

**CITY OF SANTA BARBARA**

**CALIFORNIA LAW ENFORCEMENT  
TELECOMMUNICATIONS SYSTEM/  
MESSAGE SWITCHING SYSTEM  
JOINT POWERS ASSOCIATION**

**JUNE 30, 2019**

**CITY OF SANTA BARBARA  
CALIFORNIA LAW ENFORCEMENT TELECOMMUNICATIONS SYSTEM/  
MESSAGE SWITCHING SYSTEM JOINT POWERS ASSOCIATION  
For the Fiscal Year Ended June 30, 2019  
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## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of City Council  
California Law Enforcement Telecommunications System  
Message Switching System Joint Powers Association  
City of Santa Barbara, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the California Law Enforcement Telecommunications System/Message Switching System Joint Powers Association (the "Association") of the City of Santa Barbara, California (the "City") as of and for the year ended June 30, 2019, and the related statement of activities and change in net position, the statement of cash flows for the year then ended, and the related notes to the 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the California Law Enforcement Telecommunications System/Message Switching System Joint Powers Association of the City of Santa Barbara as of June 30, 2019, and the respective changes in its net position and its cash flows 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.

### *Prior Year Comparison Information*

The financial statements include summarized prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2018, from which such partial information was derived.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2019, on our consideration of the California Law Enforcement Telecommunications System/Message Switching System Joint Powers Association ("Association") of the City of Santa Barbara's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.

*White Nelson Dick Evans LLP*

Irvine, California  
December 17, 2019

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

The Honorable Mayor and Members of City Council  
California Law Enforcement Telecommunications System  
Message Switching System Joint Powers Association  
City of Santa Barbara, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the California Law Enforcement Telecommunications System/Message Switching System Joint Powers Association of the City of Santa Barbara, California, (the Association) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements, and have issued our report thereon dated December 17, 2019.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Association's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association'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 controls that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Association'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 Association'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 Association's internal control and compliance, Accordingly, this communication is not suitable for any other purpose.

*White Nelson Nick Evans LLP*

Irvine, California  
December 17, 2019

CITY OF SANTA BARBARA  
CALIFORNIA LAW ENFORCEMENT TELECOMMUNICATIONS SYSTEM/  
MESSAGE SWITCHING SYSTEM JOINT POWERS ASSOCIATION  
STATEMENTS OF NET POSITION  
JUNE 30, 2019  
(with summarized information for June 30, 2018)

	2019	2018
<b>Assets</b>		
Pooled cash and investments	\$ 52,454	\$ 81,980
Receivables:		
Accounts	18,597	58,093
<b>Total Assets</b>	<b>71,051</b>	<b>140,073</b>
<b>Liabilities</b>		
Accounts payable	-	2,296
Unearned revenue	6,614	-
<b>Total Liabilities</b>	<b>6,614</b>	<b>2,296</b>
<b>Net Position</b>		
Restricted for public safety	64,437	137,777
<b>Total Net Position</b>	<b>\$ 64,437</b>	<b>\$ 137,777</b>

See notes to financial statements.

CITY OF SANTA BARBARA  
CALIFORNIA LAW ENFORCEMENT TELECOMMUNICATIONS SYSTEM/  
MESSAGE SWITCHING SYSTEM JOINT POWERS ASSOCIATION  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET POSITION  
YEARS ENDED JUNE 30, 2019  
(with summarized information for June 30, 2018)

	2019	2018
Operating Revenues		
Operating reimbursements from member agencies	167,436	\$ 243,592
Total Operating Revenues	167,436	243,592
Operating Expenses		
Contractual Services	241,593	187,997
Total Operating Expenses	241,593	187,997
Operating Income (Loss)	(74,157)	55,595
Nonoperating Income (Expense)		
Interest income (expense)	817	726
Total Nonoperating Income (Expense)	817	726
Change in Net Position	(73,340)	56,321
Net Position		
Beginning of year	137,777	81,456
End of year	\$ 64,437	\$ 137,777

See notes to financial statements.

CITY OF SANTA BARBARA  
CALIFORNIA LAW ENFORCEMENT TELECOMMUNICATIONS SYSTEM/  
MESSAGE SWITCHING SYSTEM JOINT POWERS ASSOCIATION  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2019  
(with summarized information for June 30, 2018)

	2019	2018
Cash Flows from Operating Activities:		
Cash received from member agencies	\$ 206,932	\$ 215,748
Cash payments for contractual services	(237,275)	(185,917)
Net Cash Provided by (Used in) Operating Activities	(30,343)	29,831
Cash Flows from Financing Activities:		
Interest received (paid)	817	726
Net Cash Provided by Financing Activities	817	726
Net Change in Cash	(29,526)	30,557
Cash and Cash Equivalents at Beginning of Year	81,980	51,423
Cash and Cash Equivalents at End of Year	\$ 52,454	\$ 81,980
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Operating income (loss)	\$ (74,157)	\$ 55,595
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	39,496	(27,844)
Increase (Decrease) in Accounts Payable	(2,296)	2,080
Increase (Decrease) in Unearned Revenue	6,614	-
Net Cash Provided by (Used in) Operating Activities	\$ (30,343)	\$ 29,831

See notes to financial statements.

**CITY OF SANTA BARBARA  
CALIFORNIA LAW ENFORCEMENT TELECOMMUNICATIONS SYSTEM/  
MESSAGE SWITCHING SYSTEM JOINT POWERS ASSOCIATION  
Notes to Financial Statements  
June 30, 2019**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the California Law Enforcement Telecommunications System/Message Switching System Joint Powers Association (Association) have been prepared in conformity with generally accepted accounting principles as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Association's accounting policies are described below:

a. Description of the Reporting Entity

The California Law Enforcement Telecommunications System (CLETS) is designed to provide all law enforcement agencies the capability of obtaining information directly from federal, state and local computerized information files. In addition, the systems provide fast and efficient point-to-point delivery of messages between agencies.

CLETS is a cooperative system whereby the State of California provides central switching equipment, personnel to staff the switching center and sufficient circuitry from the switching center to such locations as authorized by law to handle law enforcement message traffic. Circuitry and terminal equipment to extend beyond the CLETS termination point in each county is provided by client agencies such as the Association.

The Association was created by its members in June 1990 pursuant to a joint exercise of powers agreement. The Association currently consists of the following 16 members:

- Allan Hancock College Police Department
- Guadalupe Police Department
- Lompoc Police Department
- Los Padres National Forest
- Santa Barbara City Airport Patrol
- Santa Barbara City Harbor Patrol
- Santa Barbara City Police Department
- Santa Barbara County Probation
- Santa Barbara County Sheriff
- Santa Barbara District Attorney
- Santa Maria Federal Bureau of Investigation
- Santa Maria Police Department
- Superior Court of California
- University of California Santa Barbara Police Department
- Vandenberg AFB Security Forces
- Ventura Police Department

The Association was established pursuant to Sections 6500-6515 of the State of California Government Code. The Association acts as a legal entity, separate and distinct from the City of Santa Barbara (City) and its other member agencies. The actions of the Association are binding and all business is routinely transacted in the Association's name.

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

a. Description of the Reporting Entity (Continued)

The Association is empowered to engage in the ongoing operation, maintenance and improvement of the CLETS regional network, as needed, to provide a forum for member agencies to provide recommendations and comments to the technical advisors and to assist in the development of rules and regulations governing the participation of member agencies.

The City acts as administrator of the Association. As administrator, the City performs all of the administrative functions of the Association. The City maintains the centralized computer hardware and software and procures all new computer equipment and workstations. The City's finance department performs all accounting functions for the Association and administers the Association's cash and investment activities using the City's central cash pool. The Association reimburses the City for costs incurred on behalf of the Association on a semiannual basis.

b. Basis of Accounting

The basic financial statements (i.e., the Statement of Net Position, the Statement of Activities and Changes in Net Position, and the Statement of Cash Flows) report information on all of the activities of the Association. These basic financial statements are presented in accordance with GASB Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments* and other related standards.

The basic financial statements are prepared using the economic resource measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Activities and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. 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 Association distinguishes operating revenues and expenses from nonoperating items. Operating revenues, such as reimbursements from member agencies, result from exchange transactions associated with the principal activity of the Association. Exchange transactions are those in which each party receives and gives up essentially equal values. Operating expenses include the contractual services and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

c. Capital Assets

Capital assets consist of equipment which is stated at cost, net of accumulated depreciation, except for the portions acquired by contribution, which are recorded at fair value at the time received. Depreciation is recorded using the straight-line method and a half-year convention with no allowance for salvage values. The estimated useful lives used in computing depreciation of equipment range from five to ten years. At June 30, 2019, the Association did not have capital assets.

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

d. Unearned Revenue

Under the accrual basis of accounting, revenue may be recognized only when earned. Therefore, the statement of net position, defers revenue recognition in connection with resources that have been received as of year-end, but not yet earned. Assets recognized in connection with a transaction before the earnings process is complete are offset by a corresponding liability for unearned revenue.

e. Use of Estimates

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

**2. RISK MANAGEMENT**

The Association is included in the City's risk management program. The City is partially self-insured for workers' compensation and general and automobile liability claims, and fully self-insured for unemployment claims. There have been no significant changes in insurance coverage as compared to last year and settlements have not exceeded coverage in any of the past three fiscal years.

The City's workers' compensation program maintains a self-insured retention of \$750,000. The City purchases an excess insurance policy that provides statutory limits in excess of the City's self-insured retention. The excess insurance coverage consists of a \$5 million pooled layer above the City's self-insured retention amount plus the use of commercial insurance above the pooled layer. Employers' Liability coverage is also included within the limits of the \$5 million pooled layer.

The City's general and automobile liability program maintains a self-insured retention of \$1,000,000. Excess liability coverage is provided through a Joint Powers Agreement. The City joined the Authority of California Cities Excess Liability (ACCEL) in May 1986, ACCEL is a public entity risk sharing pool created for the purpose of pooling various public sector risks. ACCEL has membership totaling twelve (12) cities. ACCEL was formed under the Joint Powers Agreement (JPA) provisions of State Law (Government Code Sections 990, 990.4, 990.8 and 65006515). In addition to the joint powers agreement, ACCEL is governed by bylaws, an investment policy, and a Memorandum of Coverage, adopted by the ACCEL members.

ACCEL now transfers most of its risk sharing exposures through the purchase of a series of commercial policy underwritten by various carriers. ACCEL members have a \$1 million self-insured retention. ACCEL pools the next \$4 million and commercial carriers provide \$45 million in coverage above that level. Thus the City's participation in ACCEL provides liability coverage of \$50 million.

**2. RISK MANAGEMENT (CONTINUED)**

A Memorandum of Coverage acts as the instrument by which member cities are protected against covered losses above the self-insured retention (SIR). This document also serves as the manuscript form for which the commercial carriers provide coverage. Coverage includes comprehensive general and automobile liability protecting against bodily injury, property damage, public officials errors and omissions, personal injury, employment practices, as well as damages arising from owned, non-owned, and hired automobiles.

A Board of Directors consisting of one representative from each member city governs ACCEL. This Board controls all aspects of ACCEL policy including budgeting, finance, underwriting, and claims. ACCEL conducts annual financial, claims, and payroll audits, with an actuarial review performed every two years. A retrospective rating is performed each year on the program year ended five years earlier. The retrospective rating determines each member's share of losses and deposit return. ACCEL members share pooled losses above their self-insured retention. Losses are paid from a pool of funds comprised of member deposits. Deposits are actuarially determined to ensure that funds are available to pay any losses within the pooled layer. ACCEL collects a deposit from each member for each program year in which the member participates. Separate deposit accounts are set for each member for each year of participation. Deposits are invested into pre-approved vehicles and each member account is credited monthly with investment income at the rate earned by the investment vehicle. ACCEL adopted its investment policy in accordance with existing government code criteria.

Insurable property is covered for all risks by policies with a pooled aggregate limit of \$1 billion. Earthquake and flood coverage have designated limits of \$50 million per peril. Unique risks such as airport liability, marine hull protection and indemnity, and boiler and machinery are fully insured. The City also maintains a faithful performance bond, and cyber liability insurance. The City filed two claims under the boiler and machinery insurance policy during fiscal year 2019: a claim for accidental discharge from a fire suppression system and damage to an electrical transformer. No other claims were filed during fiscal year 2019.

**3. SUBSEQUENT EVENTS**

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through December 17, 2019, the date the financial statements were available to be issued.