

THE LOS ANGELES REGIONAL INTEROPERABLE COMMUNICATIONS SYSTEM AUTHORITY

Financial Statements and Independent Auditor's Report

For the Year Ended June 30, 2012
With Comparative Totals for 2011

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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, 2012
(With Comparative Totals for 2011)**

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying balance sheet of the Los Angeles Regional Interoperable Communications System Authority (Authority) as of June 30, 2012, and the related statement of revenues, expenditures and change in fund balance for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized comparative information has been derived from the 2011 financial statements and, in our report dated January 30, 2012 we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the State Controller's Minimum Audit Requirements and Reporting Guidelines for Special District. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, and the results of its operations and the changes in its fund balances thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2012 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis (MD&A) and the Required Supplementary Information, as listed in the accompanying table of contents, are not a required part of the Authority's basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Authority taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic combined financial statements taken as a whole.

Torrance, California
December 21, 2012

Bazilia Cobb Associates

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012**

The Management's Discussion and Analysis (MD&A) of the financial activities of the Los Angeles Regional Interoperable Communications System Authority (Authority) provides a narrative overview of the Authority's financial activities for the fiscal year ended June 30, 2012. 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 \$4,871,047. Cash and Investments deposited in the County Treasury Pool totaled \$72,013.
- Operating revenues totaled \$4,794,110 and mainly consisted of federal and state grants in the amount of \$2,650,561 and contributions from the County of Los Angeles.
- The Authority has no short or long term debt.

Overview of Financial Statements

This MD&A serves as an introduction to the Authority's basic financial statements. The basic financial statements include four components: 1) Balance Sheet; 2) Statement of Revenues, Expenses and Changes in Fund Balance; 3) Notes to the Financial Statements and 4) Supplemental information.

- The Balance Sheet presents all of the Authority's assets and liabilities, with the difference reported as fund balance. Over time, increases or decreases in fund balance may serve as a useful indicator to determine whether the financial position of the Authority is improving or deteriorating.
- The Statement of Revenues, Expenses and Changes in Fund Balance present information showing how the Authority's fund balance changed during the fiscal year. All changes in fund balance (revenues and expenses) are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Accordingly, revenues and expenses are reported in this statement for items that will result in cash flows in future fiscal periods (e.g. accrued but unpaid contract and professional service fees).
- The notes provide additional information that is essential for a full understanding of the data provided in the basic financial statements.
- The supplemental information includes 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
For the Year Ended June 30, 2012**

Financial Statement Analysis

Operating revenues consist primarily of federal grants and contributions from the County of Los Angeles. Operating expenses consist primarily of contract and professional service fees.

Capital Assets

As of June 30, 2012, the Authority had no capital assets.

Debt Administration

As of June 30, 2012, the Authority had \$4,135,639 in loans payable that bear no interest and have no definite repayment schedule. This payable is a cash operating loan from the County of Los Angeles for initial funding of the Authority's start-up and operational costs.

Economic Factors

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

The Authority is the recipient of the Broadband Technology Opportunity Program (BTOP) grant administered by the Department of Commerce (DOC) to fund its proposed public safety broadband network. The grant will continue to be administered by DOC in Fiscal Year 2012-2013.

The following LA-RICS activity is anticipated for Fiscal Year 2012-2013:

- **Preparation of a new RFP for both LMR and LTE Systems**
President Barack Obama signed into law the Middle Class Tax Relief and Jobs Creation Act of 2011 (H.R. 3630) on February 22, 2012, which directed, among other things, the auction of the radio spectrum "T-band" (470 MHz to 521 MHz) within nine years. The T-band has been at the center of the LA-RICS system design since its inception and H.R. 3630 unintentionally changed that. This legislation prompted LA-RICS to conduct assessments to evaluate the viability of building the envisioned Land Mobile Radio (LMR) system and the possibility of moving the LMR system immediately to the 700 and 800 MHz spectrums. The assessments included a 700/800MHz Analysis Report, LMR Hybrid Feasibility Report, and LMR Sites Assessment Report. After these studies determined the lack of sufficient frequencies for regional interoperable 700-800 MHz communications systems, LA-RICS developed solutions to combine channels in both the 700 MHz spectrum and T-band frequencies into a "hybrid system".

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012**

Unfortunately, the changes necessary to bring the procurement into line with the new spectrum limitations were deemed significant by the Authority's counsel. On August 2, 2012, the LA-RICS Board of Directors was compelled to cancel the procurement process and direct staff to prepare a new RFP. This required the Authority to work with the engineering and technical project management team that conducted the assessments to develop and enhance interoperable emergency communication plans and protocols and incorporate them into the RFP rewrite.

- **Negotiation and Selection of Contractors**

It is anticipated that during Fiscal Year 2012-13, a contract will be executed with an LMR System contractor and subsequently with an LTE System contractor.

- **Hiring of Project Staff**

The Authority anticipates filling 5 vacancies in FY 2012-13. A portion of their time will be used as in-kind match for the BTOP grant.

- **Expansion of the Project Management Contract**

The contract for Project Management services will be expanded as a result of the need to reissue the RFP. Some of these expanded services will include producing technical summaries of all RFP inputs and a proposal compliance report, development of a LMR Project Delivery Plan, and development of procedures for document management which will include a plan for electronic file storage.

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**

**BALANCE SHEET
June 30, 2012
(With Comparative Totals for FY 2011)**

<u>Assets</u>	<u>2012</u>	<u>2011</u>
Cash and investments (Note 3)	\$ 72,013	\$ 914,134
Interest receivable	300	2,130
Due from other governments (Note 4)	3,556,747	-
Accounts receivable (Note 5)	1,241,987	264,039
Total assets	\$ 4,871,047	\$ 1,180,303
<u>Liabilities and Fund Balance</u>		
Accounts payable	\$ 856,102	\$ 102,906
Loans payable (Note 6)	4,135,639	1,166,307
Total liabilities	4,991,741	1,269,213
Fund balance – unassigned (Note 2)	(120,694)	(88,910)
Total liabilities and fund balance	\$ 4,871,047	\$ 1,180,303

See accompanying notes to the basic financial statements.

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

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
For the Year Ended June 30, 2012
(With Comparative Totals for FY 2011)

	2012	2011
<u>Revenues</u>		
Federal grants	\$ 2,650,561	\$ 1,095,026
Contribution from other governmental agencies	1,530,668	133,693
Local match (Note 7)	605,693	538,693
Interest income	7,188	5,426
Total revenues	4,794,110	1,772,838
<u>Expenditures</u>		
Consultants' services	2,888,305	1,281,314
County department services	1,276,074	-
Donated services (Note 7)	605,693	538,693
Audit	26,208	-
Travel and transportation	26,389	27,661
Education and training	1,980	-
Personnel services	-	2,192
Miscellaneous	1,245	11,888
Total expenditures	4,825,894	1,861,748
Excess (deficiency) of revenues over expenditures	(31,784)	(88,910)
Fund balance, beginning of year	(88,910)	-
Fund balance, end of year	\$ (120,694)	\$ (88,910)

See accompanying notes to the basic financial statements.

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

NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 – REPORTING ENTITY

The Los Angeles Regional Interoperable Communications System Authority (Authority), a separate public entity, was created in May 2009 through a Joint Powers Agreement (JPA) between the Los Angeles County, the City of Los Angeles, and eighty-three (83) 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 Authority is governed by a seventeen (17) member Board of Directors which serves without compensation. The 17 Board members consists of the following:

1. County of Los Angeles, Chief Executive Officer
2. County of Los Angeles, Fire Chief
3. County of Los Angeles, Sheriff
4. County of Los Angeles, Department of Health Services Director
5. City of Los Angeles, City Administrative Officer
6. City of Los Angeles, Fire Chief
7. City of Los Angeles, Police Chief
8. City of Los Angeles, Chief Legislative Analyst
9. Los Angeles Unified School District Police Chief
10. City of Long Beach
11. Los Angeles Area Fire Chief Association
12. Los Angeles County Police Chiefs Association
13. California Contract Cities Association
14. City of Torrance
15. City of Culver City, Police Chief
16. City of Covina, Police Chief
17. City of Burbank Water & Power

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The accounts of the Authority are organized on the basis of funds. A fund is defined as an independent fiscal and accounting entity wherein operations of each fund are accounted for in a separate set of self-balancing accounts that record resources, related liabilities, obligations, 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 LOS ANGELES REGIONAL
INTEROPERABLE COMMUNICATIONS SYSTEM AUTHORITY**

NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting (Continued)

The Authority's General Fund is available for any authorized purpose and is used to account for and report all financial resources not accounted for and reported in another fund. Funding comes primarily from federal grants through the Department of Commerce, Broadband Technology Opportunities Program (BTOP) and contributions from the County of Los Angeles.

Basis of Accounting

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.

Fund Balances

In the fund financial statements, the governmental funds report the classification of fund balance in accordance with GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions." The reported fund balances are categorized as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the Authority is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable Fund Balance – amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories and long-term notes receivable.

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances (Continued)

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 revenue arises when potential revenues do not meet both the measurable and availability criteria for recognition in the current period. Deferred revenue 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 revenue is removed from the balance sheet and revenue is recognized.

Use of Estimates

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

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

**NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012**

NOTE 3 - CASH AND INVESTMENTS

The Authority's cash and investments are pooled and invested by the County 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 cash and investment balance as of June 30, 2012 is \$72,013.

Investment policies and associated risk factors applicable to the Authority are included in the County of Los Angeles' Comprehensive Annual Financial Report for the year ended June 30, 2012. Detailed deposit and investment risk disclosures are included in Note 5 of the County of Los Angeles' Comprehensive Annual Financial Report.

NOTE 4 – DUE FROM OTHER GOVERNMENTS

Due from other governments as of June 30, 2012 in the amount of \$3,556,747, represents the Authority's cash held by the County for activities during the 13th period of fiscal year 2012. Any cash increases or decreases in the Authority's fund are posted in due from/due to other government's fund during the 13th period and then posted to cash at the beginning of new fiscal year.

NOTE 5 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2012 in the amount of \$1,241,987, represents a \$678,258 receivable from the Department of Commerce for allowable Broadband Technology Opportunities Program expenditures and a \$563,729 receivable from the Department of Homeland Security for allowable State Homeland Security Grant Program expenditures.

NOTE 6 – LOANS PAYABLE

The initial funding of the Authority's start-up and operational costs was provided through a cash operating loan from the County of Los Angeles. This loan bears no interest and has no definite repayment schedule. The balance of this loan as of June 30, 2012 was \$4,135,639.

NOTE 7 – OFFICE LEASE

The Authority occupies, rent free, 5,093 square feet of space in a building located in Monterey Park, California leased by the Los Angeles County Sheriff's Department. The lease expense is absorbed by the Los Angeles County Sheriff's Department.

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

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

NOTE 8 – LOCAL MATCH

The BTOP grant requires the Authority to provide, from non-federal sources not less than 20 percent of the total project cost. Matching funds can be in the form of either cash or in-kind contributions. The Authority has recorded the in-kind contributions and donated services in the amount of \$605,693.

NOTE 9 – COMPARATIVE FINANCIAL DATA

The amounts shown for 2011 in the accompanying financial statements are included only to provide a basis for comparison with 2012 and are not intended to present all information necessary for a fair presentation in accordance with generally accepted accounting principles.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

In May, 2011 the Authority received notification that the Long Term Evolution Activities (LTE) portion of the Broadband Technology Opportunities Program (BTOP) grant was being partially suspended. This was a result of the President of the United States signing into law the “Middle Class Tax Relief and Job Creation Act of 2012” (the Act). Title VI of the Act requires the Federal Communications Commission (FCC) to reallocate the use of the 700 Mhz D block spectrum. The outcome of the Act and the impact to the Authority are still being determined. If BTOP funding is suspended, the Authority will have to revisit the viability of moving forward with the LTE portion of the project.

NOTE 11 – 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 12 – SUBSEQUENT EVENTS

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through December 21, 2012, the date the financial statements were issued.

REQUIRED SUPPLEMENTARY INFORMATION

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

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Federal grants	\$ 2,350,000	\$ 5,067,000	\$ 2,650,561	\$ (2,416,439)
Contribution from other governmental agencies	7,436,000	7,436,000	1,530,668	(5,905,332)
Local Match (Note 7)	-	-	605,693	605,693
Interest income	-	-	7,188	7,188
Total revenue	<u>9,786,000</u>	<u>12,503,000</u>	<u>4,794,110</u>	<u>(7,708,890)</u>
Expenditures:				
Consultant' services	4,164,000	6,881,000	2,888,305	3,992,695
County department services	5,072,000	5,072,000	1,276,074	3,795,926
Donated services (Note 7)	-	-	605,693	(605,693)
Travel and training	200,000	200,000	28,369	171,631
Audit	50,000	50,000	26,208	23,792
Supplies	150,000	150,000	-	150,000
Miscellaneous	-	-	1,245	(1,245)
Capital projects	150,000	150,000	-	150,000
Total expenditures	<u>9,786,000</u>	<u>12,503,000</u>	<u>4,825,894</u>	<u>7,677,106</u>
Excess (deficiency) of revenues over expenditures	-	-	(31,784)	(31,784)
Fund balance, beginning of year	-	-	(88,910)	(88,910)
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (120,694)</u>	<u>\$ (120,694)</u>

See accompanying notes to required supplementary information.

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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2012**

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 the accompanying basic financial statements of the Los Angeles Regional Interoperable Communications System Authority (Authority) as of and for the year ended June 30, 2012 and have issued our report thereon dated December 21, 2012. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on effectiveness of the Authority's internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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*.

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

Torrance, California
December 21, 2012

Bazilio Cobb Associates

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of Los Angeles Regional Interoperable Communications System Authority (Authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement*, that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the 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, 2012.

Internal Control over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program as a basis for designing our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

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

Torrance, California
December 21, 2012

Bazilio Cobb Associates

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012**

Federal Grantor/Pass-Through Grantor / Program Title	CFDA Number	Grant Amount	Grant Period	Total Expenditures
FEDERAL				
<u>U.S. Department of Commerce/National</u>				
<u>Telecommunications and Information Administration</u>				
<u>Direct program</u>				
Broadband Technology Opportunities Program (BTOP) – ARRA	11.557*	\$154,640,000	9/1/10 -8/30/13	\$ 1,946,086
<u>U.S. Department of Homeland Security</u>				
<i>Passed through the County of Los Angeles</i>				
State Homeland Security Grant Program - 2009	97.067*	\$704,475	10/1/09-4/30/12	<u>704,475</u>
Total Federal Expenditures				<u>\$ 2,650,561</u>

* Major Program

See accompanying notes to schedule of expenditures of federal awards.

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

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012**

NOTE 1 – BASIS OF PRESENTATION

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

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

A - Financial Statements

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

**LOS ANGELES REGIONAL
INTEROPERABLE COMMUNICATIONS SYSTEM AUTHORITY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012**

SECTION 1 – SUMMARY OF AUDITOR’S RESULTS (Continued)

B - Federal Awards (Continued)

4) Identification of major program:

CFDA Number(s)	Name of Federal Program
11.557 97.067	Broadband Technology Opportunities Program (BTOP) – ARRA State Homeland Security Grant Program – 2009

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

6) Auditee qualified as low-risk auditee? No

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.