

**AGENDA**  
Interoperability Network of the South Bay  
Joint Powers Authority  
Meeting of the Finance Committee

June 7, 2021  
2:00 PM

**In compliance with Governor Newsom's Executive Order N-29-20, which suspends portions of the Brown Act, members of the INSB Governance Board and staff will participate in this meeting telephonically or otherwise electronically since its member agencies are practicing social distancing to reduce the spread of Covid-19. Members of the public are encouraged to participate in the meeting via the telephone/video conference link provided.**

**The public may join the meeting at:**

**<https://us02web.zoom.us/j/83385998421?pwd=UXZtTnZFMzh5MDNrOENML2VnOTRJZz09>**

1. Call meeting to order by Chair
2. Roll Call by Chair
3. Report of the posting of the agenda by the Chair
4. Approval of the Minutes of May 3, 2021.
5. Action/Discussion Items
  - A) Fiscal Year 2019-20 Audit Update (DRAFT financial statements attached)
  - B) Budget Appropriation – Depreciation for Transferred Assets
6. Adjournment

Next Regular Meeting Tentatively Scheduled for:

City of Gardena – City Council Meeting Room  
1700 West 162nd Street, Gardena, CA 90247  
August 2, 2021

**INTEROPERABILITY NETWORK OF SOUTHBAY  
(A JOINT POWERS AUTHORITY)**

**FINANCIAL STATEMENTS**

**JUNE 30, 2020**

PRELIMINARY DRAFT

**INTEROPERABILITY NETWORK OF SOUTHBAY  
(A JOINT POWERS AUTHORITY)**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2020**

**TABLE OF CONTENTS**

	PAGE
<b>INDEPENDENT AUDITORS' REPORT</b>	1
<b>BASIC FINANCIAL STATEMENTS</b>	
Statement of Net Position	3
Statement of Activities	4
Balance Sheet – Governmental Fund	5
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	6
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund	7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Funds to the Statement of Activities	8
Notes to the Financial Statements	9
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	15
Note to Required Supplementary Information	16
<b>INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b>	17

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Interoperability Network of Southbay  
Torrance, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of the Interoperability Network of Southbay (INSB), a joint powers authority, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise INSB'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 major fund of INSB, as of June 30, 2020, 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 schedule of revenues, expenditures, and changes in fund balance – budget to actual for the General Fund and related notes, identified as Required Supplementary Information (RSI) in the accompanying table of contents, 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 RSI 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 RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted 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 opinions on the basic financial statements are not modified with respect to this missing information.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June xx, 2021, on our consideration of INSB's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of INSB's 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 INSB's internal control over financial reporting and compliance.

**CliftonLarsonAllen LLP**

Irvine, California  
June xx, 2021

**FINANCIAL STATEMENTS**

PRELIMINARY DRAFT

**INTEROPERABILITY NETWORK OF SOUTHBAY**

**STATEMENT OF NET POSITION**

**JUNE 30, 2020**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash in City of Torrance Treasury	\$ 352,397
Interest receivable	603
Capital assets, net of accumulated depreciation	151,524
Total Assets	<u>504,524</u>
<b>LIABILITIES</b>	
Accounts payable	7,694
Unearned revenue	19,086
Total Liabilities	<u>26,780</u>
<b>NET POSITION</b>	
Investment in capital assets	151,524
Unrestricted	326,220
Total Net Position	<u>\$ 477,744</u>

PRELIMINARY DRAFT

The accompanying notes are an integral part of the financial statements.

**INTEROPERABILITY NETWORK OF SOUTHBAY**

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2020**

	<u>Governmental Activities</u>
<b>PROGRAM EXPENSES</b>	
Governmental Activities:	
Public safety:	
Professional services	\$ 33,921
Litigation and claims	18,741
Membership fee	70,000
Depreciation	44,515
Total Program Expenses	<u>167,177</u>
<b>PROGRAM REVENUES</b>	
Charges for services	<u>240,000</u>
Total Program Revenues	<u>240,000</u>
Net Revenue	<u>72,823</u>
<b>GENERAL REVENUES</b>	
Interest earnings	<u>6,599</u>
Total General Revenues	<u>6,599</u>
Change in Net Position	79,422
Net Position, Beginning of Year	<u>398,322</u>
Net Position, End of Year	<u>\$ 477,744</u>

The accompanying notes are an integral part of the financial statements.

**INTEROPERABILITY NETWORK OF SOUTHBAY**

**BALANCE SHEET - GOVERNMENTAL FUND**

**JUNE 30, 2020**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash in City of Torrance Treasury	\$ 352,397
Interest receivable	603
Total Assets	<u>\$ 353,000</u>
<b>LIABILITIES AND FUND BALANCE</b>	
<b>Liabilities:</b>	
Accounts payable	7,694
Unearned revenue	19,086
Total Liabilities	<u>26,780</u>
<b>Fund Balance:</b>	
Unassigned	<u>326,220</u>
Total Fund Balance	<u>326,220</u>
Total Liabilities and Fund Balance	<u>\$ 353,000</u>

PRELIMINARY DRAFT

The accompanying notes are an integral part of the financial statements.

**INTEROPERABILITY NETWORK OF SOUTHBAY**

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2020**

Fund balance for the governmental fund \$ 326,220

Amounts reported for governmental activities in the statement of net position  
are different because:

Capital assets used in governmental activities are not current financial  
resources and, therefore, are not reported in the fund statements. This  
amount represents capital assets net of depreciation.

151,524

Net Position of Governmental Activities

\$ 477,744

PRELIMINARY DRAFT

**INTEROPERABILITY NETWORK OF SOUTHBAY**

**STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND  
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>General Fund</u>
REVENUES	
Charges for services	\$ 240,000
Use of money and property	6,599
	<hr/>
Total Revenues	246,599
	<hr/>
EXPENDITURES	
Current:	
Public safety:	
Professional services	33,921
Litigation and claims	18,741
Membership fee	70,000
Capital outlay	15,283
	<hr/>
Total Expenditures	137,945
	<hr/>
Excess of Revenues Over Expenditures	108,654
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Net Change in Fund Balance	108,654
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Fund Balance - beginning	217,566
	<hr/>
Fund Balance - ending	\$ 326,220
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The accompanying notes are an integral part of the financial statements.

**INTEROPERABILITY NETWORK OF SOUTHBAY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020**

Net change in fund balance for the governmental fund	\$	108,654
Amounts reported for governmental activities in the statement of activities are different because:		
The governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Purchase of capital assets	\$	15,283
Current year depreciation		<u>(44,515)</u>
Change in Net Position of Governmental Activities	\$	<u><u>79,422</u></u>

PRELIMINARY DRAFT

The accompanying notes are an integral part of the financial statements.

# INTEROPERABILITY NETWORK OF SOUTHBAY

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **A. Reporting Entity**

The Interoperability Network of Southbay (INSB) is a joint powers authority formed under the provision of Section 6500 of the California Government Code on April 26, 2016, by the cities of El Segundo, Gardena, Hawthorne, Hermosa Beach, Manhattan Beach, Redondo Beach and Torrance (collectively, the Members). The primary purpose of INSB is to enhance the current public safety and general government land mobile radio (LMR) capabilities of its members. The JPA members interconnect their radio system with radio systems of other local cities through INSB Prime Site to provide wide-area communications interoperability via the Interagency Communications Interoperability System (ICI-Systems) Joint Powers Authority Master Site to improve regional communications for public safety and general government resources. The INSB system became a governance member of the ICI-Systems JPA and its system was integrated with the ICI system in July 2019.

The governing board of INSB is a seven-member Board of Directors consisting of one member appointed by each Member agency. The Board of Directors adopts an annual budget, prior to the commencement of each fiscal year.

#### **B. Basis of Presentation and Accounting**

##### *Government-Wide Statements*

The Statement of Net Position and Statement of Activities display information about the primary government (INSB). These statements include the financial activities of the overall government.

The Statement of Activities presents a comparison between direct expenses and program revenues for INSB's governmental activity. Direct expenses are those that are specifically associated with INSB. Program revenues include charges for services that are restricted to meeting the operational or capital requirements of INSB. Revenues that are not classified as program revenues, including investment income, are presented instead as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

##### *Fund Financial Statements*

Separate financial statements are provided for the General Fund. The General 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 measurable and available to finance expenditures of the current period. "Measurable" means the amount of the transaction can be determined and "available" means collected within the current period or soon enough thereafter to be used to pay liabilities of the current period.

INSB uses a 60-day period for revenue recognition for General Fund revenues. Those revenues susceptible to accrual include intergovernmental revenues, charges for services, and investment income.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

## INTEROPERABILITY NETWORK OF SOUTHBAY

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

#### *NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*

##### **B. Basis of Presentation and Accounting (Continued)**

###### *Fund Financial Statements (Continued)*

INSB reports the following major governmental fund:

- The General Fund is INSB's only fund. It accounts for all financial resources and activities of the general government.

##### **C. Cash**

INSB's cash balance is pooled with the City of Torrance, a member agency, for deposit and investment purposes. The City of Torrance's treasury is responsible for the cash management of the cash balance, which pools available cash for investment purposes. INSB owns a share of pooled cash, which is separately maintained, and interest income was apportioned based on its average cash balances to the total of the pooled cash and investments of the City of Torrance.

##### **D. Fair Value Measurement**

INSB categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

##### **E. Capital Assets**

Capital assets, which include equipment, are reported in the government-wide financial statements. Capital assets are defined as assets having an initial cost of more than \$5,000 and an estimated useful life of more than one year. Such assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The normal costs of maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized. INSB has assigned a useful life of 5 years for equipment, and the equipment is depreciated using the straight-line depreciation method at the beginning of the following fiscal year.

The governmental fund financial statements do not present capital assets and intangible assets. Instead, purchases are reported as capital outlay expense. As such, capital assets are shown as a reconciling item in the reconciliation of the governmental fund balance sheet to the government-wide statement of net position.

# INTEROPERABILITY NETWORK OF SOUTHBAY

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### F. Fund Balance/Net Position

##### Fund Balance

In the governmental fund financial statements, fund balances are classified in the following categories:

*Nonspendable* - Include amounts that cannot be spent because they are either (a) not in a spendable form or (b) are legally or contractually required to be maintained intact.

*Restricted* - Include amounts that are constrained for use by either (a) external creditors, grantors, contributors, or laws of regulations of other governments or (b) by law through constitutional provisions or enabling legislation.

*Committed* - Include amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of INSB's highest authority, the Board of Directors. The formal action that is required to be taken to establish, modify or rescind a fund balance commitment is a resolution.

*Assigned* - Include amounts that are constrained by INSB's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Directors has not delegated the authority to assign fund balance; therefore, these amounts are determined by the Board of Directors.

*Unassigned* - Include the residual amounts that have not been restricted, committed or assigned to specific purposes. All of the fund balance is classified as unassigned as of June 30, 2020.

INSB's spending priority is to spend restricted fund balance first, followed by committed, assigned, and unassigned fund balance.

##### Net Position

Net position comprises the various net earnings from operating and non-operating revenues, expenses, and contributions of capital. Net position is classified in the following three components:

*Investment in capital assets* - Consists of all capital assets, including restricted capital assets, net of accumulated depreciation

*Restricted net position* - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation. There is no restricted net position as of June 30, 2020.

*Unrestricted net position* - Represents the residual of amounts not classified in the other two categories and represents the net equity available for INSB.

When restricted and unrestricted are both available for use, it is INSB's policy to use restricted resources first. There is no restricted net position as of June 30, 2020.

**INTEROPERABILITY NETWORK OF SOUTHBAY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

**G. Charges for Services**

Charges for services are received from the member agencies to pay for the cost of operations and management of INSB. As of June 30, 2020, there were charges for services of \$240,000-.

**H. Estimates**

The preparation of 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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

***NOTE 2: CASH***

Cash as of June 30, 2020, is classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash in City of Torrance Treasury	<u>\$ 352,397</u>
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**Equity in the Cash and Investment Pool of the City of Torrance**

INSB has no separate bank accounts or investments other than in its equity in the cash and investment pool managed by the City of Torrance (City). INSB is a voluntary participant in that pool. This pool is governed by and under the regulatory oversight of the Investment Policy adopted by the City Council of the City. INSB has not adopted an investment policy separate from that of the City. The fair value of INSB's investment in this pool is reported in the accompanying financial statements at amounts based upon INSB's pro rata share of the fair value calculated by the City for the entire City portfolio. The balance available for withdrawal is based on the accounting records maintained by the City, which are recorded at the estimated fair value.

**Authorized Investments**

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

**INTEROPERABILITY NETWORK OF SOUTHBAY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 2: CASH (CONTINUED)**

Authorized Investment Type	Maximum Maturity	Maximum Investment Participation	Maximum Investment Exposure
Local Agency Bonds	5 years	100%	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	75%	30%
Banker's Acceptance	180 days	20%	5%
Commercial Paper	270 days	15%	10%
Negotiable Certificates of Deposit	5 years	20%	None
Time Certificates of Deposit	1 year	10%	None
Repurchase Agreements	30 days	10%	None
Medium-Term Notes	5 years	20%	5%
Money Market Mutual Funds	N/A	None	None
Local Agency Investment Fund (State Pool)	N/A	\$65 Million	None

\*Effective January 1, 2020, the State Treasurer's office increased the LAIF deposit limit for regular accounts to \$75 Million from the current \$65 Million.

**Disclosures Relating to Interest Rate Risk, Credit Risk and Custodial Credit Risk**

Additional disclosures related to interest rate risk, credit risk and custodial credit risk are available in the City of Torrance's Comprehensive Annual Financial Report.

**Fair Value Measurement**

Deposits and withdrawals in the City of Torrance's Treasury Pool are made on the basis of \$1 and not fair value. Accordingly, INSB's participation in the pool is based on uncategorized inputs not defined as a Level 1, Level 2, or Level 3 input.

**NOTE 3: CAPITAL ASSETS**

A summary of changes in capital assets for the year ended June 30, 2020, is as follows:

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
<b>CAPITAL ASSETS, BEING DEPRECIATED:</b>				
Equipment	207,685	15,283	-	222,968
<b>LESS ACCUMULATED DEPRECIATION FOR:</b>				
Equipment	(26,929)	(44,515)	-	(71,444)
Total capital assets, being depreciated, net	180,756	(29,232)	-	151,524
Governmental activities capital assets, net	\$ 180,756	\$ (29,232)	\$ -	\$ 151,524

Depreciation expense for the fiscal year ended June 30, 2020, was \$44,515.

**INTEROPERABILITY NETWORK OF SOUTHBAY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 4: RISK MANAGEMENT**

INSB is exposed to various risks of loss related to workers compensation and torts; theft of, damage to or destruction of assets; and errors and omissions. INSB has purchased property insurance, special liability insurance, excess liability insurance and government crime insurance. INSB has the following deductibles and coverages:

<u>Insurance</u>	<u>Deductible</u>	<u>Coverage</u>
Property		
Special Liability		
Excess liability		
Government Crime		

Please provide deductible and coverage information

**NOTE 5: CONTINGENCIES**

INSB is subject to litigation arising in the normal course of business. In the opinion of the management, there is no pending litigation that is likely to have a material adverse effect on the financial position of INSB.

PRELIMINARY DRAFT

**REQUIRED SUPPLEMENTARY INFORMATION**

PRELIMINARY DRAFT

**INTEROPERABILITY NETWORK OF SOUTHBAY**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2020**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Charges for services	\$ 240,000	\$ 240,000	\$ 240,000	\$ -
Use of money and property	-	-	6,599	6,599
Total Revenues	<u>240,000</u>	<u>240,000</u>	<u>246,599</u>	<u>6,599</u>
<b>EXPENDITURES</b>				
Current:				
Public safety:				
Professional services	51,084	51,084	33,921	17,163
Litigation and claims	20,000	20,000	18,741	1,259
Membership fee	70,000	70,000	70,000	-
Capital outlay	-	-	15,283	(15,283)
Total Expenditures	<u>141,084</u>	<u>141,084</u>	<u>137,945</u>	<u>3,139</u>
Net change in fund balance	98,916	98,916	108,654	9,738
Fund Balance - beginning	<u>217,566</u>	<u>217,566</u>	<u>217,566</u>	<u>-</u>
Fund Balance - ending	<u>\$ 316,482</u>	<u>\$ 316,482</u>	<u>\$ 326,220</u>	<u>\$ 9,738</u>

See note to required supplementary information.

**INTEROPERABILITY NETWORK OF SOUTHBAY**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2020**

***NOTE 1: BUDGET AND BUDGETARY ACCOUNTING***

Annual budgets are adopted on a basis consistent with U.S. GAAP for the General Fund. All annual appropriations lapse at fiscal year-end.

At the INSB Board meeting before the beginning of each year, the draft budget is presented to the Governing Board for approval. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the account level.

PRELIMINARY DRAFT

**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***

Board of Directors  
Interoperability Network of Southbay  
Torrance, 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 the general fund of the Interoperability Network of Southbay (INSB), a joint powers authority, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise INSB’s basic financial statements and have issued our report thereon dated June xx, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered INSB’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of INSB’s internal control. Accordingly, we do not express an opinion on the effectiveness of INSB’s internal control.

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

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

**Compliance and Other Matters**

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

## **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of INSB's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering INSB's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

## **CliftonLarsonAllen LLP**

Irvine, California  
June xx, 2021

PRELIMINARY DRAFT

Asset #	Asset Description	ACQ Date	Life	Life Fund Desc Depreciate d	Classification	Cost	Accum Depr	NetBook Value As of Date	Projected Apr-June 2021 Depreciation	Projected FY 2022 Depreciation
5067	FEAP921 ICIS Interoperable Communications	6/30/2017	120	46 Interoperability Network So Bay	Misc Equip	998,633.00	-382,809.32	615,823.68 4/30/2021	24,965.83	99,863.30
<b>Total Projected Actual</b>									<b>24,965.83</b>	<b>99,863.30</b>