses and changes in fund net position. Nonoperating revenues consist primarily of interest income.

Taxation: As a joint-powers authority, the Authority is not subject to income or franchise taxation by federal or state authorities. The Authority is recognized by the Internal Revenue Service (IRS) as a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code.

Use of estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Significant estimates and assumptions made by management include, but are not limited to, contingent assets and liabilities.

Net position: 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*. GASB Statement No. 34 established standards for external financial reporting for all state and local governmental entities. It requires the classification of net position 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 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, 2019, the Authority had no net investment in capital assets net position.

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, 2019, the Authority \$32,180 in restricted net position.

Unrestricted net position – When both restricted and unrestricted net position are available, restricted resources are depleted first before the unrestricted resources are used. As of June 30, 2019, the Authority had no unrestricted net position.

NORTH LOS ANGELES COUNTY TRANSPORTATION COALITION

Notes to Basic Financial Statements

Year Ended June 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

New Pronouncements:

The GASB has issued Statement No. 83, *Certain Asset Retirement Obligations*, effective for periods beginning after June 15, 2018. This addresses accounting and financial reporting for certain asset retirement obligations (AROs) and establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement did not have an impact on the Authority's financial statements for fiscal year 2018-19.

The GASB has issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, effective for periods beginning after June 15, 2018. This Statement improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement did not have an impact on the Authority's financial statements for fiscal year 2018-19.

Note 2 - Cash and Cash Equivalents

As of June 30, 2019, \$109,775 was invested in the County Investment Pool. In accordance with the California Government Code, cash balances of the Authority are deposited with and pooled and invested by the Los Angeles County Treasurer 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 Treasurer to invest pooled investments in obligations of the United States Treasury, federal agencies, municipalities, asset-backed securities, bankers' acceptances, commercial paper, negotiable certificates of deposit, medium-term notes, corporate notes, repurchase agreements, reverse repurchase agreements, forwards, futures, options, 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), securities lending agreements, 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 GAAP. Securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Securities classified in Level 2 of the fair value hierarchy are valued using other observable inputs such as matrix pricing techniques or based on quoted prices for assets in markets that are not active. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Level 3 inputs are significant unobservable inputs. Securities classified in Level 3 are valued using the income approach such as discounted cash flow techniques. Investment in an external government investment pool is not subject to reporting within the level hierarchy.

Investment policies and associated risk factors applicable to the Authority are included in the County's Comprehensive Annual Financial Report for the year ended June 30, 2019. Detailed deposit and investment risk disclosures are included in Note 5 of the County's Comprehensive Annual Financial Report.

NORTH LOS ANGELES COUNTY TRANSPORTATION COALITION

Notes to Basic Financial Statements

Year Ended June 30, 2019

Note 3 - Related Party Transactions

The Authority's cash and investments are pooled and invested by the County Treasurer and Tax Collector (TTC). For the year ended June 30, 2019, interest income amounted to \$1,447 and interest receivable amounted to \$326.

Total fees paid to the County as of June 30, 2019 amounted to \$19,611, with \$6,931 representing total payables. The County maintains the books and records of the Authority and provides other administrative and support services such as legal counsel.

Note 4 - Subsequent Events

Subsequent events have been evaluated through March 18, 2020, which is the date the financial statements were available to be issued.



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
BRANARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320
LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

**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 Governing Board
North Los Angeles County Transportation Coalition
Los Angeles, California

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 North Los Angeles County Transportation Coalition (the Authority) as of and for the year ended June 30, 2019, and the related notes to the basic financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated March 18, 2020.

Internal Control over Financial Reporting

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

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

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

A handwritten signature in cursive script that reads "Simpson & Simpson".

Los Angeles, California
March 18, 2020