

**RANCHO PALOS VERDES  
JOINT POWERS IMPROVEMENT AUTHORITY**

**COMPONENT UNIT FINANCIAL STATEMENTS**

**WITH REPORT ON AUDIT  
BY INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS**

**JUNE 30, 2012**



**RANCHO PALOS VERDES  
JOINT POWERS IMPROVEMENT AUTHORITY**

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the Rancho Palos Verdes Joint Powers Improvement Authority (the Authority), a component unit of the City of Rancho Palos Verdes, California, as of and for the year ended June 30, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these basic 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 basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic 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 Rancho Palos Verdes Joint Powers Improvement Authority as of June 30, 2012, and the respective changes in financial position 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 February 7, 2013 on our consideration of the Rancho Palos Verdes Joint Powers Improvement Authority's internal control over financial reporting and 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 budgetary comparison schedule, identified as required supplementary information in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. This information is an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. The budgetary comparison schedule and related note have 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Authority has omitted the management's discussion and analysis information that governmental 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 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rancho Palos Verdes Joint Powers Improvement Authority's basic financial statements. The schedule of revenues, expenditures and changes in fund balance - budget and actual Abalone Cove Permanent Fund, identified as supplemental information in the table of contents, is presented for additional analysis and is not a required part of the basic financial statements of the Authority. 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 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*White Nelson Diehl Evans LLP*

Irvine, California  
February 7, 2013

## **BASIC FINANCIAL STATEMENTS**

**RANCHO PALOS VERDES  
JOINT POWERS IMPROVEMENT AUTHORITY**

**STATEMENT OF NET ASSETS**

**June 30, 2012**

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
Cash and investments	\$ 1,532,991
Interest receivable	<u>2</u>
 <b>TOTAL ASSETS</b>	 <u>1,532,993</u>
<b>LIABILITIES:</b>	
Accounts payable and accrued liabilities	<u>20,455</u>
<b>NET ASSETS:</b>	
Restricted for infrastructure maintenance:	
Nonexpendable	1,000,000
Expendable	<u>512,538</u>
 <b>TOTAL NET ASSETS</b>	 <u>\$ 1,512,538</u>

See independent auditors' report and notes to financial statements.

**RANCHO PALOS VERDES  
JOINT POWERS IMPROVEMENT AUTHORITY**

**STATEMENT OF ACTIVITIES**

**For the year ended June 30, 2012**

Functions/programs	Expenses	Program Revenues			Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
		Governmental Activities			
Governmental Activities:					
Public works	\$ 142,574	\$ -	\$ 60,000	\$ -	\$ (82,574)
Total governmental activities	<u>\$ 142,574</u>	<u>\$ -</u>	<u>\$ 60,000</u>	<u>\$ -</u>	<u>(82,574)</u>
General revenues:					
Investment income					5
Change in net assets					(82,569)
Net assets - beginning of year					<u>1,595,107</u>
Net assets - end of year					<u>\$ 1,512,538</u>

See independent auditors' report and notes to financial statements.

**RANCHO PALOS VERDES  
JOINT POWERS IMPROVEMENT AUTHORITY**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**June 30, 2012**

	Special Revenue Fund Portuguese Bend	Permanent Fund Abalone Cove	Total Governmental Funds
<b>ASSETS</b>			
<b>ASSETS:</b>			
Cash and investments	\$ 327,665	\$ 1,205,326	\$ 1,532,991
Interest receivable	-	2	2
<b>TOTAL ASSETS</b>	<b>\$ 327,665</b>	<b>\$ 1,205,328</b>	<b>\$ 1,532,993</b>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Accounts payable and accrued liabilities	\$ 17,941	\$ 2,514	\$ 20,455
<b>FUND BALANCES:</b>			
Nonspendable:			
Reimbursement settlement agreement	-	1,000,000	1,000,000
Restricted for:			
Infrastructure maintenance	309,724	202,814	512,538
<b>TOTAL FUND BALANCES</b>	<b>309,724</b>	<b>1,202,814</b>	<b>1,512,538</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 327,665</b>	<b>\$ 1,205,328</b>	<b>\$ 1,532,993</b>

See independent auditors' report and notes to financial statements.

**RANCHO PALOS VERDES  
JOINT POWERS IMPROVEMENT AUTHORITY**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

**For the year ended June 30, 2012**

	Special Revenue Fund	Permanent Fund	Total Governmental Funds
	Portuguese Bend	Abalone Cove	
<b>REVENUES:</b>			
Investment income	\$ -	\$ 5	\$ 5
Contributions from the City of Rancho Palos Verdes	<u>60,000</u>	<u>-</u>	<u>60,000</u>
<b>TOTAL REVENUES</b>	<b>60,000</b>	<b>5</b>	<b>60,005</b>
<b>EXPENDITURES:</b>			
Current:			
Public works	<u>52,606</u>	<u>89,968</u>	<u>142,574</u>
<b>NET CHANGE IN FUND BALANCES</b>	<b>7,394</b>	<b>(89,963)</b>	<b>(82,569)</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>302,330</b>	<b>1,292,777</b>	<b>1,595,107</b>
<b>FUND BALANCES - END OF YEAR</b>	<b><u>\$ 309,724</u></b>	<b><u>\$ 1,202,814</u></b>	<b><u>\$ 1,512,538</u></b>

See independent auditors' report and notes to financial statements.

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**NOTES TO FINANCIAL STATEMENTS**

**RANCHO PALOS VERDES  
JOINT POWERS IMPROVEMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Rancho Palos Verdes Joint Powers Improvement Authority (the 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 (the City), the Rancho Palos Verdes Redevelopment Agency (the 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.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation:**

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

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

See independent auditors' report.

**RANCHO PALOS VERDES  
JOINT POWERS IMPROVEMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

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

**Government-wide Financial Statements:**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the Authority. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Authority has no business-type activities.

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.

**Fund Financial Statements:**

Fund financial statements for the Authority's governmental funds are presented after the government-wide financial statements. These statements display information about major funds individually and other governmental funds in the aggregate for governmental funds.

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.

See independent auditors' report.

**RANCHO PALOS VERDES  
JOINT POWERS IMPROVEMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

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

**Measurement Focus:**

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

In the government-wide statement of net assets and the statement of activities, activities are presented using the economic resources measurement focus. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the government are reported.

In the fund financial statements, all governmental funds are accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on the balance sheets. The reported fund balances (net current assets) are considered a measure of “available spendable resources”. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period. Noncurrent portions of long-term receivables due to governmental funds are reported on the balance sheets, in spite of the measurement focus. However, special reporting treatments are used to indicate that they should not be considered “available spendable resources” since they do not represent net current assets. Recognition of governmental fund type revenue represented by noncurrent receivables is deferred until they become current receivables. Noncurrent portions of other long-term receivables are reported as nonspendable or restricted fund balances. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use restricted resources first, then unrestricted resources as they are needed.

See independent auditors’ report.

**RANCHO PALOS VERDES  
JOINT POWERS IMPROVEMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

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

**Basis of Accounting:**

Basis of accounting refers to “when” transactions are recorded, regardless of the measurement focus applied.

In the government-wide statement of net assets and statement of activities, the governmental activities are presented using 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.

In the fund financial statements, governmental funds are presented using the modified-accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. 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.

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.

See independent auditors' report.

**RANCHO PALOS VERDES  
JOINT POWERS IMPROVEMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

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

**Investments:**

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

**Governmental Fund Balance Classifications:**

The fund balances reported on the fund statements are classified as follows:

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 - This classification includes the residual balance for the government's fund balance and includes all spendable amounts not contained in other classifications. In other funds, 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.

See independent auditors' report.

**RANCHO PALOS VERDES  
JOINT POWERS IMPROVEMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2012**

**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.

**Subsequent Events:**

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through February 7, 2013, the date the financial statements were available to be issued.

**2. CASH AND INVESTMENTS:**

**Cash and Investments:**

Cash and investments at June 30, 2012, consisted of the following:

Cash and investments pooled with the City of Rancho Palos Verdes	<u>\$ 1,532,991</u>
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**Allocation of Interest Income among Funds:**

Interest income from pooled investments is allocated to those funds which are required by law or administrative code to receive interest. Interest is allocated on a quarterly basis, based on the monthly ending cash balances in each fund receiving interest.

See independent auditors' report.

**RANCHO PALOS VERDES  
JOINT POWERS IMPROVEMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2012**

**2. CASH AND INVESTMENTS (CONTINUED):**

**Investments Authorized by the California Government Code and the Authority's Investment Policy:**

The table below identifies the investment types that are authorized for the Authority by the California Government Code (or the Authority's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Authority's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage or Amount of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
United States Treasury Obligations	3 years	None	None
Certificates of Deposit	N/A	None	None
Repurchase Agreements	7 days	15%	None
Money Market Mutual Funds	N/A	15%	15%
Local Authority Investment Fund (LAIF)	N/A	None	None
Money Market Savings/Demand Deposits	N/A	\$ 5 million	15%

N/A - Not Applicable

**Disclosures Relating to Interest Rate Risk:**

As the total amount of the Authority's cash and investments of \$1,532,991 were pooled with the City at June 30, 2012, the Authority's credit risk, custodial credit risk, concentration of credit risk, and interest rate risk, were those applicable to the City's portfolio. These risks are disclosed in the City's Comprehensive Annual Financial Report (CAFR).

See independent auditors' report.

**REQUIRED SUPPLEMENTARY INFORMATION**

**RANCHO PALOS VERDES  
JOINT POWERS IMPROVEMENT AUTHORITY**

**BUDGETARY COMPARISON SCHEDULE**

**PORTUGUESE BEND SPECIAL REVENUE FUND**

**For the year ended June 30, 2012**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		<b>Positive (Negative)</b>
<b>REVENUES:</b>				
Investment income	\$ 1,220	\$ 1,220	\$ -	\$ (1,220)
Contributions from the City of Rancho Palos Verdes	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>	<u>-</u>
<b>TOTAL REVENUES</b>	<b>61,220</b>	<b>61,220</b>	<b>60,000</b>	<b>(1,220)</b>
<b>EXPENDITURES:</b>				
Current:				
Public works	<u>143,350</u>	<u>143,350</u>	<u>52,606</u>	<u>90,744</u>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(82,130)</b>	<b>(82,130)</b>	<b>7,394</b>	<b>89,524</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b><u>302,330</u></b>	<b><u>302,330</u></b>	<b><u>302,330</u></b>	<b><u>-</u></b>
<b>FUND BALANCE - END OF YEAR</b>	<b><u>\$ 220,200</u></b>	<b><u>\$ 220,200</u></b>	<b><u>\$ 309,724</u></b>	<b><u>\$ 89,524</u></b>

See independent auditors' report.

**RANCHO PALOS VERDES  
JOINT POWERS IMPROVEMENT AUTHORITY**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2012**

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.

See independent auditors' report.

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## **SUPPLEMENTARY INFORMATION**

**RANCHO PALOS VERDES  
JOINT POWERS IMPROVEMENT AUTHORITY**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

**ABALONE COVE PERMANENT FUND**

**For the year ended June 30, 2012**

	<b>Budgeted Amounts</b>			<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>			
<b>REVENUES:</b>					
Investment income	\$ 6,200	\$ 6,200		\$ 5	\$ (6,195)
<b>EXPENDITURES:</b>					
Current:					
Public works	<u>49,750</u>	<u>49,750</u>		<u>89,968</u>	<u>(40,218)</u>
<b>NET CHANGE IN FUND BALANCE</b>					
	(43,550)	(43,550)		(89,963)	(46,413)
<b>FUND BALANCE - BEGINNING OF YEAR</b>					
	<u>1,292,777</u>	<u>1,292,777</u>		<u>1,292,777</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>					
	<u>\$ 1,249,227</u>	<u>\$ 1,249,227</u>		<u>\$ 1,202,814</u>	<u>\$ (46,413)</u>

See independent auditors' report.

**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 the financial statements of the governmental activities and each major fund of the Rancho Palos Verdes Joint Powers Improvement Authority (the Authority), a component unit of the City of Rancho Palos Verdes, California as of and for the year ended June 30, 2012 which collectively comprise the Authority's basic financial statements and have issued our report thereon dated February 7, 2013. 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**

Management of the Authority is responsible for establishing and maintaining effective 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 opinions on the 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 the 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 a 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 basic financial statements of the Authority 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 and other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of Commission, management, and others within the Rancho Palos Verdes Joint Powers Improvement Authority and 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.

*White Nelson Niel Evans LLP*

Irvine, California

February 7, 2013