

# **VENTURA LOCAL AGENCY FORMATION COMMISSION**

**Annual Financial Report**

**Fiscal Year Ended June 30, 2015**



# INTRODUCTORY SECTION



# **VENTURA LOCAL AGENCY FORMATION COMMISSION**

## **ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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# **FINANCIAL SECTION**







## INDEPENDENT AUDITORS' REPORT

The Commissioners of Ventura  
Local Agency Formation Commission

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of the Ventura Local Agency Formation Commission (Commission), California, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Commission, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5–9 and 21–23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information 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 March 11, 2016, on our consideration of the Commission'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 Commission's internal control over financial reporting and compliance.



Rancho Cucamonga, California  
March 11, 2016

**MANAGEMENT'S  
DISCUSSION  
AND ANALYSIS  
(UNAUDITED)**



## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial performance of the Ventura Local Agency Formation Commission (Commission) provides an overview of the Commission's financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the basic financial statements and the notes to those financial statements identified in the accompanying table of contents.

### **OVERVIEW OF THE BASIC FINANCIAL STATEMENTS**

The Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the Commission's basic financial statements. The Commission's basic financial statements include three components: the governmental fund financial statements, the government-wide financial statements, and the notes to the basic financial statements. The basic financial statements consolidate the two kinds of statements that present different views of the Commission. The statements and notes are followed by a section of required supplementary information that provide additional financial and budgetary information.

The two statements presented are the Governmental Fund Balance Sheet/Statement of Net Position, and the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities. The General Fund columns reflect the governmental fund financial statements that focus on the short-term. The Statement of Net Position and the Statement of Activities columns reflect the government-wide financial statements that provide both long-term and short-term information about the Commission's overall financial status. These statements can be found on pages 11 - 12.

#### **Government-wide Financial Statements**

The financial statements created by Governmental Accounting Standards Board Statement No. 34 (GASB 34) as amended, are designed to provide readers with a broad overview of the Commission's finances in a manner similar to a private-sector business. The *statement of net position* and *statement of activities* use the flow of economic resources measurement focus and accrual basis of accounting. The focus and basis emphasize the *long-term* view of the Commission's finances.

The *statement of net position* presents information on all Commission assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The *statement of activities* presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

### **Fund Financial Statements**

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the Commission rather than the Commission as a whole. They are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Commission is a single purpose, single fund entity and utilizes a governmental fund to account for its activities.

The fund financial statements consist of the balance sheet and statement of revenues, expenditures, and changes in fund balance. These are prepared on the modified-accrual basis of accounting. The government-wide statements are prepared on the full-accrual basis.

In general, these financial statements under the modified-accrual basis have a short-term emphasis and for the most part, measure and account for assets that are current financial resources, and liabilities that are expected to be liquidated with current financial resources. Specifically, cash and receivables collectible within a very short period of time are reported on the balance sheet.

Fund liabilities include amounts that are to be paid within a very short time after the end of the fiscal year. The long-term liabilities are not included. The difference between a fund's total assets and total liabilities represents the fund balance. The assigned and unassigned portions of the fund balance represents the amount available to finance future activities.

The operating statement for the governmental fund reports only those revenues and expenditures that were collected in cash or paid with cash during the current period or very shortly after the end of the year.

The focus of the fund financial statements is narrower than that of the government-wide financial statements. Since the different accounting basis is used to prepare the above statements, reconciliation is required to facilitate the comparison between the fund statements and the government-wide statements. The reconciliation between the total fund balances and net position of governmental activities can be found on page 11.

The reconciliation of the total change in the fund balance for the governmental fund to the change in net position of governmental activities can be found on page 12.

### **Notes to the Basic Financial Statements**

The notes to the basic financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 13 - 20 of this report.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

A summary of the government-wide statement of net position follows:

Table 1  
Net Position - Governmental Activities

	<u>2015</u>	<u>2014</u>
Assets:		
Current and other assets	\$ 469,328	\$ 463,000
Total assets	<u>\$ 469,328</u>	<u>\$ 463,000</u>
Liabilities:		
Current and other liabilities	\$ 57,735	\$ 41,192
Long-term liabilities	<u>9,442</u>	<u>3,763</u>
Total liabilities	<u>67,177</u>	<u>44,955</u>
Net position:		
Unrestricted	<u>402,151</u>	<u>418,045</u>
Total net position	<u>402,151</u>	<u>418,045</u>
Total liabilities and net position	<u>\$ 469,328</u>	<u>\$ 463,000</u>

As shown in Table 1, the Commission's total assets in the fiscal year ended June 30, 2015, increased \$6,328 or 1.4 percent from FY 2014. This was primarily due to an increase in the amount of revenue received from charges for the Commission's services (application filing fees), offset by an increase in contract labor primarily due to approved cost of living and merit increases. As shown in Table 2, the amount of revenue from the Commission's application filing fees in the fiscal year ended June 30, 2015, was significantly higher than the prior fiscal year. This is a result of a significant increase in the number of applications received and one particularly complex application requiring a significant amount of staff time, resulting in higher fee revenue. Net position as of June 30, 2015, decreased \$15,894, indicating a 3.8 percent decline in the Commission's overall financial condition, primarily attributed to a decrease in apportionments from other governmental agencies and an increase in total expenditures for contract services.

Table 2  
Revenue from Filing Fees, FY 2010-15

<u>Fiscal Year</u>	<u>Amount of Revenue from Filing Fees</u>
2009-10	\$44,302
2010-11	\$110,941
2011-12	\$40,684
2012-13	\$41,874
2013-14	\$47,920
2014-15	\$57,568

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)**

A summary of the government-wide statement of activities follows:

Table 3  
Changes in Net Position - Governmental Activities

	<u>2015</u>	<u>2014</u>
Revenues:		
Program revenues:		
Charges for services:		
Apportionments from other governmental units	\$ 519,249	\$ 573,636
Filing fees	57,568	47,920
General revenues:		
Interest	<u>2,712</u>	<u>1,991</u>
Total revenues	<u>579,529</u>	<u>623,547</u>
Expenses:		
General government	<u>595,423</u>	<u>557,365</u>
Total expenses	<u>595,423</u>	<u>557,365</u>
Change in net position	(15,894)	66,182
Net position - beginning of year	<u>418,045</u>	<u>351,863</u>
Net position - end of year	<u>\$ 402,151</u>	<u>\$ 418,045</u>

As in all other years, the Commission's major source of revenue in fiscal year ended June 30, 2015, was apportionments from other governmental agencies. Since apportionments comprise a significant proportion of the Commission's total revenue and since the annual apportionment amount is based directly on the Commission's projected operating expenditures, total revenue generally varies from any given year for the same reasons as do total expenditures. Filing fees increased \$9,648 or 20.1 percent in fiscal year ended June 30, 2015, primarily a result of a significant increase in the number of applications received and one particularly complex application requiring a significant amount of contract labor time, resulting in higher fee revenue.

As shown in Table 3, total expenses in fiscal year ended June 30, 2015, increased by \$38,058 or 6.8 percent. This was primarily an increase of \$35,745 for contract labor, primarily due to approved cost of living and merit increases, and retirement health insurance benefits for the retired Executive Director.



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### GOVERNMENTAL FUND FINANCIAL ANALYSIS

As noted earlier, the Commission uses fund accounting to provide proper financial management of the Commission's resources and to demonstrate compliance with finance-related legal requirements.

**Major Governmental Fund.** The General Fund is the chief operating fund of the Commission. At the end of the fiscal year ended June 30, 2015, total fund balance of the General Fund was \$440,471, compared to \$445,921 for fiscal year ended June 30, 2014.

### GENERAL FUND BUDGET

There were no significant General Fund budget adjustments for the year. Major deviations between the budget of the General Fund and its actual operating results were as follows:

- *Filing fees revenue (miscellaneous revenue):*
  - Filing fees revenue (miscellaneous revenue) was more than budgeted, a result of a significant increase in the number of applications received and one particularly complex application requiring a significant amount of staff time, resulting in higher fee revenue.
- *Contract labor:*
  - Terminations/Buydown expenditures were less than budgeted due to fewer than anticipated expenditures for buydowns of accrued annual leave by LAFCo contract labor.
  - Retirement contributions were less than budgeted due to the salaries being less than budgeted.
- *Services and supplies:*
  - County GIS (mapping) and County Counsel expenditures were less than budgeted from receiving less complex applications than anticipated.

### REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Executive Officer at the Ventura County Government Center, Hall of Administration, 800 S. Victoria Avenue, Ventura, California 93009-1850.

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# **BASIC FINANCIAL STATEMENTS**



VENTURA LOCAL AGENCY FORMATION COMMISSION  
GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET POSITION  
JUNE 30, 2015

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents (Note 2)	\$ 467,780	\$ -	\$ 467,780
Accounts receivable	1,057	-	1,057
Interest receivable	491	-	491
Total assets	<u>469,328</u>	<u>-</u>	<u>469,328</u>
<b><u>LIABILITIES</u></b>			
Accounts payable	\$ 1,073	-	1,073
Contracted labor payable	11,535	-	11,535
Due to County of Ventura	6,615	-	6,615
Unearned revenue	9,634	-	9,634
Long-term liabilities (Note 5):			
Due within one year	-	28,878	28,878
Due after one year	-	9,442	9,442
Total liabilities	<u>28,857</u>	<u>38,320</u>	<u>67,177</u>
<b><u>FUND BALANCE/NET POSITION</u></b>			
Fund balances:			
Committed	100,000	(100,000)	-
Assigned	75,000	(75,000)	-
Unassigned	265,471	(265,471)	-
Total fund balance	<u>440,471</u>	<u>(440,471)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 469,328</u>		
Net position:			
Unrestricted		402,151	402,151
Total net position		<u>\$ 402,151</u>	<u>\$ 402,151</u>

**Fund balances - total governmental fund** \$ 440,471

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

Long-term liabilities used in governmental activities are not  
due and payable in the current period and, therefore,  
are not reported in the governmental fund

(38,320)

**Net position of governmental activities** \$ 402,151

See the accompanying notes to the basic financial statements

VENTURA LOCAL AGENCY FORMATION COMMISSION  
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Expenditures/expenses:			
General government	\$ <u>584,979</u>	\$ <u>10,444</u>	\$ <u>595,423</u>
Total expenditures/expense	<u>584,979</u>	<u>10,444</u>	<u>595,423</u>
Program revenues:			
Charges for services:			
Apportionments	519,249	-	519,249
Filing fees	<u>57,568</u>	<u>-</u>	<u>57,568</u>
Total charges for services	<u>576,817</u>	<u>-</u>	<u>576,817</u>
Net program revenue/(expense)			(18,606)
General revenues:			
Interest	<u>2,712</u>	<u>-</u>	<u>2,712</u>
Total general revenues	<u>2,712</u>	<u>-</u>	<u>2,712</u>
Excess of revenues over expenditures	(5,450)	5,450	<u>-</u>
Change in net position		(15,894)	(15,894)
Fund balance/net position:			
Beginning of the year	<u>445,921</u>	<u>(27,876)</u>	<u>418,045</u>
End of the year	\$ <u><u>440,471</u></u>	\$ <u><u>(38,320)</u></u>	\$ <u><u>402,151</u></u>

**Net change in fund balances - total governmental fund** \$ (5,450)

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

Some expenses reported in the statement of activities  
do not require the use of current financial resources and, therefore,  
are not reported as expenditures in the governmental fund  
    Change in contract related payables (10,444)

**Change in net position of governmental activities** \$ (15,894)

See the accompanying notes to the basic financial statements

VENTURA LOCAL AGENCY FORMATION COMMISSION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Ventura Local Agency Formation Commission (Commission) conform to generally accepted accounting principles (GAAP) as applicable to governments. The following is a summary of the significant policies.

**A. Description of the Reporting Entity**

Following the end of World War II, California entered a new era of demographic growth and diversity and economic development. With this growth came the need for housing, jobs, and public services. To provide for these services, California experienced a wave of newly formed cities and special districts, but with little forethought as to how the new agencies should plan for services. The lack of coordination and adequate planning for future governance led to a multitude of overlapping, inefficient jurisdictional and service boundaries.

In 1963, the State Legislature created Local Agency Formation Commissions to help direct and coordinate California's growth in a logical, efficient, and orderly manner. Each county within California is required to have a Commission. The Commissions are charged with the responsibility of making difficult decisions on proposals for new cities and special districts, spheres of influence, consolidations, and annexations.

The Commission's governing board consists of eleven appointed Commissioners: seven voting members with four alternate members, who vote only in the absence of a voting member. Two members and one alternate member are selected by the Board of Supervisors of the County of Ventura (County) from their own membership; two members and one alternate member are selected by the cities in the County; two members and one alternate member are selected from special districts by the independent special district selection committee; and one member and one alternate member are selected to represent the general public, who are appointed by the other Commissioners.

**B. New Accounting Pronouncements**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, effective for periods beginning after June 15, 2014, improves accounting and financial reporting by state and local governments for pensions. The new requirements are not applicable to the Commission.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, effective for periods beginning after December 15, 2013, establishes accounting and financial reporting standards related to government combinations and disposals of government operations and improves financial reporting by requiring that certain disclosures be made about combination arrangements and disposals of government operations. The new requirements are not applicable to the Commission.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, effective simultaneously with the provisions of Statement 68, eliminates the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers. The new requirements are not applicable to the Commission.

VENTURA LOCAL AGENCY FORMATION COMMISSION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

The Commission is currently evaluating its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

GASB Statement No. 72, *Fair Value Measurement and Application*, effective for periods beginning after June 15, 2015, enhances comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. The Commission intends to implement the new requirements for the fiscal year 2015-16 financial statements.

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*, effective for periods beginning after June 15, 2015; except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective beginning after June 15, 2016, improves financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employer and non-employer contributing entities. Management believes the new requirements are not applicable to the Commission.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective for periods beginning after June 15, 2016, improves the usefulness of information about postemployment benefits other than pensions (OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and accessing accountability, primarily through enhanced note disclosures and schedules of required supplementary information. Management believes the new requirements are not applicable to the Commission.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for periods beginning after June 15, 2017, improves the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and enhances its value for assessing accountability and interperiod equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. Management believes the new requirements are not applicable to the Commission.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for periods beginning after June 15, 2015, improves financial reporting by state and local governments by identifying the hierarchy of generally accepted accounting principles (GAAP) and addressing the use of authoritative and non-authoritative literature in the event that the accounting treatment of a transaction or other event is not specified within a source of authoritative GAAP. The Commission intends to implement the new requirements for the fiscal year 2015-16 financial statements.

GASB Statement No. 77, *Tax Abatement Disclosures*, effective for periods beginning after December 15, 2015, improves financial reporting of state and local governments by providing users the tax abatement information they need to evaluate the financial health of governments, such as, a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues. Management believes the new requirements are not applicable to the Commission.



VENTURA LOCAL AGENCY FORMATION COMMISSION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

C. Government-wide and Fund Financial Statements

*Government-wide Financial Statements*

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Commission.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges for services that are restricted to meeting the operational or capital requirements of a particular function or segment. Interest and other items not properly included among program revenues are reported instead as general revenues.

*Fund Financial Statements*

The governmental fund financial statements are prepared under the modified accrual basis of accounting and the current financial resources measurement focus. The emphasis of fund financial statements is on major governmental funds.

Because the governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, a reconciliation is presented which explains the adjustments necessary to reconcile fund financial statements to the government-wide financial statements.

D. Net Position/Fund Balances

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

*Net Investment In Capital Assets* – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation, the outstanding balances of debt, and deferred inflows that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

*Restricted Net Position (RNP)* – This category reflects that portion of net position that is subject to constraints either by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted Net Position* – This category represents that portion of the net position of the Commission not restricted for any project or other purpose. Outstanding liabilities attributable to these items reduce the balance of this category.

VENTURA LOCAL AGENCY FORMATION COMMISSION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

**Fund Statement - Fund Balances**

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the Commission is bound to honor constraints on the specific purposes for which amounts in the funds can be spent.

*Nonspendable fund balance* - includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories or prepaid amounts and may also include the long-term receivables.

*Restricted fund balance* - includes amounts with constraints on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed fund balance* – includes amounts that can only be used for the specific purposes determined by formal action of the highest level of decision-making authority, the Commission. All policy decisions by the Commission are made through the adoption of a resolution; these policies are then incorporated in the Commissioner's Handbook. Commitments may be changed only by the Commission taking the same formal action that originally imposed the constraint. The Commission has committed \$100,000, for a Litigation Account with the intent of limiting the use of the Litigation Account funds for unanticipated expenditures resulting from litigation against the Commission that does not occur routinely and would not be reimbursed by another party.

*Assigned fund balance* – includes amounts that are constrained by the Commission’s intent to be used for specific purposes. The intent is expressed by the highest level of decision-making, the Commission. Assigned fund balance does not require the same formal action required for committed fund balance; instead an assignment of fund balance requires a majority vote of the Commission. However, if a portion of existing fund balance is included as a budgetary resource in the subsequent year's budget, the Commissioner's Handbook specifies that portion of fund balance should be classified as assigned. Fund balance of \$75,000 is assigned for the subsequent year's budget "deficit".

*Unassigned fund balance* – is the residual classification for the General Fund and includes all amounts not contained in the other classifications.

It is the Commission's policy when restricted and unrestricted (committed, assigned, or unassigned) resources are available, restricted resources are generally considered to be used first, followed by committed, assigned, and unassigned resources as they are needed.

**E. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and, expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows.

VENTURA LOCAL AGENCY FORMATION COMMISSION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Charges for services and interest associated with the current fiscal periods are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal periods. All other revenue items are considered to be measurable and available only when cash is received by the government.

Amounts reported as program revenues include apportionments and filing fees. Internally dedicated resources are reported as general revenues rather than as program revenues.

**F. Cash and Cash Equivalents**

The Commission considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The Commission's cash from operations is deposited in the County of Ventura Treasury. The County pools its funds with other government agencies in the County and invests them as prescribed by the California Government Code. The only authorized investment for the Commission is the County of Ventura Investment Pool. The Commission's deposits in the County pool may be accessed any time. The Commission is allocated interest income on monies deposited with the County based on its proportional share of the total pool. All pooled investments are carried at fair value. The fair value of a participant's position in the pool is not the same as the value of the pooled shares. The County of Ventura investment policy and related disclosures may be found in the notes to the County's basic financial statements.

**G. Due to County of Ventura**

Due to County of Ventura is the payment due to the County for services and support provided by the County to the Commission.

**H. Fund Balance Policy**

The Commission has adopted a policy to achieve a minimum level of unassigned fund balance in the General Fund of approximately 60 days of working capital. Excess fund balance remaining over and above the committed and assigned fund balances is classified as "unassigned" in the General Fund. Should Unassigned Fund Balance fall below 45 days working capital it should be addressed in the next fiscal year budget. As of June 30, 2015, available working capital in excess of 60 days was \$192,059.

**I. Estimates**

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

VENTURA LOCAL AGENCY FORMATION COMMISSION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

## 2. CASH AND CASH EQUIVALENTS

The Commission participates in the County Treasurer's cash and investment pool. At June 30, 2015, the Commission's total cash and cash equivalents was \$467,780; the change in fair value from carrying value amounted to a decrease of \$398.

### Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of the fair value to changes in market interest rates.

At June 30, 2015, the weighted average maturity of the County of Ventura Investment Pool was 297 days.

### Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County of Ventura Investment Pool has received ratings of AA+ and S1+ by Standard and Poor's Ratings Services, the highest possible ratings given by the agency.

### Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Commission's investment policy do not contain legal or policy requirements, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2015, the Commission had all of its cash pooled with the County of Ventura Treasury. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as the money invested by the Commission in the County of Ventura Investment Pool).

VENTURA LOCAL AGENCY FORMATION COMMISSION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

### 3. INSURANCE

The Commission is a member of the County of Ventura's Risk Management affiliated agencies. The schedule of insurance coverage is as follows:

Coverage	Limit of Insurance
Public Employees Blank Bond Fraudulent Mortgage Rider Funds Transfer Fraud	\$ 15,000,000 Per occurrence/aggregate where applicable. \$25,000 deductible per occurrence.
Public Entity Liability	\$ 32,000,000 In aggregate. \$1,000,000 self insured retention per occurrence plus \$1,000,000 net loss corridor retention in excess of \$1,000,000.
Business Travel Accident	\$ 5,700,000 Aggregate, no deductible.
Risk Property, Boiler & Machinery, Heavy Equipment, DIC, Library Book Floater	\$ 600,000,000 Varies.

Settlements or judgments have not exceeded commercial coverage for any risk of loss in each of the past three fiscal years.

### 4. RELATED PARTY TRANSACTIONS

The Commission and the County entered into a Memorandum of Agreement to provide office space, contract labor, accounting, information technology support, legal service, workers' compensation and liability insurance, administrative support, and maintenance support. The Commission is managed by a contract labor agreement with the County and has no employees. Benefits provided to the contract labor including compensated absences, health and pension benefits are charged to the Commission on a pay-as-you-go basis. The total expense incurred by the Commission to the County for the year ended June 30, 2015, was \$537,627. The total due to the County as of June 30, 2015, was \$6,615.

VENTURA LOCAL AGENCY FORMATION COMMISSION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

**5. LONG-TERM LIABILITIES**

Long-term obligations of the Commission consist of contract labor related liabilities. Contract labor related liabilities are liabilities for vacation, vested sick leave benefits, and compensatory time reported. The Commission has agreed to pay these specific benefits under the Memorandum of Agreement with the County as part of contract labor costs.

A summary of long-term liabilities incurred, outstanding as of June 30, 2015, is as follows:

Type of Liability	Outstanding July 1, 2014	Additions	Maturities	Outstanding June 30, 2015	Amount Due Within One Year
Contract labor related liabilities	<u>\$ 27,876</u>	<u>\$ 34,557</u>	<u>\$ 24,113</u>	<u>\$ 38,320</u>	<u>\$ 28,878</u>

A liability for contract labor related liabilities are reported in the governmental fund financial statements only if they have matured due to employee resignations and retirements.

**REQUIRED  
SUPPLEMENTARY  
INFORMATION  
(OTHER THAN MD & A)  
(UNAUDITED)**





VENTURA LOCAL AGENCY FORMATION COMMISSION  
BUDGETARY COMPARISON SCHEDULE - ON BUDGETARY BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
<b>Resources (inflows):</b>				
Apportionments	\$ 519,249	\$ 519,249	\$ 519,249	\$ -
Filing fees	30,000	30,000	57,568	27,568
Interest	<u>2,700</u>	<u>2,700</u>	<u>2,154</u>	<u>(546)</u>
Amount available for appropriation	<u>551,949</u>	<u>551,949</u>	<u>578,971</u>	<u>27,022</u>
<b>Charges to appropriations (outflows):</b>				
General government:				
Contract labor	476,200	476,200	466,162	10,038
Services and supplies	147,050	147,050	118,817	28,233
Contingencies	<u>18,699</u>	<u>18,699</u>	<u>-</u>	<u>18,699</u>
Total charges to appropriation	<u>641,949</u>	<u>641,949</u>	<u>584,979</u>	<u>56,970</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(90,000)</u>	<u>(90,000)</u>	<u>(6,008)</u>	<u>83,992</u>
<b>Fund balance - beginning</b>	<u>445,921</u>	<u>445,921</u>	<u>445,921</u>	<u>-</u>
<b>Fund balance - ending</b>	<u>\$ 355,921</u>	<u>\$ 355,921</u>	<u>\$ 439,913</u>	<u>\$ 83,992</u>

VENTURA LOCAL AGENCY FORMATION COMMISSION  
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**1. BUDGET AND BUDGETARY ACCOUNTING**

As set forth in California Government Code Section 56381 of the Cortese-Knox-Hertzberg (CKH) Local Government Reorganization Act of 2000, the Commission is legally required to adopt a proposed annual budget for the General Fund by May 1, and a final annual budget by June 15. The Commission adheres to the provisions of California Government Code Sections 29000 through 29144 concerning budgetary matters, commonly known as The County Budget Act.

The adopted budget can be amended by the Commission to change both appropriations and estimated revenues as unforeseen circumstances come to management's attention. Increases and decreases in revenue and appropriations require approval by the Commissioners. Expenditures may not exceed total appropriations at the individual object level. Any transfer of appropriations between object levels is delegated by the Commission to the Executive Officer. It is the practice of the Commission's management to review the budget quarterly and, if necessary, recommend changes to the Commission.

The Budgetary Comparison Schedule for the General Fund, as required by GAAP, presents the original budget, final budget and actual amount. The "original budget" includes the adopted budget plus appropriations for prior year approved rollover encumbrances. The "final budget" is the budget as Board approved at the end of the fiscal year. The "actual amount" includes the actual revenues and expenditures incurred on a budgetary basis and as adjusted for the basic financial statements. Variances are provided between the Final Budget Amounts and the Actual Amounts on a budgetary basis.

This information is presented as Required Supplementary Information. Analysis of the final budget to actual variances is discussed in the Management's Discussion and Analysis.

The budget is adopted on a basis of accounting which is different from GAAP. The primary difference is:

- For budgetary purposes, changes in the fair value of investments are not recognized as increases or decreases to revenue. Under GAAP, such changes are recognized as increases or decreases to revenue.

The following schedule is a reconciliation of the difference between the fund balances on the actual on a budgetary basis and the GAAP basis on the fund financial statements at June 30, 2015:

	<u>FY 2014-15</u>
	<u>General</u>
Fund balance - Actual on budgetary basis	\$ 439,913
Adjustment:	
Change in fair value of investments	<u>558</u>
Fund balance - GAAP basis	<u>\$ 440,471</u>

VENTURA LOCAL AGENCY FORMATION COMMISSION  
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

Level of Budgetary Control

The legal level for budgetary control (the level at which expenditures may not legally exceed appropriations) is at the object level: contract labor and services and supplies. Expenditures are classified as general government. Any transfer of appropriations between object levels within the same budget unit is delegated by the Commission to the LAFCo Executive Officer.

Encumbrances

The Commission utilizes an encumbrance system as an extension of normal budgetary accounting to assist in controlling expenditures. Under this system, purchase orders, contracts, and other commitments for expenditures are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as assignment or commitment of fund balance in the governmental fund. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward in the ensuing year's budget.

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# COMPLIANCE SECTION





**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 Commissioners of Ventura  
Local Agency Formation Commission

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of the Ventura Local Agency Formation Commission (Commission), California, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated March 11, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Commission'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 Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

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

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

**Compliance and Other Matters**

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

  
Rancho Cucamonga, California  
March 11, 2016