West Cities Police Communications Joint Powers Authority

Cypress, California

Basic Financial Statements and Independent Auditors' Report

For the fiscal year ended June 30, 2016

West Cities Police Communications Joint Powers Authority
Basic Financial Statements
For the fiscal year ended June 30, 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the West Cities Police Communications
Joint Powers Authority
Cypress, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activity and major fund of West Cities Police Communications Joint Powers Authority (the Authority) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. 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 auditors' 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 auditors consider internal control relevant to the Authority'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 Authority'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.

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Offices located in Orange and San Diego Counties

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activity and major fund of the Authority as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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.

Accounting principles generally accepted in the United States of America require that the schedule of proportionate share of the net pension liability, the schedule of contributions regarding the defined benefit pension plans, the schedule of funding progress other post-employment benefit plan, and the budgetary comparison schedule, 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 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 the 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 21, 2016 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.

White Nelson Diehl Evans LLP

Irvine, California
December 21, 2016

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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West Cities Police Communications Joint Powers Authority
Statement of Net Position
June 30, 2016

	Primary Government Governmental Activities
ASSETS:	
Current assets:	
Cash and investments held by the City of Cypress	$ 1,011,657
Receivables:	
Accounts	26,798
Interest	1,362
Prepaid expenses	136,226
Total current assets	1,176,043
Noncurrent assets:	
Capital assets:	
Depreciable assets, net	901,104
TOTAL ASSETS	2,077,147
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred amount from pension	307,152
LIABILITIES:	
Current liabilities:	
Accounts payable and accrued liabilities	119,856
Unearned revenue	83,389
Accrued leave payable	48,715
Total current liabilities	251,960
Noncurrent liabilities:	
Accrued leave payable	146,143
Retirees' health payable	264,000
Net pension liability	935,168
Total noncurrent liabilities	1,345,311
TOTAL LIABILITIES	1,597,271
DEFERRED INFLOWS OF RESOURCES:	
Deferred amount from pension	169,168
NET POSITION:	
Net investment in capital assets	901,104
Unrestricted	(283,244)
TOTAL NET POSITION	$ 617,860

See accompanying notes to basic financial statements.

West Cities Police Communications Joint Powers Authority
Statement of Activities
For the fiscal year ended June 30, 2016

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Governmental Activities
Primary government:					
Governmental activities:					
Dispatch services	$ 2,340,260	$ -	$ 254,504	$ 207,456	$ (1,878,300)
Total governmental activities	$ 2,340,260	$ -	$ 254,504	$ 207,456	(1,878,300)
General revenues:					
Member contributions					2,464,000
Investment income					8,874
Total general revenues					2,472,874
Change in net position					594,574
Net position at beginning of year					23,286
Net position at end of year					$ 617,860

See accompanying notes to basic financial statements.

FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

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West Cities Police Communications Joint Powers Authority
Balance Sheet
Governmental Fund
June 30, 2016

	General Fund
ASSETS	
Cash and investments held by the City of Cypress	$ 1,011,657
Receivables:	
Accounts	26,798
Interest	1,362
Prepaid expenses	136,226
TOTAL ASSETS	$ 1,176,043
LIABILITIES AND FUND BALANCE	
LIABILITIES:	
Accounts payable and accrued liabilities	$ 119,856
Unearned revenue	83,389
TOTAL LIABILITIES	203,245
FUND BALANCE:	
Nonspendable	136,226
Committed:	
Computer aided dispatch/records management systems	53,224
800 MHz radio upgrade	104,806
Assigned:	
Employee benefits	577,858
Future capital replacement	77,324
Unassigned	23,360
TOTAL FUND BALANCE	972,798
TOTAL LIABILITIES AND FUND BALANCE	$ 1,176,043

See accompanying notes to basic financial statements.

West Cities Police Communications Joint Powers Authority
Reconciliation of the Governmental Fund Balance Sheet
to the Statement of Net Position
June 30, 2016

Fund balances - total governmental funds	$	972,798
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental funds are not current financial resources and therefore are not reported in the Governmental Fund Balance Sheet:		
Depreciable assets, net		901,104
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds. Long-term liabilities consist of the following:		
Accrued leave payable		(194,858)
Retirees' health payable		(264,000)
Pension related debt applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to pensions are only reported in the Statement of Net Position as the changes in these amounts effects only the government-wide statements for governmental activities:		
Deferred outflows of resources		307,152
Deferred inflows of resources		(169,168)
Net pension liability		(935,168)
Net position of governmental activities	$	617,860

See accompanying notes to basic financial statements.

West Cities Police Communications Joint Powers Authority
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the year fiscal ended June 30, 2016

REVENUES:	
Member contributions	$ 2,464,000
Intergovernmental	252,811
Investment income	8,874
Other income	1,693
TOTAL REVENUES	2,727,378
EXPENDITURES:	
Current:	
Dispatch services	2,178,826
Capital outlay	862,830
TOTAL EXPENDITURES	3,041,656
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(314,278)
FUND BALANCE - BEGINNING OF YEAR	1,287,076
FUND BALANCE - END OF YEAR	$ 972,798

See accompanying notes to basic financial statements.

West Cities Police Communications Joint Powers Authority
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities
For the fiscal year ended June 30, 2016

Net change in fund balance - total governmental fund	$ (314,278)
Amounts reported for governmental activities in the Statement of Activities are different because:	
The governmental fund reports capital outlays as expenditures. However, in the Government-Wide Statement of Activities, the cost of those capital assets are allocated over the estimated useful lives as depreciation expense.	
Capital asset additions	655,374
Contributed capital	207,456
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but it does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the Governmental Fund.	(19,848)
Accrued leave reported on the Statement of Activities does not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The net change is reported on the Statement of Activities.	(20,363)
Retirees' Health Benefit expenditures reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in a governmental fund. This is the net change in Retirees' Health Benefit for the current period.	(73,000)
Pension expense reported in the governmental funds includes the annual required contributions. In the Statement of Activities, pension expense includes the change in the net pension liability, and related change in pension amounts for deferred outflows of resources and deferred inflows of resources.	159,233
Change in net position of governmental activities	$ 594,574

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Description of Reporting Entity*

The West Cities Police Communications Joint Powers Authority (the Authority) was formed on December 23, 1996 pursuant to the provisions of Section 6500 of Article 1, Chapter 5, Division 7, Title 1 of the Government Code of the State of California relating to the joint exercise of powers common to public agencies. The purpose of the Authority is to provide police dispatching services for the member agencies including the City of Cypress, the City of Los Alamitos, and the City of Seal Beach. The Authority also serves the Orange County Park Rangers who operate the regional recreational facilities and manage the historical and natural resources in Orange County. The Authority is governed by a three-member Board of Directors with each member City having one City Council member sit on the Board.

B. *Measurement Focus, Basis of Accounting and Basis of Presentation*

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity with its own self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures or expenses. These funds are established for the purpose of carrying out specific activities or certain objectives in accordance with specific regulations, restrictions or limitations. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The Authority's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental Activities for the Authority.

The basic financial statements are presented on an *"economic resources"* measurement focus and the *"accrual basis of accounting"*. Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Under the *"economic resources"* measurement focus, all of the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the *"accrual basis of accounting"*, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The Authority's program revenues include State reimbursements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. *Measurement Focus, Basis of Accounting and Basis of Presentation, Continued*

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance. An accompanying schedule is presented to reconcile and explain the differences in fund balance as presented in these statements to the net position presented in the Government-Wide Financial Statements.

All governmental funds are accounted for on a spending or *"current financial resources"* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Authority, are member contributions and earnings on investments. Expenditures are recorded in the accounting period in which the related liability is incurred.

The reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences created by the integrated approach of Governmental Accounting Standards Board (GASB) Statement No. 34.

C. *New Accounting Pronouncements*

GASB Current Year Standards

In fiscal year 2015-2016, the Authority implemented GASB Statement No. 72, *"Fair Value Measurement and Application"*. GASB Statement No. 72 requires the Authority to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or income approach. GASB Statement No. 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. GASB Statement No. 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that were used for the fair value measurements. There was no material impact on the Authority's financial statements as a result of the implementation of GASB Statement No. 72.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. *New Accounting Pronouncements, Continued*

GASB Current Year Standards, Continued

GASB Statement No. 73 - *"Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68"*, was required to be implemented in the current fiscal year, except for those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, and is effective for periods beginning after June 15, 2016, and did not impact the Authority.

GASB Statement No. 76 - *"The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments"*, was required to be implemented in the current fiscal year and did not impact the Authority.

GASB Statement No. 79 - *"Certain External Investment Pools and Pool Participants"*, was required to be implemented in the current fiscal year, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing, which are effective for periods beginning after December 15, 2015, and did not impact the Authority.

GASB Statement No. 82, *"Pension Issues an Amendment of GASB Statement No. 67, No. 68 and No. 73"*, changed the measurement of covered payroll reported in required supplementary information and has been early implemented.

GASB Pending Accounting Standards

GASB has issued the following statements which may impact the Authority's financial reporting requirements in the future:

- GASB 73 - *"Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68"*, contains provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB 68, effective for periods beginning after June 15, 2016.

- GASB 74 - *"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans"*, effective for periods beginning after June 15, 2016.

- GASB 75 - *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"*, effective for periods beginning after June 15, 2017.

- GASB 77 - *"Tax Abatement Disclosure"*, effective for periods beginning after December 15, 2015.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. *New Accounting Pronouncements, Continued*

GASB Pending Accounting Standards, Continued

- GASB 78 - *"Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans"*, effective for periods beginning after December 15, 2015.

- GASB 79 - *"Certain External Investment Pools and Pool Participants"*, contains certain provisions on portfolio quality, custodial credit risk, and shadow pricing, effective for periods beginning after December 15, 2015.

- GASB 80 - *"Blending Requirements for Certain Component Units"*, effective for periods beginning after June 15, 2016.

- GASB 81 - "*Irrevocable Split-Interest Agreements"*, effective for periods beginning after December 15, 2016.

- GASB 82 - "*Pension Issues"*, effective for periods beginning after June 15, 2016, except for certain provisions on selection of assumptions, which are effective in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

D. *Cash, Cash Equivalents and Investments*

The Authority's cash and investments are pooled with the City of Cypress (the City) to maximize the yield.

The City pools its available cash for investment purposes. The City considers pooled cash and investment amounts, with original maturities of three months or less, to be cash equivalents.

Investments are stated at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments that are not traded on a market, such as investments in external pools, are valued based on the stated fair value represented by the external pool.

The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF), which has invested a portion of the pooled funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk due to changes in interest rates.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Capital Assets

Capital assets, which include machinery and equipment (radios, computers, etc.) and buildings and improvements, are reported in the Government-Wide Financial Statements. Capital assets are defined by the Authority as all buildings, computers and equipment with an initial individual cost of more than $1,000 and improvements with costs of more than $10,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated or annexed capital assets are recorded at estimated market value at the date of donation or annexation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is recorded in the Government-Wide Financial Statements on a straight-line basis over the estimated useful life of the assets as follows:

Buildings and improvements	15 to 40 years
Computers and equipment	5 to 15 years

F. 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 that time. The Authority has the following items that qualify for reporting in this category and that are reported in the statement of net position:

- Deferred outflow related to pensions that is equal to employer contributions made after the measurement date of the net pension liability.

- Deferred outflow related to pensions for differences between expected and actual experiences. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the Plans, which is 3.8 years.

- Deferred outflow related to pensions for the changes in proportion and differences between employer's contributions and the employer's proportionate share of contributions. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the Plans, which is 3.8 years.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. *Deferred Outflows/Inflows of Resources, Continued*

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 the following items that qualify for reporting in this category and that are reported in the statement of net position:

- Deferred inflows from pensions resulting from changes in assumptions. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the Plans, which is 3.8 years.

- Deferred inflow related to pensions resulting from the difference in projected and actual earnings on investments of the pension plan fiduciary net position. This amount is amortized over 5 years.

G. *Net Position Flow Assumption*

Sometimes the Authority may fund outlays for a particular purpose from both restricted (e.g., grant proceeds) 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 general practice to consider restricted - net position to have been depleted before unrestricted - net position is applied.

H. *Encumbrances*

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund.

Since unexpended and encumbered appropriations of the governmental funds automatically lapse at the end of the fiscal year, they are not included in reported expenditures and the authorization for expenditure must be re-established through inclusion in the subsequent year's appropriation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. Net Position

In the Government-Wide Financial Statements, net position may be classified in the following categories:

Net Investment in Capital Assets - This amount consists of capital assets net of accumulated depreciation.

Restricted Net Position - This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Position - This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position" as defined above.

J. Fund Balances

In the Governmental Fund Financial Statements, fund balances are classified in the following categories:

Nonspendable - Items that cannot be spent because they are not in spendable form, such as prepaid items and inventories, or items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan funds.

Restricted - Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors, such as through debt covenants, grantors, contributors, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation.

Committed - Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations that the government imposes upon itself at its highest level of decision making, normally the governing body through board resolutions, etc., and that remain binding unless removed in the same manner. The Board of Directors is considered the highest authority for the Authority.

Assigned - Assigned fund balances encompass the portion of net fund resources reflecting the government's intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose. The Board of Directors has authorized the Treasurer for that purpose.

Unassigned - This category is for any balances that have no restrictions placed upon them.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

K. *Spending Policy*

Governmental Fund Financial Statements

When expenditures are incurred for purposes for which all restricted, committed, assigned and unassigned fund balances are available, the Authority's policy is to apply in the following order:

- Restricted
- Committed
- Assigned
- Unassigned

L. *Pensions*

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Authority's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. *Use of Estimates*

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

2. CASH AND INVESTMENTS

The Authority's cash and investments are pooled with the City of Cypress (the City). The Authority does not own specifically identifiable securities in the City's pool. Investment income earned on pooled cash and investments is allocated quarterly to the various funds based on the average cash balance in each fund. At June 30, 2016, the cash and investments balance of the Authority was as follows:

	Government-Wide Statement of Net Position Governmental Activities
Cash and investments held by the City of Cypress	$ 1,011,657

2. CASH AND INVESTMENTS, Continued

Authorized Investments

Under provision of the City's annually adopted investment policy, and in accordance with Section 53601 of the California Government Code, the City may deposit and invest in the following:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
United States Treasury Bills and Notes	5 Years	None	N/A
Federal Agency Issues	5 Years	None	N/A
Certificates of Deposit (or Time Deposits) placed with commercial banks and/or savings and loan companies	1 Year	25%	N/A
Bankers' Acceptances	180 Days	25%	10%
Negotiable Certificates of Deposit	5 Years	25%	10%
Commercial Paper	270 Days	25%	10%
Local Agency Investment Fund (LAIF)	None	$65 million*	N/A
Investment Trust of California (CalTRUST)	None	$20 million*	N/A
Passbook Savings Account demand deposits	5 Years	None	N/A
Medium-term Notes	5 Years	25%	10%

* Limit is per entity.

N/A - Not Applicable

Deposits and Risks

The California Government Code requires California banks and savings and loans associations to secure a City's deposit by pledging government securities with a value of 110% of a City's deposits, or by pledging first trust deed mortgage notes having a total value of 150% of the City's total deposits.

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy provides that final maturities of securities cannot exceed five years. At June 30, 2016, approximately 85% of the City's entire pooled cash and cash equivalents had a maturity of less than one year with an average life of the portfolio being slightly more than 147 days.

Investment Type	Remaining Maturity (in Months) 12 Months or Less
Equity in City of Cypress investment pool	$ 1,011,657

2. CASH AND INVESTMENTS, Continued

Deposits and Risks, Continued

Credit Risk - State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the City's practice to limit its investments in these investment types to the top rating issued by NRSROs, including raters Standard & Poor's and Moody's Investors Service. The California Local Agency Investment Fund (LAIF) is not rated but has a separate investment policy governed by Government Code Sections 16480-16481.2 that provides credit standards for its investments.

Investment Type	Minimum Legal Rating	Total as of June 30, 2016	Not Rated
Equity in City of Cypress investment pool	N/A	$ 1,011,657	$ 1,011,657

External Investment Pool

The City is a voluntary participant in LAIF, which is an external investment pool regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California through which local governments may pool investments. The City may invest up to $65,000,000 in the fund. Investments in LAIF are considered highly liquid, as deposits can be converted to cash within 24 hours without loss of interest.

The City values its investments in LAIF at the fair value provided by LAIF. At June 30, 2016 the factor used was 1.000621222. The City's investment with LAIF includes a portion of pool funds invested in structured notes and asset-backed securities. At June 30, 2016, the City invested in LAIF, which had invested 2.81% of the pool's funds in structured notes and asset-backed securities.

Fair Value Measurements

The Authority categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the relative inputs used to measure the fair value of the investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The Authority's investment in the City of Cypress investment pool is not subject to the fair value hierarchy.

3. CAPITAL ASSETS

The following is a summary of capital assets for governmental activities for the year ended June 30, 2016:

	Balance at July 1, 2015	Additions	Deletions	Balance at June 30, 2016
Capital assets, being depreciated:				
Buildings and improvements	$ 177,587	$ -	$ -	$ 177,587
Equipment	425,438	862,830	-	1,288,268
Total capital assets, being depreciated	603,025	862,830	-	1,465,855
Less accumulated depreciation for:				
Buildings and improvements	(171,279)	(1,831)	-	(173,110)
Equipment	(373,624)	(18,017)	-	(391,641)
Total accumulated depreciation	(544,903)	(19,848)	-	(564,751)
Total capital assets, being depreciated, net	$ 58,122	$ 842,982	$ -	$ 901,104

Depreciation expense for capital assets in the amount of $19,848 is charged to dispatch services for the year ended June 30, 2016.

4. ACCRUED LEAVE PAYABLE

The accrued leave payable represents the estimated liability for all vacation, compensatory time, and 50% of the sick leave, as noted below, for all employees of the Authority. Accrued leave payable at June 30, 2016 consisted of $48,715 in short-term and $146,143 in long-term liabilities.

Permanent employees may accumulate sick leave with no limitation as to the number of hours of accumulation. However, the accumulation of vacation leave is generally limited to 2 times their annual accrual. Employees who are terminated for any reason are paid for 100% of their accumulated vacation pay. Employees, terminated for any reason, with 5 years of service and having 60 days or more of accumulated sick leave (equal to 480 hours), will be paid for 50% of their accumulated sick leave. Employees, terminated for any reason, with 5 years of service and having between 240 hours and 480 hours, will be paid for 50% of their accumulated leave for their hours only in excess of 240 hours. All other terminated employees will not be paid for their accumulated sick leave.

5. PENSION PLANS – PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CalPERS)

A. *General Information about the Pension Plans*

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the Authority's 2% at 55 (Tier I) and 2% at 62 (PEPRA) Miscellaneous (all other) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Authority resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. All members are eligible for non-industrial disability benefits after five (5) years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Miscellaneous	
Hire date	Prior to January 1, 2013	On or After January 1, 2013
Benefit formula	2%@55	2%@62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7%	6.5%
Required employer contribution rates	9.353% + $55,073	6.730%

5. PENSION PLANS – PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CalPERS)

A. *General Information about the Pension Plans, Continued*

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Authority is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

B. *Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions*

As of June 30, 2016, the Authority reported net pension liabilities for its proportionate share of the net pension liability for both Plans as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	$ 935,168

The Authority's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2015, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The Authority's proportionate of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The Authority's proportionate share of the net pension liability for both Plans as of June 30, 2014 and 2015 was as follows:

	Miscellaneous
Proportion - June 30, 2014	0.03719%
Proportion - June 30, 2015	0.03409%
Change - Increase (Decrease)	-0.00310%

5. PENSION PLANS – PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CalPERS), Continued

B. *Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions, Continued*

For the year ended June 30, 2016, the Authority recognized pension expense of $(29,281). At June 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 129,952	$ -
Differences between actual and expected experience	11,910	-
Change in assumptions	-	(112,680)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	165,290	-
Net differences between projected and actual earnings on plan investments	-	(56,488)
Total	$ 307,152	$ (169,168)

$129,952 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2017	$ (19,589)
2018	(19,738)
2019	(24,846)
2020	72,205
2021	-
Thereafter	-

5. PENSION PLANS – PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CalPERS), Continued

B. *Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions, Continued*

Actuarial Assumptions

The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	(1)
Investment Rate of Return	7.5% (2)
Mortality	(3)

(1) Depending on age, service and type of employment
(2) Net of pension plan investment expenses, including inflation
(3) The probabilities of mortality are derived using CalPERS' membership data for all funds. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study can be obtained at the CalPERS website under Forms and Publications.

5. PENSION PLANS – PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CalPERS), Continued

B. *Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions, Continued*

Change of Assumptions

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

Discount Rate

The discount rate used to measure the total pension liability was 7.65% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the Plans, the tests revealed the assets would not run out. Therefore, the current 7.65% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.65% is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

5. PENSION PLANS - PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CalPERS), Continued

B. *Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions, Continued*

Discount Rate, Continued

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2014.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100.00%		

(a) An expected inflation of 2.5% used for this period
(b) An expected inflation of 3.0% used for this period

5. PENSION PLANS – PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CalPERS), Continued

B. *Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions, Continued*

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net pension liability for both Plans, calculated using the discount rate for each Plan, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous
1% Decrease	6.65%
Net Pension Liability	$ 1,550,341
Current Discount Rate	7.65%
Net Pension Liability	$ 935,168
1% Increase	8.65%
Net Pension Liability	$ 427,271

Pension Plans Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

C. *Payable to the Pension Plans*

At June 30, 2016, the Authority had no outstanding amount of contributions to the pension plans required for the year ended June 30, 2016.

6. RETIREES' HEALTH BENEFITS

Plan Description - The Authority provides medical benefits to eligible retirees through the CalPERS healthcare program entitled Public Employees' Medical and Welfare Trust Medical Plan (PEMHCA) as a part of the Authority's agent multiple-employer defined benefit plan. The Authority pays the PEMHCA minimum amount ($125 per month in 2016) for all eligible retirees who choose to continue with their coverage through PEMHCA. All eligible employees become participants in PEMHCA on their date of hire. As of June 30, 2015, the date of the most recent actuarial valuation, the Authority's plan has 14 active employees and 1 retiree.

6. RETIREES' HEALTH BENEFITS, Continued

Plan Description, Continued - In addition to the PEMHCA minimum amount, certain members of the retiree group with at least 10 years of continuous service receive supplemental retiree health benefits directly from the Authority. The benefits are based on negotiated memorandums of understanding with the employee association. The Authority provides a monthly contribution from $100 to $300 based on years of continuous service and employee classification, which can be used by the retiree to either continue their health care benefits as may be available under the Authority's current health care contract through PEMHCA or to use the monthly contribution amount to purchase alternative health care benefits. The Authority's supplemental contribution plan is a single-employer plan and terminates for retirees on the date the retiree reaches age 65 or becomes Medicare eligible, whichever comes first.

Funding Policy - The contribution for PEMHCA is established and amended by CalPERS. The Authority pays the monthly contribution for all employees and retirees. The contribution requirements for the Supplemental Post-employment Health care plan are established and amended by the Authority. The required contribution is based on projected pay-as-you-go financing requirements.

Annual OPEB Cost and Net OPEB Obligation - The Authority's annual Other Postemployment Benefit (OPEB) cost (expense) is calculated based on the Annual Required Contribution (ARC) of the Employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excesses) over a period not to exceed 30 years.

The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation to the plan:

Annual required contribution	$	79,000
Interest on net OPEB obligation		8,000
Adjustment to annual required contribution		(14,000)
Annual OPEB cost (expense)		73,000
Contributions made		-
Increase in net OPEB obligation		73,000
Net OPEB obligation - beginning of year		191,000
Net OPEB obligation - end of year	$	264,000

The Authority is currently funding the PEMHCA and Supplemental Post-employment Health Care plans on a pay-as-you-go basis and records a liability for the difference between pay-as-you-go and the actuarially determined ARC cost. The Authority has chosen not to transfer the required contributions to an irrevocable trust or equivalent arrangement, recognizing that this does not qualify as pre-funding under GASB 45.

6. RETIREES' HEALTH BENEFITS, Continued

Annual OPEB Cost and Net OPEB Obligation, Continued - The Authority's annual OPEB cost, annual contribution, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

Fiscal Year	Annual OPEB Cost	Actual Annual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	$ 24,000	$ -	0%	$ 123,000
6/30/2015	68,000	-	0%	191,000
6/30/2016	73,000	-	0%	264,000

Funded Status and Funding Progress - As of June 30, 2015, the most recent actuarial valuation date, the plan was 0.0% funded (actuarial value of assets as a percentage of actuarial accrued liability). The actuarial accrued liability for benefits was $487,000 and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $487,000. The covered payroll (annual payroll of active employees covered by the plan) was $1,033,000, and the ratio of the UAAL to the covered payroll was 47.14%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarded the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past experiences and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information following the Notes to the Basic Financial Statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the Actuarial Accrued Liabilities for benefits.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2015, actuarial valuation, the entry age actuarial cost method was used. The assumptions include a 4.00% investment rate of return which is based on the expected long-term return on funds invested by the Authority, inflation rate of 3.00%, and projected salary increases of 3.25%. The annual healthcare cost trend starts at 7.00% for non-medicare eligible participants and 7.20% for medicare eligible participants in the first year and decreases to an ultimate rate of 5.00% in 6 years for both types of participants.

6. RETIREES' HEALTH BENEFITS, Continued

Actuarial Methods and Assumptions, Continued - It is not anticipated that the plan amounts paid on behalf of retirees will be increased or changed in the future. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over multiyear periods. The UAAL is being amortized as a level percent of payroll over a 30-year closed period.

7. COMMITMENTS AND CONTINGENCIES

The Authority may be a defendant in certain other legal actions arising in the normal course of operations. In the opinion of management and legal counsel, any liability resulting from these actions will not result in a material adverse effect on the Authority's financial position.

Federal legislature requires that all public safety radios be interoperable capable by 2018. The effect of compliance with the new legislature on the Authority is the replacement of all public safety radios. The Authority utilizes Orange County Communications for radio support. Orange County Communications has developed a comprehensive radio replacement plan for the entire County, including the Authority. The cost to the Authority over the next four years is approximately $750,000, which will be assessed to the Authority members in a three to five year contribution plan.

As of June 30, 2016, in the opinion of Authority management, there were no additional outstanding matters that would have a significant effect on the financial position of the funds of the Authority.

8. RISK MANAGEMENT

Description of Self-insurance Pool Pursuant to Joint Powers Agreement

The Authority is a member of the California Joint Powers Insurance Authority (CJPIA). The CJPIA is composed of 118 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the CJPIA is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other coverages. The CJPIA's pool began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors of the CJPIA. The Board operates through a nine-member Executive Committee.

8. RISK MANAGEMENT, Continued

Self-insurance Programs of the CJPIA

Each member pays an annual contribution at the beginning of the coverage period. A retrospective adjustment is then conducted annually thereafter, for coverage years 2012-13 and prior. Retrospective adjustments are scheduled to continue indefinitely on coverage years 2012-13 and prior, until all claims incurred during those coverage years are closed, on a pool-wide basis. This subsequent cost re-allocation among members, based on actual claim development, can result in adjustments of either refunds or additional deposits required. Coverage years 2013-14 and forward are not subject to routine annual retrospective adjustment.

The total funding requirement for self-insurance programs is estimated using actuarial models and pre-funded through the annual contribution. Costs are allocated to individual agencies based on exposure (payroll) and experience (claims) relative to other members of the risk-sharing pool. Additional information regarding the cost allocation methodology is provided below.

Liability

In the liability program claims are pooled separately between police and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to $30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from $30,000 to $750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of $750,000 to $50 million are distributed based on the outcome of cost allocation within the first and second loss layers.

For 2014-15 the CJPIA's pooled retention is $2 million per occurrence, with reinsurance to $20 million, and excess insurance to $50 million. The CJPIA's reinsurance contracts are subject to the following additional pooled retentions: (a) 50% of the $2.5 million annual aggregate deductible in the $3 million x/s $2 million layer, (b) 50% quota share of the $3 million x/s $2 million layer, and (c) $3 million annual aggregate deductible in the $5 million x/s $10 million layer.

The overall coverage limit for each member, including all layers of coverage, is $50 million per occurrence. Costs of covered claims for subsidence losses have a sub-limit of $30 million per occurrence.

8. RISK MANAGEMENT, Continued

Purchased Insurance

Property Insurance

The Authority participates in the all-risk property protection program of the CJPIA. This insurance protection is underwritten by several insurance companies. Authority property is currently insured according to a schedule of covered property submitted by the Authority to the CJPIA. Authority property currently has all-risk property insurance protection in the amount of $791,866. There is a $5,000 deductible per occurrence except for non-emergency vehicle insurance which has a $1,000 deductible. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

Crime Insurance

The Authority purchases crime insurance coverage in the amount of $3,000,000 with a $2,500 deductible. The fidelity coverage is provided through the CJPIA. Premiums are paid annually and are not subject to retrospective adjustments.

Workers' Compensation

The Authority purchases workers' compensation insurance through Alliant Insurance Services Inc. for up to $1,000,000 for all work related injuries/illnesses covered by California law.

Adequacy of Protection

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2014-15.

9. SUBSEQUENT EVENTS

On November 15, 2016, the West-Comm Board of Directors approved a project and related contracts to purchase a new Computer Aided Dispatch/Records Management System. The estimated cost of the project is $1,475,100, which will be funded by a special assessment allocated to each of the three member cities during the fiscal year ended June 30, 2017. The project is expected to be complete by the first quarter of 2018.

Management has evaluated other subsequent events through December 21, 2016, the date the financial statements were available for issuance. No other events were identified that would require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

West Cities Police Communications Joint Powers Authority
Schedule of Proportionate Share of the Net Pension Liability
Last Ten Fiscal Years*

Fiscal year ended	June 30, 2016	June 30, 2015
Measurement period	June 30, 2015	June 30, 2014
Plan's proportion of the net pension liability	0.01362%	0.01477%
Plan's proportionate share of the net pension liability	$ 935,168	$ 919,200
Plan's covered - employee payroll	$ 1,321,136	$ 1,367,539
Plan's proportionate share of the net pension liability as a percentage of its covered - employee payroll	70.79%	67.22%
Plan's proportionate share of fiduciary net position as a percentage of the Plan's total pension liability	78.40%	78.09%
Plan's proportionate share of aggregate employer contributions	$ 123,903	$ 88,611

Notes to Schedule:

Benefit Changes:
There were no changes in benefits.

Changes in Assumptions:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

* - Fiscal year 2014-15 was the first year of implementation, therefore only two years are shown.

West Cities Police Communications Joint Powers Authority
Schedule of Contributions - Defined Benefit Pension Plans
Last Ten Fiscal Years*

Fiscal year ended	June 30, 2016	June 30, 2015
Contractually required contribution (actuarially determined)	$ 129,952	$ 185,785
Contributions in relation to the actuarially determined contributions	(129,952)	(185,785)
Contribution deficiency (excess)	$ -	$ -
Covered - employee payroll	$ 1,397,295	$ 1,321,136
Contributions as a percentage of covered - employee payroll	9.30%	14.06%

Notes to Schedule:

Valuation Date	6/30/2013

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal cost method**
Amortization method	Level percentage of payroll, closed**
Asset valuation method	Market Value***
Inflation	2.75%**
Salary increases	Depending on age, service, and type of employment; including inflation of 2.75%**
Investment rate of return	7.50%, net of pension plan investment expense, including inflation**
Retirement age	50 years (Tier I), 52 years (PEPRA)**
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the June 30, 2009 valuation. For purposes of the post-retirement mortality rates, those revised rates include 5 years of projected on-going mortality improvement using Scale AA published by the Society of Actuaries until June 30, 2010. There is no margin for future mortality improvement beyond the valuation date.**

* - Fiscal year 2014-15 was the first year of implementation, therefore only two years are shown.
** - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) included the same actuarial assumptions.
*** - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) valued assets using a 15-Year Smoothed Market method.

West Cities Police Communications Joint Powers Authority
Schedule of Funding Progress
Other Post-Employment Benefit Plan
For the fiscal year ended June 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Covered Payroll [[(b)-(a)]/c]
6/30/11	$ -	$ 139,000	$ 139,000	0.00%	$ 1,042,000	13.34%
6/30/13	-	166,000	166,000	0.00%	1,050,000	15.81%
6/30/15	-	487,000	487,000	0.00%	1,033,000	47.14%

West Cities Police Communications Joint Powers Authority
Budgetary Comparison Schedule
General Fund
For the fiscal year ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Member contributions	$ 2,464,039	$ 2,464,039	$ 2,464,000	$ (39)
Intergovernmental	20,519	268,695	252,811	(15,884)
Investment income	3,000	3,000	8,874	5,874
Other income	3,000	3,000	1,693	(1,307)
TOTAL REVENUES	2,490,558	2,738,734	2,727,378	(11,356)
EXPENDITURES:				
Current:				
Dispatch services	2,285,358	2,420,189	2,178,826	241,363
Capital outlay	740,337	997,293	862,830	134,463
TOTAL EXPENDITURES	3,025,695	3,417,482	3,041,656	375,826
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(535,137)	(678,748)	(314,278)	364,470
FUND BALANCE - BEGINNING OF YEAR	1,287,076	1,287,076	1,287,076	-
FUND BALANCE - END OF YEAR	$ 751,939	$ 608,328	$ 972,798	$ 364,470

See accompanying note to required supplementary information.

West Cities Police Communications Joint Powers Authority
Note to Required Supplementary Information
For the fiscal year ended June 30, 2016

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 all governmental funds. The Authority follows these procedures in establishing the budgetary data reflected in the financial statements: After January 1, the Treasurer and Dispatch Administrator prepare estimates for required appropriations for the fiscal year commencing on the following July 1. The proposed budget includes estimated expenditures and forecasted revenues for the fiscal year. The data is presented to the Administrative Oversight Staff for review. Prior to June 1, the Dispatch Administrator submits to the Authority Board, a proposed operating budget for the fiscal year commencing on the following July 1. The operating budget includes a summary of the proposed expenditures and financial resources of the Authority, as well as historical data for the prior fiscal period. Prior-year operating appropriations lapse unless they are reappropriated through the Authority Board for approval. Encumbered appropriations from the previous year are not included in the adopted budget for the current year. Prior to July 1, the budget is legally enacted through approval of the Board.

The Dispatch Administrator is authorized to transfer budgeted amounts within the department and capital outlay may be transferred between accounts. Additional appropriations of fund balances may be made only if authorized by the Authority Board. Formal budgetary integration is employed as a management control device during the fiscal year for governmental fund types. The Authority maintains legally adopted budgets for all governmental funds. The budgets are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts presented are as originally adopted or as amended (if applicable) by the Authority Board.

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*

To the Board of Directors
of the West Cities Police Communications
Joint Powers Authority
Cypress, 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, and the State Controller's Minimum Audit Requirements for California Special Districts, the financial statements of the governmental activity and major fund of West Cities Police Communications Joint Powers Authority (the Authority) as of and for the year ended June 30, 2016, 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 21, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 Authority'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.

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Compliance and Other Matters

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

Purpose of 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.

White Nelson Diehl Evans LLP

Irvine, California
December 21, 2016