

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, 2013 and 2012**

DATE: February 18, 2014 for the Meeting of March 6, 2014

The Commission's annual audit for Fiscal Year 2012-13 has been prepared and completed by Marilyn Everett, CPA with the accounting firm of Matson and Isom. The audit was conducted in accordance with auditing standards generally accepted in the United States of America. The standards required 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in said financial statements. It also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluation of the overall financial statement presentation.

The financial statements as audited, present fairly in all material respects. The financial position of the Commission as of June 30, 2013 and 2012 and the changes in the financial position and cash flows for the years then ended and the budgetary comparison for the year ended June 30, 2013 are in conformity with accounting principles generally accepted in the United States of America.

Two topics included within the financial statements that deserve a further clarification include:

- Omission of Management's Discussion and Analysis (MD&A). An MD&A is considered supplemental information to the financial statements; however, it is not mandatory. As indicated by the Government Standards Accounting Board (GASB), there are required elements within an MD&A that must be followed by the auditor. Such a responsibility ultimately results in higher audit costs. Referencing the omission of the MD&A is required by the Governmental Accounting Standards Board, when it has not been included.
- Accrued Leave Liabilities and Other Post Employment Benefits. While reference is made that said benefits are not fully funded within a separate fund; staff has appropriated a fiscal reserve within treasury cash for the sole purpose of maintaining adequate reserves to cover accrued leave liabilities and other post employment benefits.

With this being said, the Commission has received an unmodified opinion which is issued by an auditor when financial statements presented are free from material misstatements and that are represented fairly in accordance with the Generally Accepted Accounting Principles (GAAP). Receiving an unmodified opinion is the best opinion that can be received from an external auditor. In addition, there were no internal control deficiencies or "findings" found, nor were there recommendations for management improvement during the audit process.

ACTION REQUESTED: Accept Independent Auditors' Report and Financial Statements for Fiscal Years ending June 30, 2013 and 2012 prepared by Matson and Isom, Certified Public Accountants.

Attachments

1. Report to the Commission
2. Financial Statements w/Independent Auditor's Report