

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

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**

For the Year Ended June 30,2022



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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, 2022**

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INTEROPERABLE COMMUNICATIONS SYSTEM AUTHORITY**
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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 Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Los Angeles Regional Interoperable Communications System Authority (Authority) as of and for the year ended June 30, 2022, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority as of June 30, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-7 and 24-25 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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. The 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.

BCA Watson Rice, LLP

Torrance, California

March 7, 2023

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2022**

The Management's Discussion and Analysis (MD&A) of the financial activities of the Los Angeles Regional Interoperable Communications System Authority (Authority or LA-RICS) provides a narrative overview of the Authority's financial activities for the fiscal year ended June 30, 2022. 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 \$203,914,433. Cash and Investments deposited in the County Treasury Pool totaled \$4,723,783.
- Program revenues totaled \$36,316,661 and mainly consisted of federal grants in the amount of \$35,000,000 and communication services of \$1,316,661.
- The Authority has a cash operating loan balance totaling \$28,000,000 from the County of Los Angeles (County) for the funding of start-up and operational costs. The loan bears no interest and has no definite repayment schedule.
- As of June 30, 2022, the Authority had \$168,329,465 in Capital Assets consisting of telecommunication equipment under construction valued at \$167,977,011, telecommunications equipment valued at \$346,954 and office furniture valued at \$5,500.

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 LOS ANGELES REGIONAL
INTEROPERABLE COMMUNICATIONS SYSTEM AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2022**

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, i.e., accrued but unpaid contract and professional fees.

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

Governmental Activities – All of the Authority's programs during fiscal year 2021-2022 are reported under this category.

Business-type Activities – The Authority had no business-type activities during fiscal year 2021-2022.

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 2021-2022.

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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2022**

Financial Statement Analysis

During fiscal year 2021-2022, operating revenues decreased by \$14.0 million and operating expenditures decreased by \$11.6 million. Federal grant revenue decreased by \$4.7 million, and communication services decreased by \$5.4 million. Capital expenditures of telecommunication equipment decreased by \$3.4 million and consultants' services expenditures decreased by \$3.6 million.

Capital Assets

During fiscal year 2021-2022, the Authority continued building the Land Mobile Radio (LMR) System and purchased equipment that will eventually be used to operate and support the LMR System. As of June 30, 2022, the Authority had capital assets in the form of telecommunication equipment under construction valued at \$167,977,011, telecommunication equipment valued at \$346,954 and office furniture valued at \$5,500.

Debt Administration

The County 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, 2022, the Authority's loan payable balance was \$28,000,000, unchanged from June 30, 2021.

Economic Factors

The following LA-RICS activity is anticipated for fiscal year 2022-2023 as well as all other grants funding:

- **Status of LMR System**

The LMR System contract was executed in August 2013 with Motorola Solutions, Inc. (Motorola) and work began in September 2013. System construction, testing and optimization activities continue and it is anticipated that the LMR System will be completed and tested in 2023. 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.

LA-RICS requested Federal Emergency Management Agency (FEMA) and California Governor's Office of Emergency Services (CalOES) assistance in re-affirming the Los Angeles / Long Beach Urban Area Security (UASI) Approval Authority's (AA) commitment to achieving regional interoperability and ensuring LA-RICS is funded through completion. The AA voted to allocate an additional \$5,000,000 in UASI 22, \$5,000,000 in UASI 23, and \$5,000,000 in UASI 24. In addition, the AA for the State Homeland Security Program (SHSP) voted to allocate \$3,520,000 in SHSP 22, \$1,760,000 in SHSP 23, and \$1,120,000 in SHSP 24.

**THE LOS ANGELES REGIONAL
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**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2022**

During the end of fiscal Year 2021-2022, LA-RICS' Executive Director Edson worked with the County of Los Angeles Legislative Affairs to prepare a budget proposal for the legislatures' consideration, requesting an additional \$18.6 million in state funds to complete the LA-RICS LMR System. During Fiscal Year 2022-2023, LA-RICS received the \$18.6 million from the State of California Budget Act of 2022. Funds will be utilized to pay for certain costs supporting completion of the LMR System.

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, 2022

	Governmental Activities
ASSETS	
Current Assets:	
Cash and investments (Note 3)	\$ 4,723,783
Interest receivable	45,826
Accounts receivable (Note 4)	30,105,806
Prepaid expenses	141,917
Total Current Assets	35,017,332
Noncurrent Assets:	
Right-to-use leased building, net of accumulated amortization	567,636
Capital assets, net of accumulated depreciation:	
Telecommunication equipment	346,954
Office furniture and fixtures	5,500
Construction in progress	167,977,011
Total Noncurrent Assets	168,897,101
TOTAL ASSETS	203,914,433
LIABILITIES	
Current Liabilities:	
Accounts payable (Note 6)	4,398,025
Loan payable (Note 7)	28,000,000
Lease liability - due within one year (Note 9)	238,407
Total Current Liabilities	32,636,432
Noncurrent Liability:	
Lease liability - due in more than one year (Note 9)	337,273
TOTAL LIABILITIES	32,973,705
DEFERRED INFLOW OF RESOURCES	
Deferred revenue (Note 8)	465,017
NET POSITION	
Net investment in capital assets	168,329,465
Unrestricted	2,146,246
TOTAL NET POSITION	\$ 170,475,711

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, 2022

	Expenses	Program Revenues <u>Capital Grants and Contributions</u>	Net (Expense) Revenue and Change in Net Position <u>Governmental Activities</u>
<u>Functions/Programs</u>			
Governmental activities -			
Interoperable communications and safety programs	\$ 11,286,146	\$ 36,316,661	\$ 25,030,515
Total	\$ 11,286,146	\$ 36,316,661	25,030,515
General revenues:			
Investment income			114,025
Loss on sale of telecommunication equipment (Note 5)			(1,595,625)
Miscellaneous			8,573
Total general revenues (loss)			(1,473,027)
Change in net position			23,557,488
Net position, July 1, 2021			146,918,223
Net position, June 30, 2022			\$ 170,475,711

See accompanying notes to the basic financial statements.

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

BALANCE SHEET
June 30, 2022

ASSETS

Cash and investments (Note 3)	\$ 4,723,783
Interest receivable	45,826
Accounts receivable (Note 5)	30,105,806
Prepaid expense	<u>141,917</u>

Total Assets \$ 35,017,332

LIABILITIES

Accounts payable (Note 6)	\$ 4,398,025
Loans payable (Note 7)	<u>28,000,000</u>
Total Liabilities	<u>32,398,025</u>

DEFERRED INFLOW OF RESOURCES

Deferred revenue (Note 8)	<u>465,017</u>
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FUND BALANCE

Unassigned	<u>2,154,290</u>
Total Fund Balance	<u>2,154,290</u>

Total Liabilities, Deferred Inflow of Resources and Fund Balance \$ 35,017,332

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, 2022

Fund balance - Governmental Funds (page 10)	\$ 2,154,290
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 funds balance sheet.	168,329,465
Right-to-use leased building in governmental activities is not current financial resources and therefore not reported in the governmental funds balance sheet.	567,636
Lease liability is not due and payable in the current period and accordingly not reported as governmental funds liability.	(575,680)
Net Position of Governmental Activities (page 9)	<u>\$170,475,711</u>

See accompanying notes to the basic financial statements.

**THE LOS ANGELES REGIONAL
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STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
For the Year Ended June 30, 2022

<u>Revenues</u>	
Federal grants	\$ 35,000,000
Communication services	1,316,661
Investment income	114,025
Others	88,573
Total revenues	<u>36,519,259</u>
<u>Expenditures</u>	
Current:	
Consultants' services	6,089,418
County department services	3,886,669
Utilities	250,871
Permit and license fees	167,583
Insurance	116,259
Security services	87,033
Rentals	71,657
Professional fees	24,075
Travel and transportation	67
Miscellaneous	49,436
Capital outlay - telecommunication equipment	20,953,375
Debt service:	
Lease principal	154,138
Lease interest	8,561
Total expenditures	<u>31,859,142</u>
Excess of revenues over expenditures	4,660,117
Fund balance (deficit), July 1, 2021	<u>(2,505,827)</u>
Fund balance, June 30, 2022	<u><u>\$ 2,154,290</u></u>

See accompanying notes to the basic financial statements.

**THE LOS ANGELES REGIONAL
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RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE
GOVERNMENTAL STATEMENT OF ACTIVITIES

June 30, 2022

Net Change in Fund Balance (page 12)	\$	4,660,117
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Additions to capital assets amounted to \$20,953,375 in the current period.		20,953,375
Depreciation expenses on capital assets is reported in the government-wide statement of activities, but does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in governmental funds.		(372,335)
Amortization on the right-to-use leased building is reported in the government-wide statement of activities, but does not require the use of current financial resources. Thus, amortization expense is not reported as expenditures in governmental funds.		(162,182)
The loss from the sale of telecommunication equipment is reported in the government-wide statement of activities, but does not require the use of current financial resources. Therefore, this is not reported in the governmental funds statement of revenues and expenditures and changes in fund balance.		(1,595,625)
The proceeds from the sales of telecommunication equipment is recognized as revenue in the governmental funds statement of revenues, expenditures and changes in fund balance, but not in the government-wide statement of activities as this is part of the cost of the disposed capital assets a reduction of assets in the statement of net position.		(80,000)
Payments of lease principal is an expenditure in the governmental funds. For LA-RICS as a whole, principal lease payments reduce liabilities in the government-wide statement of net position and do not result in an expense in the statement of activities and changes in net position.		154,138
Change in Net Position of Governmental Activities (page 9)	<u>\$</u>	<u>23,557,488</u>

See accompanying notes to the basic financial statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 1 – REPORTING ENTITY

The Authority a separate public entity, was created in May 2009 through a Joint Powers Agreement (JPA) between the County of Los Angeles (County), 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.

The composition of the JPA has changed since inception. During fiscal year 2021-2022, the Authority was governed by a ten (10) member Board of Directors (Board) which served without compensation. The 10 Board members 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. Los Angeles Area Fire Chief Association
6. Los Angeles County Police Chiefs Association
7. California Contract Cities Association
8. City of Inglewood (At Large)
9. City of Covina, Police Chief (At Large)
10. City of Signal Hill (At Large)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basic Financial Statements

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, the basic financial statements consist of the following:

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

Government-wide Financial Statements

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide Financial Statements (Continued)

Net position is classified into the following three components: 1) net investment in capital assets; 2) restricted; and 3) unrestricted. At June 30, 2022, the net investment in capital assets balance was \$168,329,465, and the unrestricted net position was \$2,146,246. There was no restricted net position balance at June 30, 2022.

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 Homeland Security.

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.

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 reported at acquisition value rather than estimated fair market value at the date of donation.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

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.

Lease

The Authority is a lessee of a noncancellable lease of building office space. The Authority recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The Authority recognizes lease liabilities for leases with an initial value or \$5,000 or more.

At the commencement of a lease, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain indirect costs. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or its useful life.

Key estimates and judgments related to leases include how the Authority determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The Authority uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Authority generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and the purchase option price that the Authority is reasonably certain to exercise. The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Right-to-use leased building and lease liability are reported separately on the Statement of Net Position.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances (Continued)

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

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

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

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

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

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

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

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

New Pronouncements Issued and Implemented

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

GASB Statement No. 87 - Statement No. 87, Leases, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement is effective for reporting periods beginning after June 15, 2021. The Authority implemented the Statement in fiscal year 2021-2022.

GASB Statement No. 92 - Statement No. 92, Omnibus 2020, enhances comparability in the application of accounting and financial reporting requirements and improves the consistency of authoritative literature. More comparable reporting will improve the usefulness of information for users of state and local government financial statements. The statement is effective for reporting periods beginning after June 15, 2021. This statement did not have an impact on the Authority's financial statements.

GASB Statement No. 93 - Statement No. 93, Replacement of Interbank Offered Rates, addresses the accounting and financial reporting implications that result from the replacement of an Interbank Offered Rate. GASB Statement No. 93, except for paragraphs 11b, 13 and 14 is effective for reporting periods beginning after June 15, 2020 and was implemented in the prior year. Paragraph 11b is effective for reporting periods ending after December 31, 2021 and the requirements in paragraphs 13 and 14 are effective for fiscal years beginning after June 15, 2021. This statement did not have an impact on the Authority's financial statements.

GASB Statement No. 99 - Statement No. 99, "Omnibus", enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. GASB Statement No. 99, paragraphs 26-32 were effective upon issuance. This statement did not have an impact on the Authority's financial statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 3 - CASH AND INVESTMENTS

The Authority's cash and investments are pooled and invested by the County Treasurer and Tax Collector (Treasurer) and are subject to withdrawal from the pool upon demand. The Authority's share in this pool is displayed in the accompanying financial statements as cash and investments. Investment income earned by the pooled investments is allocated to the various funds based on the fund's average cash and investment balance, as provided by the California Government Code Section 53647. The Authority's cash and investment balance as of June 30, 2022 is \$4,723,783.

California Government Code Sections 53601 and 53635 authorize the Treasurer to invest the External investment Pool (Pool) and Specific Purpose Investment funds 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 JPA that invests in authorized securities, shares of beneficial interest issued by diversified management companies known as money market mutual funds registered with the Securities and Exchange Commission, securities lending agreements, the State of California's Local Agency Investment Fund, and supranational institutions. California Government Code Section 53534 authorizes the Treasurer to enter into interest rate swap agreements. However, these agreements should only be used in conjunction with the sale of the bonds approved by the Board of Supervisors. As permitted by the California Government Code, the Treasurer developed, and the Board adopted, an investment Policy that further defines and restricts the limits within which the Treasurer may invest. The investments are managed by the Treasurer, which reports investment activity to the Board of Supervisors on a monthly basis. In addition, the Treasurer's investment activity is subject to an annual investment policy review, compliance oversight, quarterly financial review, and annual financial reporting. The Treasurer also maintains Other Specific Investments, which are invested pursuant to Section 1300.76.1, Title 28, California Code of Regulations. The County has not provided nor obtained any legally binding guarantees during the year ended June 30, 2022, to support the value of shares in the Pool.

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 Annual Comprehensive Financial Report for the year ended June 30, 2022. Detailed deposit and investment risk disclosures are included in Note 4 of the County's Annual Comprehensive Financial Report.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2022 in the amount of \$30,105,806, represents \$29,995,396 receivable from the Department of Homeland Security for allowable Urban Areas Security Initiative (UASI), \$86,427 receivables for public safety broadband network with AT&T, and \$23,983 for Business Agreement services with AT&T.

NOTE 5 – CAPITAL ASSETS

Capital assets as of June 30, 2022 consist of the following:

	Balance at June 30, 2021	Increases	Decreases	Balance at June 30, 2022
Governmental activities:				
Capital assets, being depreciated:				
Telecommunication equipment	\$ 2,081,707	\$ -	\$ -	\$ 2,081,707
Office furniture and fixtures	193,683	-	-	193,683
Total	<u>2,275,390</u>	<u>-</u>	<u>-</u>	<u>2,275,390</u>
Less, accumulated depreciation for:				
Telecommunication equipment	(1,387,802)	(346,951)	-	(1,734,753)
Office furniture and fixture	(162,799)	(25,384)	-	(188,183)
	<u>(1,550,601)</u>	<u>(372,335)</u>		<u>(1,922,936)</u>
Total capital assets, being depreciated	<u>724,789</u>	<u>(372,335)</u>	<u>-</u>	<u>352,454</u>
Capital assets, not being depreciated:				
Construction in progress-telecommunication equipment	148,699,261	20,953,375	(1,675,625)	167,977,011
Total capital assets, not being depreciated	<u>148,699,261</u>	<u>20,953,375</u>	<u>(1,675,625)</u>	<u>167,977,011</u>
Governmental activities capital assets, net	<u>\$ 149,424,050</u>	<u>\$ 20,581,040</u>	<u>\$ (1,675,625)</u>	<u>\$ 168,329,465</u>

Depreciation expense for the government activities during fiscal year 2021-2022 was \$372,335. Also, telecommunication equipment under construction in progress with a cost of \$1,675,625 was disposed during the fiscal year ended June 30, 2022, resulting in a loss of \$1,595,625.

NOTE 6 – ACCOUNTS PAYABLE

Accounts payable as of June 30, 2022 in the amount of \$4,398,025, represents accruals of vendors' invoices not yet paid as of that date.

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. This loan bears no interest and has no definite repayment schedule. The balance of this loan as of June 30, 2022 was \$28,000,000.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 8 – DEFERRED INFLOW OF RESOURCES

Deferred inflow of resources consists of deferred revenue as of June 30, 2022 in the amount of \$465,017, which represents UASI program expenditures. These program expenditures have not yet been submitted for reimbursement with the funding agency.

NOTE 9 – LEASE LIABILITY

The Authority leases 8,335 square feet of office space in a building located in Monterey Park, California. The non-cancellable lease agreement was for seven (7) years commencing on October 15, 2014. This lease agreement expired on October 31, 2021 and a rental expense of \$71,657 pertaining to this lease agreement was recognized during the fiscal year 2021-2022.

On October 12, 2021, the Authority renewed the term of the lease for a period of thirty-six (36) months, beginning November 2, 2021, and ending October 31, 2024. An initial lease liability was recorded in the amount of \$729,818 for this lease. As of June 30, 2022, the total value of the lease liability was \$575,680 and the total value of the right-to-use leased building was \$567,636, net of accumulated amortization of \$162,182.

As of June 30, 2022, future minimum payments of the lease are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 238,407	\$ 10,523	\$ 248,930
2024	251,372	5,026	256,398
2025	85,901	402	86,303
	<u>\$ 575,680</u>	<u>\$ 15,950</u>	<u>\$ 591,630</u>

NOTE 10 – 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 11 – COVID-19 IMPACT AND CONSIDERATIONS

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around its duration. LA-RICS expects this matter to negatively impact its operating environment; however, the related financial impact and duration cannot be reasonably estimated at this time.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 12 – SUBSEQUENT EVENTS

In preparing these financial statements, the Authority has evaluated events subsequent to June 30, 2022 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through March 7, 2023 the date the financial statements were available to be issued. It was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

During fiscal Year 2021-2022, LA-RICS requested FEMA and CalOES assistance in re-affirming the Los Angeles / Long Beach UASI AA's commitment to achieving regional interoperability and ensuring LA-RICS is funded through completion. The AA voted to allocate an additional \$5,000,000 in UASI 22, \$5,000,000 in UASI 23, and \$5,000,000 in UASI 24. In addition, the AA SHSP voted to allocate \$3,520,000 in SHSP 22, \$1,760,000 in SHSP 23, and \$1,120,000 in SHSP 24

The State of California approved the appropriation of \$18.6 million in the State of California Budget Act of 2022 for LA-RICS to complete the LMR System. On December 13, 2022, LA-RICS received the check in the amount of \$18.6 million from the State of California.

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, 2022

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Federal grants	\$ 40,043,000	\$ 40,043,000	\$ 35,000,000	\$ (5,043,000)
Communication services	5,007,000	5,007,000	1,316,661	(3,690,339)
Interest income	-	-	114,025	114,025
Others	-	-	88,573	88,573
Total revenue	<u>45,050,000</u>	<u>45,050,000</u>	<u>36,519,259</u>	<u>(8,530,741)</u>
Expenditures:				
Consultant's services and telecommunication equipment:				
Consultant's services	38,902	38,902	6,089,418	(6,050,516)
Capital expenditures - telecommunication equipment	-	-	20,953,375	(20,953,375)
Total consultant's services and telecommunication equipment	<u>38,902</u>	<u>38,902</u>	<u>27,042,793</u>	<u>(27,003,891)</u>
County department services	4,332,000	4,332,000	3,886,669	445,331
Building rentals	255,000	255,000	71,657	183,343
Insurance premiums	521,000	521,000	116,259	404,741
Professional fees	25,000	25,000	24,075	925
Travel and training	78,000	78,000	67	77,933
Lease principal	-	-	154,138	(154,138)
Interest expense	-	-	8,561	(8,561)
Miscellaneous	897,000	897,000	554,923	342,077
Total expenditures	<u>6,146,902</u>	<u>6,146,902</u>	<u>31,859,142</u>	<u>(25,712,240)</u>
Excess of revenues over expenditures	38,903,098	38,903,098	4,660,117	(34,242,981)
Fund balance (deficit), July 1, 2021	-	-	(2,505,827)	(2,505,827)
Fund balance, June 30, 2022	<u>\$ 38,903,098</u>	<u>\$ 38,903,098</u>	<u>\$ 2,154,290</u>	<u>\$ (36,748,808)</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, 2022

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, 2022 and the related notes to the financial statements and have issued our report thereon dated March 7, 2023.

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.

BCA Watson Rice, LLP

Torrance, California

March 7, 2023

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Los Angeles Regional Interoperable Communication System Authority's (Authority) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Authority major federal program for the year ended June 30, 2022. The Authority major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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, 2022.

Basis for Opinion on Each Major Federal Program

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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BCA Watson Rice, LLP

Torrance, CA
March 7, 2023

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022**

<u>Federal Grantor/ Pass-through Entity/Program Title</u>	<u>Assistance Listing Number</u>	<u>Award/Pass- through Identification Number</u>	<u>Total Expenditures</u>
FEDERAL			
<u>U.S. Department of Homeland Security</u>			
<i>Passed through the City of Los Angeles</i>			
Homeland Security Grant Program - 2019	97.067	C-136500	\$ 35,000,000
Total Federal Expenditures			<u>\$ 35,000,000</u>

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, 2022

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 audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Authority has elected not to use the 10% de minimis indirect cost rate as covered in §200.414 Indirect (F&A) costs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 – SUBRECIPIENTS

The Authority has no sub-recipients for the year ended June 30, 2022.

NOTE 3 – RELATIONSHIP TO THE BASIC FINANCIAL STATEMENTS

Amounts reported in the accompanying Schedule agree to amounts reported within the Authority's basic financial statements.

NOTE 4 – CONTINGENCIES

Under the terms of federal grants, additional audits may be requested by the grantor agencies and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to a request for reimbursement to the grantor agencies.

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022

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 2 CFR 200.516(a)? | No |

**LOS ANGELES REGIONAL
INTEROPERABLE COMMUNICATIONS SYSTEM AUTHORITY**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022

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

B - Federal Awards (Continued)

4) Identification of major program:

Assistance Listing Number	Name of Federal Program
97.067	Homeland Security Grant Program - 2019

5) Dollar threshold used to distinguish between
Type A and Type B programs: \$750,000

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.