

**RANCHO PALOS VERDES
JOINT POWERS IMPROVEMENT AUTHORITY
(A Component Unit of the City of Rancho Palos Verdes)**

ANNUAL FINANCIAL REPORT

Year ended June 30, 2014

**Rancho Palos Verdes
Joint Powers Improvement Authority
(A Component Unit Of The City Of Rancho Palos Verdes)**

Annual Financial Report

Year Ended June 30, 2014

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INDEPENDENT AUDITORS' REPORT

The Commission of the
Rancho Palos Verdes Joint Powers
Improvement Authority
Rancho Palos Verdes, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Rancho Palos Verdes Joint Powers Improvement Authority (Authority), a component unit of the City of Rancho Palos Verdes, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Portuguese Bend Special Revenue Fund budgetary comparison information on page 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Abalone Cove budgetary comparison schedule on page 14 is presented for purposes of additional analysis and is not a required part of the financial statements. The Abalone Cove Budgetary Comparison Schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Abalone Cove Budgetary Comparison Schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2015, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Vanninck, Trine, Day & Co. LLP

Rancho Cucamonga, California
January 27, 2015

**RANCHO PALOS VERDES
JOINT POWERS IMPROVEMENT AUTHORITY**

**STATEMENT OF NET POSITION
JUNE 30, 2014**

	Governmental Activities
ASSETS:	
Cash and investments	\$ 1,459,515
Interest receivable	1
TOTAL ASSETS	1,459,516
LIABILITIES:	
Accounts payable and accrued liabilities	15,512
TOTAL LIABILITIES	15,512
NET POSITION	
Restricted for infrastructure maintenance:	
Nonexpendable	1,000,000
Expendable	444,004
TOTAL NET POSITION	\$ 1,444,004

See accompanying notes to financial statements.

**RANCHO PALOS VERDES
JOINT POWERS IMPROVEMENT AUTHORITY**

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenue and Changes in Net Position
		Operating Grants and Contributions	Governmental Activities
Governmental Activities:			
Public works	\$ 120,554	\$ 90,000	\$ (30,554)
Total Governmental Activities	<u>\$ 120,554</u>	<u>\$ 90,000</u>	<u>(30,554)</u>
General revenues:			
Investment income			<u>4</u>
Change in net position			(30,550)
Net Position, Beginning of Year			<u>1,474,554</u>
Net Position, Ending			<u><u>\$ 1,444,004</u></u>

See accompanying notes to financial statements.

**RANCHO PALOS VERDES
JOINT POWERS IMPROVEMENT AUTHORITY**

**BALANCE SHEET
GOVERNMENT FUNDS
JUNE 30, 2014**

	Special Revenue Fund <u>Portuguese Bend</u>	Permanent Fund <u>Abalone Cove</u>	Total Government Funds <u></u>
ASSETS			
ASSETS:			
Cash and investments	\$ 372,615	\$ 1,086,900	\$ 1,459,515
Interest receivable	-	1	1
TOTAL ASSETS	<u>\$ 372,615</u>	<u>\$ 1,086,901</u>	<u>\$ 1,459,516</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable and accrued liabilities	<u>\$ 10,159</u>	<u>\$ 5,353</u>	<u>\$ 15,512</u>
FUND BALANCES:			
Nonspendable:			
Reimbursement settlement agreement	-	1,000,000	1,000,000
Restricted for:			
Infrastructure maintenance	<u>362,456</u>	<u>81,548</u>	<u>444,004</u>
TOTAL FUND BALANCES	<u>362,456</u>	<u>1,081,548</u>	<u>1,444,004</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 372,615</u>	<u>\$ 1,086,901</u>	<u>\$ 1,459,516</u>

See accompanying notes to financial statements.

**RANCHO PALOS VERDES
JOINT POWERS IMPROVEMENT AUTHORITY**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENT FUNDS
YEAR ENDED JUNE 30, 2014**

	Special Revenue Fund Portuguese Bend	Permanent Fund Abalone Cove	Total Government Funds
REVENUE			
Investment income	\$ -	\$ 4	\$ 4
Contributions from the City of Rancho Palos Verdes	70,000	20,000	90,000
Total Revenues	70,000	20,004	90,004
EXPENDITURES			
Current:			
Public works	73,555	46,999	120,554
Net Change in Fund Balance	(3,555)	(26,995)	(30,550)
Fund Balance, Beginning of Year	366,011	1,108,543	1,474,554
Fund Balance, End of Year	\$ 362,456	\$ 1,081,548	\$ 1,444,004

See accompanying notes to financial statements.

**RANCHO PALOS VERDES
JOINT POWERS IMPROVEMENT AUTHORITY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Rancho Palos Verdes Joint Powers Improvement Authority (Authority) conform to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles. The following is a summary of the Authority's significant accounting policies.

Reporting Entity:

The Authority is a separate legal governmental entity created on September 4, 1990, in accordance with the provisions of the Reimbursement and Settlement Agreement, dated October 27, 1987, entered into by the City of Rancho Palos Verdes (City), the Rancho Palos Verdes Redevelopment Agency (Agency) and the County of Los Angeles in connection with the Horan lawsuit. The Authority is considered a component unit of the City of Rancho Palos Verdes for purpose of the City's annual financial report. The Agreement requires funds to be set aside and expended by the Authority to maintain landslide abatement improvements installed and constructed by the Agency.

On February 1, 2012, the Agency was dissolved as a result of legislation enacted by the State of California. The City of Rancho Palos Verdes has accepted the fiduciary role of Successor Agency to the Rancho Palos Verdes Redevelopment Agency and is responsible for winding down the affairs of the Agency.

The members of the City Council are also members of the Commission of the Authority. Similarly, the officers of the City serve as officers of the Authority. Facilities and equipment, administrative, financial and legal services are provided to the Authority by the City.

The Portuguese Bend Special Revenue Fund is financed through annual contributions from the general fund of the City. The exclusive source of revenue for the Abalone Cove portion of the Authority comes from investment income on the \$1,000,000 principal held in the Permanent Fund.

The basic financial statements of the Authority are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to financial statements

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Authority. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported, instead, as general revenues.

**RANCHO PALOS VERDES
JOINT POWERS IMPROVEMENT AUTHORITY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements:

Fund financial statements for the Authority's governmental funds are presented after the government-wide financial statements. The emphasis of fund financial statements is on major governmental funds. These statements display information about major funds individually.

The accounting system of the Authority is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures.

The Authority reports the following major governmental funds:

The Portuguese Bend Special Revenue Fund is used to account for maintenance and repairs of landslide abatement improvements in the Portuguese Bend Project Area.

The Abalone Cove Permanent Fund is used to account for monies received as part of a July 1991 Reimbursement and Settlement Agreement with the County of Los Angeles. As a part of this Agreement, the Authority received a \$1,000,000 deposit of nonexpendable principal. The interest income on this principal is used to pay for maintenance and repairs of Abalone Cove landslide abatement improvements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement focus is a term used to describe which transactions are recorded within the various financial statements.

In the government-wide statement of net position and the statement of activities, activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of the timing of related cash flows. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental Funds:

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become measurable and available. Measurable means that the amounts can be estimated or otherwise determined. Available means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. Revenue recognition is subject to the measurable and available criteria for the governmental funds in the fund financial statements. The Authority considers investment earnings to be available if they are collected within 60 days of the end of the current fiscal period.

**RANCHO PALOS VERDES
JOINT POWERS IMPROVEMENT AUTHORITY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued):

Exchange transactions are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). Locally-imposed derived tax revenues are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. Imposed nonexchange transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. Government-mandated and voluntary nonexchange transactions are recognized as revenues when all applicable eligibility requirements have been met.

For the current fiscal year, the Authority did not have any items that needed to be reconciled between the fund financial statements and government-wide financial statements as a result of difference in measurement focus or basis of accounting.

Investments:

Investments are stated at fair value (quoted market price or the best available estimate thereof).

Governmental Fund Balance Classifications:

The following classifications describe the relative strength of constraints placed on the purpose for which resources can be used:

Nonspendable Fund Balance - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance - This classification includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers or through enabling legislation.

Committed Fund Balance - This classification includes amounts constrained to specific purposes by the Commission via a Commission resolution. The Commission must adopt another resolution to remove or change the constraint.

Assigned Fund Balance - This classification includes amounts the Commission intends to use for a specific purpose, which is expressed by the Commission via minute order.

Unassigned Fund Balance - The unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the Authority's policy is to apply restricted fund balance first.

When an expenditure is incurred for purposes for which committed, assigned or unassigned fund balances are available, the Authority's policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

**RANCHO PALOS VERDES
JOINT POWERS IMPROVEMENT AUTHORITY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates:

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

New Pronouncements:

Effective in This Fiscal Year:

GASB Statement No. 65 – *Items Previously Reported as Assets and Liabilities*. In March 2012, the GASB established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The statement has been implemented with the June 30, 2014 financial statements.

Effective in Future Fiscal Years:

GASB Statement No. 68 – *Accounting and Financial Reporting for Pension – an amendment of GASB Statement No. 27*. In June 2012, the GASB improved accounting and financial reporting by state and local governments for pension. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This statement is not effective until June 30, 2015. The Authority has not determined its effect on the financial statements.

GASB Statement No. 69 – *Government Combinations and Disposals of Government Operations*. In January 2013, the GASB established accounting and financial reporting standards related to government combinations and disposals of government operations; including a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This statement is not effective until June 30, 2015. The Authority has not determined its effect on the financial statements.

GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. In November 2013, the GASB addressed an issue relating to amounts associated with contributions made by a government employer to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This statement is not effective until June 30, 2015. The Authority has not determined its effect on the financial statements.

**RANCHO PALOS VERDES
JOINT POWERS IMPROVEMENT AUTHORITY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

NOTE 2 – CASH AND INVESTMENTS

Cash and Investments:

Cash and investments at June 30, 2014, consisted of the following:

Cash and investments pooled with the City of Rancho Palos Verdes	<u>\$ 1,459,515</u>
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Detailed information concerning the City's pooled cash and investments can be found in the City's Comprehensive Annual Financial Report for the year ended June 30, 2014.

REQUIRED SUPPLEMENTARY INFORMATION

**RANCHO PALOS VERDES
JOINT POWERS IMPROVEMENT AUTHORITY**

**BUDGETARY COMPARISON SCHEDULE
PORTUGUESE BEND SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Investment income	\$ 820	\$ 820	\$ -	\$ (820)
Contributions from the City of Rancho Palos Verdes	70,000	70,000	70,000	-
Total Revenues	<u>70,820</u>	<u>70,820</u>	<u>70,000</u>	<u>(820)</u>
Expenditures				
Current:				
Public works	119,100	119,100	73,555	45,545
Total Expenditures	<u>119,100</u>	<u>119,100</u>	<u>73,555</u>	<u>45,545</u>
Net Change in Fund Balance	(48,280)	(48,280)	(3,555)	44,725
Fund Balance, Beginning of Year	<u>366,011</u>	<u>366,011</u>	<u>366,011</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 317,731</u></u>	<u><u>\$ 317,731</u></u>	<u><u>\$ 362,456</u></u>	<u><u>44,725</u></u>

See accompanying note to required supplementary information.

**RANCHO PALOS VERDES
JOINT POWERS IMPROVEMENT AUTHORITY**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2014**

The Authority adopts an annual budget using the modified-accrual basis of accounting for the special revenue and permanent funds. Budgetary controls are established at the department level. At year-end, unexpended appropriations lapse.

The Authority's Chief Administrative Officer may transfer budget appropriations between major categories within a fund in conformance with the policies set by the Authority's Commission. Any interfund changes or amendments must be approved by the Authority's Commission. Adopted budget and budget amendments made during the year are reflected in the Budgetary Comparison Schedule.

SUPPLEMENTARY INFORMATION

**RANCHO PALOS VERDES
JOINT POWERS IMPROVEMENT AUTHORITY**

**BUDGETARY COMPARISON SCHEDULE
ABALONE COVE PERMANENT FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Investment income	\$ 3,300	\$ 3,300	\$ 4	\$ (3,296)
Contributions from the City of Rancho Palos Verdes	20,000	20,000	20,000	-
Total Revenues	23,300	23,300	20,004	(3,296)
Expenditures				
Current:				
Public works	53,300	71,935	46,999	24,936
Total Expenditures	53,300	71,935	46,999	24,936
Net Change in Fund Balance	(30,000)	(48,635)	(26,995)	(21,640)
Fund Balance, Beginning of Year	1,108,543	1,108,543	1,108,543	-
Fund Balance, End of Year	\$ 1,078,543	\$ 1,059,908	\$ 1,081,548	21,640



**INDEPENDENT AUDITORS' 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**

The Commission of the
Rancho Palos Verdes Joint Powers
Improvement Authority
Rancho Palos Verdes, California

We have audited, in accordance with the 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 governmental activities and each major fund of the Rancho Palos Verdes Joint Powers Improvement Authority (Authority), a component unit of the City of Rancho Palos Verdes (City), as of and for the year ended June 30, 2014, and the related notes to the financial statements and have issued our report thereon dated January 27, 2015. Our report included an explanatory paragraph stating that the financial statements do not include management's discussion and analysis.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

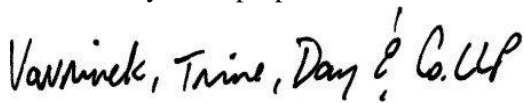
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of 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 Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rancho Cucamonga, California
January 27, 2015