

**VENTURA LOCAL AGENCY FORMATION  
COMMISSION**

**Annual Financial Report**

**Fiscal Year Ended June 30, 2017**



# **INTRODUCTORY SECTION**



**VENTURA LOCAL AGENCY FORMATION COMMISSION**

**ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**TABLE OF CONTENTS**

**INTRODUCTORY SECTION**

	PAGE
Table of Contents.....	1

**FINANCIAL SECTION**

Independent Auditors' Report .....	3
Management's Discussion and Analysis (MD&A - Unaudited).....	5
Basic Financial Statements:	
Governmental Fund Balance Sheet/Statement of Net Position.....	11
Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance/ Statement of Activities.....	12
Notes to the Basic Financial Statements.....	13
Required Supplementary Information (Other than MD & A - Unaudited):	
Budgetary Comparison Schedules.....	23
Note to the Required Supplementary Information.....	24

**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 <i>Government Auditing Standards</i> .....	27
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# **FINANCIAL SECTION**





**VAVRINEK, TRINE, DAY & CO., LLP**  
Certified Public Accountants

VALUE THE *difference*

## **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, 2017, 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.

### ***Auditor's 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, 2017, 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 23–25 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 27, 2018, 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.

*Vavimek, Jine, Day & Co., LLP*

Rancho Cucamonga, California  
March 27, 2018

**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, 2017. 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 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, reconciliations are 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 - 21 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

	2017	2016
Assets:		
Current and other assets	\$ <u>571,132</u>	\$ <u>489,062</u>
Total assets	\$ <u><u>571,132</u></u>	\$ <u><u>489,062</u></u>
Liabilities:		
Current and other liabilities	\$ 50,536	\$ 49,267
Long-term liabilities	<u>1,791</u>	<u>28,596</u>
Total liabilities	<u><u>52,327</u></u>	<u><u>77,863</u></u>
Net position:		
Unrestricted	<u>518,805</u>	<u>411,199</u>
Total net position	<u><u>518,805</u></u>	<u><u>411,199</u></u>
Total liabilities and net position	\$ <u><u>571,132</u></u>	\$ <u><u>489,062</u></u>

As shown in Table 1, the Commission's total assets in the fiscal year ended June 30, 2017, increased \$82,070 or 16.8 percent from FY 2016. This was primarily due to an increase in apportionments received from other governmental agencies and savings realized in salaries and benefits and services and supplies expenditures. As shown in Table 2, the amount of revenue from the Commission's application filing fees in the fiscal year ended June 30, 2017, was significantly higher than the prior fiscal year. This is a result of a complex application received which required significant contract labor time to process the application. Net position as of June 30, 2017, increased \$107,606, indicating a 26.2 percent improvement in the Commission's overall financial condition, primarily attributed to an increase in apportionments from other governmental agencies.

Table 2  
Revenue from Filing Fees, FY 2012-17

Fiscal Year	Amount of Revenue from Filing Fees
2011-12	\$40,684
2012-13	\$41,874
2013-14	\$47,920
2014-15	\$57,568
2015-16	\$24,108
2016-17	\$32,354

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

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

Table 3  
Changes in Net Position - Governmental Activities

	2017	2016
Revenues:		
Program revenues:		
Charges for services:		
Apportionments from other governmental units	\$ 617,028	\$ 576,477
Filing fees	32,354	24,108
General revenues:		
Interest	5,507	4,857
Total revenues	654,889	605,442
Expenses:		
General government	547,283	596,394
Total expenses	547,283	596,394
Change in net position	107,606	9,048
Net position - beginning of year	411,199	402,151
Net position - end of year	\$ 518,805	\$ 411,199

As in all other years, the Commission's major source of revenue in fiscal year ended June 30, 2017, 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 \$8,246 or 34.2 percent in fiscal year ended June 30, 2017, primarily as a result of a complex application received which required significant contract labor time to process the application.

As shown in Table 3, total expenses in fiscal year ended June 30, 2017, decreased by \$49,111 or 8.2 percent. This was primarily a decrease of \$45,499 for salaries and benefits, which is a result of a temporary reduction in scheduled hours worked by LAFCo Analyst.

**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, 2017, total fund balance of the General Fund was \$550,005, compared to \$464,095 for fiscal year ended June 30, 2016.

**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, primarily as a result of a complex application received which required significant contract labor time to process the application.
- *Contract labor:*
  - Salaries expenditures were less than budgeted due to a temporary reduction in scheduled hours worked by LAFCo Analyst.
  - 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, 2017

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<u>ASSETS</u>			
Cash and cash equivalents (Note 2)	\$ 565,165	\$ -	\$ 565,165
Accounts receivable	3,823	-	3,823
Interest receivable	2,144	-	2,144
Total assets	<u>571,132</u>	<u>-</u>	<u>571,132</u>
 <u>LIABILITIES</u>			
Contracted labor payable	\$ 15,827	-	15,827
Due to County of Ventura	5,300	-	5,300
Long-term liabilities (Note 5):			
Due within one year	-	29,409	29,409
Due after one year	-	1,791	1,791
Total liabilities	<u>21,127</u>	<u>31,200</u>	<u>52,327</u>
 <u>FUND BALANCE/NET POSITION</u>			
Fund balances:			
Committed	100,000	(100,000)	-
Assigned	95,000	(95,000)	-
Unassigned	355,005	(355,005)	-
Total fund balance	<u>550,005</u>	<u>(550,005)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 571,132</u>		
Net position:			
Unrestricted		518,805	518,805
Total net position		<u>\$ 518,805</u>	<u>\$ 518,805</u>

**Fund balances - total governmental fund** \$ 550,005

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 (31,200)

**Net position of governmental activities** \$ 518,805

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, 2017

	General Fund	Adjustments	Statement of Activities
Expenditures/expenses:			
General government	\$ <u>568,979</u>	\$ <u>(21,696)</u>	\$ <u>547,283</u>
Total expenditures/expense	<u>568,979</u>	<u>(21,696)</u>	<u>547,283</u>
Program revenues:			
Charges for services:			
Apportionments	617,028	-	617,028
Filing fees	<u>32,354</u>	<u>-</u>	<u>32,354</u>
Total charges for services	<u>649,382</u>	<u>-</u>	<u>649,382</u>
Net program revenue/(expense)			102,099
General revenues:			
Interest	<u>5,507</u>	<u>-</u>	<u>5,507</u>
Total general revenues	<u>5,507</u>	<u>-</u>	<u>5,507</u>
Excess of revenues over expenditures	85,910	(85,910)	<u>-</u>
Change in net position		107,606	107,606
Fund balance/net position:			
Beginning of the year	<u>464,095</u>	<u>(52,896)</u>	<u>411,199</u>
End of the year	<u>\$ 550,005</u>	<u>\$ (31,200)</u>	<u>\$ 518,805</u>

**Net change in fund balances - total governmental fund** \$ 85,910

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

21,696

**Change in net position of governmental activities** \$ 107,606

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, 2017

**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. 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. The provisions effective for the fiscal year 2015-16 financial statements are not applicable to the Commission. Management believes the remaining provisions for the fiscal year 2016-17 financial statements 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.

VENTURA LOCAL AGENCY FORMATION COMMISSION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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. 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.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, effective for periods beginning after December 15, 2015, which amends the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*, to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local government employer. This statement also establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and require supplementary information for pensions that have the characteristics described above. Management believes the new requirements are not applicable to the Commission.

GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*, effective for periods beginning after June 15, 2016, improves financial reporting by clarifying the financial statement presentation requirements for certain component units established in Statement No. 14, *The Financial Report Entity, as amended*, by establishing an additional blending requirement. Management believes the new requirements are not applicable to the Commission.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, effective for periods beginning after December 15, 2016, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Management believes the new requirements are not applicable to the Commission.

GASB Statement No. 82, *Pension Issues, an amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for periods beginning after June 15, 2016, except for the requirements for the selection of assumptions in circumstances where the employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end, which are effective for periods beginning after June 15, 2017, addresses the presentation of payroll-related measures in required supplementary information, selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee contribution requirements. 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, 2017  
(Continued)

GASB Statement No. 83, *Certain Asset Retirement Obligations*, effective for periods beginning after June 15, 2018, enhances comparability of financial statements by establishing uniform criteria for governments to recognize and measure certain Asset Retirement Obligations (AROs) and requiring disclosures related to those AROs. Management believes the new requirements are not applicable to the Commission.

GASB Statement No. 84, *Fiduciary Activities*, effective for reporting periods beginning after December 15, 2018, enhances consistency and comparability of financial statements by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities. Management believes the new requirements are not applicable to the Commission.

GASB Statement No. 85, *Omnibus 2017*, effective for reporting periods beginning after June 15, 2017, enhances consistency in accounting and financial reporting requirements specifically relating to blending component units, goodwill, fair value measurement and application, and postemployment benefits. Management believes the new requirements are not applicable to the Commission.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, effective for reporting periods beginning after June 15, 2017, increases consistency in accounting and financial reporting for debt extinguishments and related prepaid insurance by establishing uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irrevocable trust for the purpose of extinguishing that debt were acquired and enhances the decision-usefulness of information in notes to financial statements regarding debt that has been defeased in substance. Management believes the new requirements are not applicable to the Commission.

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. 87, *Leases*, effective for reporting periods beginning after December 15, 2019, improves accounting and financial reporting for leases and requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

VENTURA LOCAL AGENCY FORMATION COMMISSION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(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) are prepared using the accrual basis of accounting and the economic resources measurement focus. The government-wide financial statements report information on all of the activities.

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 of resources 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 the component 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 the component of net position not restricted for any project or other purpose. Outstanding liabilities that are attributable to this component, reduce the balance of this category.

VENTURA LOCAL AGENCY FORMATION COMMISSION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(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 \$95,000 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, 2017  
(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. However, expenditures related to compensated absences are recorded only when payment is due.

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 will be addressed in the next fiscal year budget. As of June 30, 2017, available working capital in excess of 60 days was \$263,338.

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, 2017  
(Continued)

## 2. CASH AND CASH EQUIVALENTS

The Commission participates in the County Treasurer's cash and investment pool. At June 30, 2017, the Commission's total cash and cash equivalents was \$565,165; the change in fair value from carrying value amounted to an increase of \$148.

### 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, 2017, the weighted average maturity of the County of Ventura Investment Pool was 181 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 Af 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, 2017, 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, 2017  
 (Continued)

Fair Value Measurements

The Commission categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 includes directly observable inputs; Level 3 inputs are unobservable inputs. As of June 30, 2017 the Commission held no individual investments. All funds are invested in the Ventura County Investment Pool.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Commission assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Deposits and withdrawals in governmental investment pools, such as the Ventura County Investment Pool, are made on the basis of one dollar and not fair value. Consequently, the Commission's proportionate share of investments in the Ventura County Investment Pool at June 30, 2017 is uncategorized and not defined as Level 1, Level 2 or Level 3 input.

**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:

<u>Coverage</u>	<u>Limit of Insurance</u>
Public Employees Blanket Bond Fraudulent Mortgage Rider Funds Transfer Fraud	\$ 15,000,000 Per occurrence/aggregate where applicable. \$25,000 deductible per occurrence.
General Liability	\$ 42,000,000 In aggregate. \$1,000,000 self insured retention per occurrence.
Cyber Liability	\$ 4,000,000 Per occurrence/aggregate where applicable. \$100,000 deductible per occurrence.
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.

VENTURA LOCAL AGENCY FORMATION COMMISSION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
 (Continued)

**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. 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, 2017, was \$523,137. The total due to the County as of June 30, 2017, was \$5,300.

**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 as required by GASB Statement No's. 16 and 34 in the governmental activities of the government-wide financial statements.

A summary of long-term liabilities incurred, outstanding as of June 30, 2017, is as follows:

Type of Liability	Outstanding July 1, 2016	Additions	Maturities	Outstanding June 30, 2017	Amount Due Within One Year
Contract labor related liabilities	\$ <u>52,896</u>	\$ <u>29,409</u>	\$ <u>51,105</u>	\$ <u>31,200</u>	\$ <u>29,409</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.

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**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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Resources (inflows):</b>				
Apportionments	\$ 617,028	\$ 617,028	\$ 617,028	\$ -
Filing fees	20,000	20,000	32,354	12,354
Interest	<u>1,000</u>	<u>1,000</u>	<u>6,116</u>	<u>5,116</u>
Amount available for appropriation	<u>638,028</u>	<u>638,028</u>	<u>655,498</u>	<u>17,470</u>
<b>Charges to appropriations (outflows):</b>				
General government:				
Contract labor	506,750	506,750	449,404	57,346
Services and supplies	162,800	162,800	119,575	43,225
Contingencies	<u>33,478</u>	<u>33,478</u>	<u>-</u>	<u>33,478</u>
Total charges to appropriation	<u>703,028</u>	<u>703,028</u>	<u>568,979</u>	<u>134,049</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(65,000)</u>	<u>(65,000)</u>	<u>86,519</u>	<u>151,519</u>
<b>Fund balance - beginning</b>	<u>464,095</u>	<u>464,095</u>	<u>464,095</u>	<u>-</u>
<b>Fund balance - ending</b>	<u>\$ 399,095</u>	<u>\$ 399,095</u>	<u>\$ 550,614</u>	<u>\$ 151,519</u>

VENTURA LOCAL AGENCY FORMATION COMMISSION  
 NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**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 GASB 34, 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, 2017:

	FY 2016-17
	General
Fund balance - Actual on budgetary basis	\$ 550,614
Adjustment:	
Change in fair value of investments	(609)
Fund balance - GAAP basis	\$ 550,005

VENTURA LOCAL AGENCY FORMATION COMMISSION  
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(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





VAVRINEK, TRINE, DAY & CO., LLP  
Certified Public Accountants

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

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, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our reports thereon dated March 27, 2018.

**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.

*Vavimek, Fine, Day & Co., LLP*

Rancho Cucamonga, California

March 27, 2018