

MEMORANDUM

TO: Local Agency Formation Commission

FROM: Stephen A. Lucas, Executive Officer
Jill Broderon, Management Analyst

SUBJECT: **Agenda Item 2.2 - Independent Auditors' Report and Financial Statements for Fiscal Years ending June 30, 2018 and 2017**

DATE: February 22, 2019 for the Meeting of March 7, 2019

The 2018 Annual Financial report accompanied by the independent auditor's report is hereby submitted. Joy McNulty, CPA with the accounting firm of K-COE ISOM has issued an "unqualified" opinion as stated in the second page of their report:

In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of LAFCO as of June 30, 2018 and 17, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

The audit was conducted in accordance with auditing standards generally accepted in the United States of America. Those standards require that the auditor plan and perform the audits to obtain a reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. Procedures selected depend upon the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making risk assessments, the audit considers internal control relevant to LAFCO's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also evaluates 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.

SUMMARY:

Overall, LAFCO's financial health remains positive. LAFCO has adequate funds to meet current obligations, with current liabilities at only 2.3% of cash on hand for general purposes. Net position has declined only because of the non-current liabilities that are required to be accrued under governmental accounting standards. Revenue decreased by 7.5% due to a reduction in filing fees and sphere of influence fees; while expenses increased by 9.5%, which was primarily due to the increase in employee benefits related to the implementation of governmental accounting standards.

ACTION REQUESTED: Accept Financial Statements and Supplementary Information with Independent Auditor's Report for Fiscal Years ending June 30, 2018 and 2017 prepared by K-COE ISOM, Certified Public Accountants.

Attachment