Arroyo Verdugo Communities Joint Powers Authority

DATE: February 1, 2024

TO: Governing Board

FROM: Alex Hernandez, Treasurer

SUBJECT: Results of Fiscal Year 2022-23 Audit

RECOMMENDATION:
It is recommended that the Board receive and file this report.

BACKGROUND:
An audit of financial statements is done on an annual basis to review the accounting and financial position of the AVCJPA.

Attached are the AVCJPA's audited annual financial statement and the results of the audit for Fiscal Year 2022-23 conducted by Moss, Levy & Hartzheim LLP. The results of the audit concluded there were no findings.

The AVCJPA ended the fiscal year with a positive unrestricted net position of $23,901. Expenditures totaled $73,762 on transit-related services. Revenues totaled $74,445, of which $62,816 were from membership contributions and interest income. The remaining amount of $11,629 was due to Measure M grant revenues.

As of June 30, 2023, the ending total fund balance increased by $683 to $23,901.

FISCAL IMPACT:
None

Attachments:
A - Management Representation Letter
B - AVCJPA Fiscal Year 2022-23 Audit Report

Arroyo Verdugo Communities Joint Powers Authority

December 22, 2023

Moss, Levy & Hartzheim, LLP
5800 Hannum Ave, Suite E
Culver City, CA 90230

This representation letter is provided in connection with your audit(s) of the financial statements of Arroyo Verdugo Communities Joint Power Authority (Authority), which comprise the respective financial position of the governmental activities and the major fund as of June 30, 2023, and the respective changes in financial position for the fiscal year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of December 22, 2023, the following representations made to you during your audit.

Financial Statements

1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 9, 2023, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.

2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.

3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.

8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole for each opinion unit.

9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.

10) Guarantees, whether written or oral, under which the Authority is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

11) We have provided you with:

    a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters, and all audit or relevant monitoring reports, if any, received from funding sources.

    b) Additional information that you have requested from us for the purpose of the audit.

    c) Unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.

    d) Minutes of the meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.

12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.

13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

14) We have no knowledge of any fraud or suspected fraud that affects the Authority and involves—

    - Management,

    - Employees who have significant roles in internal control, or

    - Others where the fraud could have a material effect on the financial statements.

15) We have no knowledge of any allegations of fraud or suspected fraud affecting the Authority's financial statements communicated by employees, former employees, regulators, or others.

16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

18) We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.

Government—specific

19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

20) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

21) The Authority has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources or equity.

22) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.

23) We have appropriately disclosed all information for conduit debt obligations in accordance with GASBS No. 91.

24) We have identified and disclosed to you all instances of identified and suspected fraud or noncompliance with provisions of laws, regulations, contracts, and grant agreements that we believe have a material effect on the financial statements.

25) There are no violations or possible violations of budget ordinances, laws, and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

26) As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.

    a) We designated Alexander Hernandez (Treasurer) to oversee the preparation of the financial statements.

27) The Authority has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

28) The Authority has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

29) The financial statements include all component units, appropriately present majority equity interests in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.

30) The financial statements include all fiduciary activities required by GASBS No. 84.

31) The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34 .

32) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

33) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.

34) Provisions for uncollectible receivables have been properly identified and recorded.

35) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

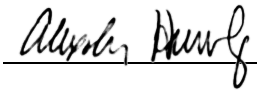
36) Revenues are appropriately classified in the statement of activities within program revenues and general revenues.

37) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.

38) We have appropriately disclosed the Authority's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

39) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.

40) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

Signature:  Signature:

Title: Treasurer Title: Executive Director

ARROYO VERDUGO COMMUNITIES JOINT POWERS AUTHORITY

BASIC FINANCIAL STATEMENTS

WITH REPORT ON AUDIT BY INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

JUNE 30, 2023

ARROYO VERDUGO COMMUNITIES JOINT POWERS AUTHORITY

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MOSS, LEVY & HARTZHEIM LLP
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INDEPENDENT AUDITOR'S REPORT

Board of Directors of the
Arroyo Verdugo Communities
Joint Powers Authority
Pasadena, CA 91011

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of the Arroyo Verdugo Communities Joint Powers Authority (the Authority) as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Authority as of June 30, 2023, and the respective changes in its financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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.

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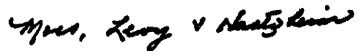
Accounting principles generally accepted in the United States of America require that the schedule of revenues, expenditures, and changes in fund balance – budget and actual – general fund be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2023, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Moss, Levy & Hartzheim, LLP
Culver City, California
December 22, 2023

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BASIC FINANCIAL STATEMENTS

ARROYO VERDUGO COMMUNITIES JOINT POWERS AUTHORITY

STATEMENT OF NET POSITION

June 30, 2023

	Governmental
Assets:	
Current Assets	
Cash and investments	$ 46,418
Prepaid expense	2,541
Total Assets	$ 48,959
Liabilities:	
Current Liabilities	
Accounts payable	$ 25,058
Total Liabilities	25,058
Net Position:	
Unrestricted	23,901
Total Liabilities and Net Position	$ 48,959

See accompanying notes to the basic financial statements.

ARROYO VERDUGO COMMUNITIES JOINT POWERS AUTHORITY

STATEMENT OF ACTIVITIES

For the fiscal year ended June 30, 2023

Function/Program	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Contributions and Grants	Program Revenues: Capital Contributions and Grants	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities:					
Transit services	$ 73,762	$ -	$ 11,629	$ -	$ (62,133)
Total Governmental Activities	$ 73,762	$ -	$ 11,629	$ -	(62,133)
General Revenues:					
Member contributions					62,816
Total General Revenues					62,816
Change in Net Position					683
Net Position, Beginning of Fiscal Year					23,218
Net Position, End of Fiscal Year					$ 23,901

See accompanying notes to the basic financial statements.

ARROYO VERDUGO COMMUNITIES JOINT POWERS AUTHORITY

BALANCE SHEET - GOVERNMENTAL FUND

June 30, 2023

	General Fund
Assets:	
Cash and investments	$ 46,418
Prepaid expenditures	2,541
Total Assets	$ 48,959
Liabilities and Fund Balance:	
Liabilities:	
Accounts payable	$ 25,058
Total Liabilities	25,058
Fund Balance:	
Nonspendable	2,541
Unassigned	21,360
Total Fund Balance	23,901
Total Liabilities and Fund Balance	$ 48,959

See accompanying notes to the basic financial statements.

ARROYO VERDUGO COMMUNITIES JOINT POWERS AUTHORITY

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2023

Fund balance of governmental Fund	$	23,901
Net position of governmental activities	$	23,901

See accompanying notes to the basic financial statements.

ARROYO VERDUGO COMMUNITIES JOINT POWERS AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND

For the fiscal year ended June 30, 2023

	General Fund
Revenues:	
Membership contributions	$ 62,816
Subregional Measure M funding	11,629
Total Revenues	74,445
Expenditures:	
Current:	
Transit services	73,762
Total Expenditures	73,762
Net Changes in Fund Balance	683
Fund Balance, Beginning of Fiscal Year	23,218
Fund Balance, End of Fiscal Year	$ 23,901

See accompanying notes to the basic financial statements.

ARROYO VERDUGO COMMUNITIES JOINT POWERS AUTHORITY

RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

For the fiscal year ended June 30, 2023

Net change in fund balance of the governmental fund	$	683
Change in net position of governmental activities	$	683

See accompanying notes to the basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES:

Financial Reporting Entity:

The Arroyo Verdugo Communities Joint Powers (Authority) is a public entity created in 2017 pursuant to a joint powers' agreement. Member agencies consist of the following entities: the City of Burbank, the County of Los Angeles, City of Glendale, City of La Cañada Flintridge, City of Pasadena, and the City of South Pasadena.

The Authority was created to provide a vehicle for the members to coordinate regional and cooperative planning, primarily in the area of transportation and determining how to prioritize regional transportation projects and the allocation of Measure M funds and other public monies, including building a more connective transportation system between the member agencies. It is the clear intent among the members that the Authority shall not possess the legal authority to compel any of its members to conduct any activities or implement any plans or strategies that they do not wish to undertake (except for the payment of dues). The goal and intent of the Authority is one of voluntary cooperation among members for the collective benefit of the cities within the Arroyo Verdugo subregion.

The Authority is financially accountable to the member cities and is governed by the Board of Directors. The Board of Directors consists of one person designated as a director by each of the legislative body of each of the members. Each Member shall also appoint one alternate director. No member shall be limited to "ex officio" non-voting representation on the Governing Board; however, the Governing Board, at its sole discretion, may allow "ex officio" non-voting representation from public entities that are not members.

Basis of Presentation:

The accounting policies of the Authority conform to accounting principles generally accepted the United States of America as they are applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

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 nonfiduciary activity of the Authority. The governmental activities, which is supported by member contributions and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Authority's activity is governmental; no business-type activities are reported in the statements. The Authority also has no fiduciary activity.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are expenses that are clearly identifiable with a specific program, project, function, or segment. Program revenues of the Authority include charges to customers: 1) or applicants who purchase, use, or directly benefit

NOTE 1 REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued):

from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Member contributions and other items that are properly not included among program revenues are reported instead as general revenues since there is no specific restriction on their usage.

Fund financial statements report detailed information about the Authority. The focus of governmental fund financial statements is on the major fund rather than reporting funds by type. The major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. There are no non-major funds.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, all assets, liabilities, and deferred inflows and outflows of resources (whether current or noncurrent) associated with their activity are included on the statement of net position. Operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. The Authority has no capital assets.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the current financial resources measurement focus, only current assets, current liabilities, and deferred inflows of resources are generally included on their balance sheets. The reported fund balance is considered to be 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 fund balance. 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 their balance sheets in spite of their spending measurement focus.

Under the modified accrual basis of accounting, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, except for principal and interest on long-term liabilities which are recognized as expenditures to the extent they have matured. Proceeds of long-term liabilities are reported as other financing sources.

NOTE 1 REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued):

Intergovernmental revenues and member contributions are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent normally collected within the availability period. Other revenue items are considered to be measurable and available when cash is received by the Authority.

The accounts of the Authority are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows of resources, fund balances, revenues, and expenditures or expenses, as appropriate. Authority resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

The Authority's accounts are organized into one major fund as follows:

Major Governmental Fund:

The General Fund is used to account for the accumulation of resources for, and the payment of, transit services.

Deferred Outflows/Inflows of Resources:

In addition to assets, the Statement of Net Position and the Governmental Fund Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority does not have any deferred outflows of resources to report.

In addition to liabilities, the Statement of Net Position and the Governmental Fund Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The Authority has no items that qualifies for reporting in this category this year. In the past, it was unavailable revenues from grants receivable collections, which would be reported only in the Governmental Fund Balance Sheet and will be recognized as an inflow of resources in the period that the amounts become available.

Use of Estimates:

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

NOTE 1 REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued):

Cash:

Cash includes all demand accounts and savings accounts of the Authority.

Equity Classifications:

Government-wide Statements:

Equity is classified as net position which can be further classified as net investment in capital assets, restricted, or unrestricted.

Net investment in capital assets - consists of net position represented by the current net book value of the Authority's capital assets, less the outstanding balance of any debt issued to finance these assets. The Authority has no capital assets or debt.

Restricted net position - consists of net position 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. The Authority has no restricted net position at June 30, 2023.

Unrestricted - consists of net position which is not restricted or invested in capital assets.

Sometimes the Authority will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's practice to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Fund Statements:

Governmental fund equity is classified as fund balance. The Authority has not adopted a fund balance policy. Fund balance is further classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

NOTE 1 REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued):

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board as the highest level of decision-making authority for the Authority. Commitments may be established, modified, or rescinded only through resolutions approved by the governing board.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Authority's adopted policy, only the governing board or director may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Authority considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the Authority considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

Future/Pending Accounting Pronouncements:

GASB Statement No. 100 "*Accounting Changes and Error Corrections*" – an amendment of GASB Statement No. 62 – The provisions of this statement are effective for fiscal years beginning after June 15, 2023.

GASB Statement No. 101 "*Compensated Absences*" – The provisions of this statement are effective for fiscal years beginning after December 15, 2023.

NOTE 2 CASH AND INVESTMENTS:

As of June 30, 2023, the Authority had a book balance and a bank balance of $46,418. There were no outstanding deposits or checks at fiscal year-end. The Authority had no investments as of June 30, 2023.

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

Under provision of Section 53601 of the California Government Code, the Authority may invest in the following:

NOTE 2 CASH AND INVESTMENTS (Continued):

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Bankers Acceptances	180 days	40%	30%
CalTRUST	None	None	None
Certificates of Deposit	5 years	None	None
Commercial Paper	270 days	25%	None
LAIF	N/A	None	$ 75,000,000
Los Angeles County Treasury Pool	None	None	None
Medium Term Notes, Prime Quality	5 years	30%	None
Money Market Mutual Funds	N/A	None	None
Mutual Funds, Prime Quality	N/A	20%	None
Negotiable Certificates of Deposit	5 years	30%	10%
Broker-assisted, Private Sector Entity-Assisted, Certificates of Deposit	5 years	30%	None
Passbook Savings and Money Market Accounts (Insured)	None	None	None
State and Local Agency Obligations	5 years	None	None
United States Treasury Obligations	5 years	None	None
United States Government Sponsored Agency Securities	5 years	None	None

Custodial Credit Risk:

Custodial credit risk for *deposits* is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits.

The California Government Code requires that a financial institution secure deposit made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Authority deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2023, the Authority had a bank balance of $46,418, which was covered by FDIC insurance.

NOTE 3 RISK MANAGEMENT:

The Authority has various insurance coverage as follows:

General Liability – The Authority is insured up to $1,000,000 aggregate limit with a $5,000 deductible.

Public Officials Liability – The Authority is insured up to $1,000,000 with a deductible of $5,000.

Non-monetary Coverage – Defense Only – The Authority is insured up to $50,000 for defense expense from such claims with a deductible of $5,000.

Policy Aggregate Limit of Liability – The Authority is insured for claims and all defense expenses up to $1,000,000 with a deductible of $5,000.

Public Officials Crisis Management – The Authority is insured up to $25,000 for all crisis management expenses with a deductible of $5,000.

Adequacy of Protection:

None of the above insurance policies had experienced settlements or judgments that exceeded insured coverage during the fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

ARROYO VERDUGO COMMUNITIES JOINT POWERS AUTHORITY

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

GENERAL FUND

For the fiscal year ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Member contributions	$ 62,816	$ 62,816	$ 62,816	$ -
Subregional Measure M funding	26,477	26,477	11,629	(14,848)
Total Revenues	89,293	89,293	74,445	(14,848)
EXPENDITURES				
Current:				
Transit services	89,293	89,293	73,762	15,531
Total Expenditures	89,293	89,293	73,762	15,531
Net Changes in Fund Balance			683	683
Fund Balance, Beginning of Fiscal Year	23,218	23,218	23,218	
Fund Balance, End of the Fiscal Year	$ 23,218	$ 23,218	$ 23,901	$ 683

See accompanying note to the required supplemental information.

ARROYO VERDUGO COMMUNITIES JOINT POWERS AUTHORITY

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

For the Fiscal Year Ended June 30, 2023

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general fund. Prior year operating appropriations lapse unless they are re-appropriated through the Authority's Board approval. Prior to July 1, the budget is legally enacted through approval of the Board.

The budget is revised by the Authority's governing board and the Executive Director during the fiscal year, to give consideration to unanticipated income and expenditures. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the individual fund level

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Arroyo Verdugo Communities
Joint Powers Authority
Pasadena, CA 91011

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 major fund of the Arroyo Verdugo Communities Joint Powers Authority (the Authority) as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 22, 2023.

Report on 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) 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 the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

Our consideration of internal control 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 or significant deficiencies may exist that were not identified.

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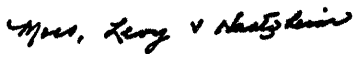
Report on Compliance and Other Matters

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 statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



Moss, Levy & Hartzheim, LLP
Culver City, California
December 22, 2023