

FRESNO LOCAL AGENCY FORMATION COMMISSION

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REPORT ON AUDITED  
FINANCIAL STATEMENTS

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YEAR ENDED JUNE 30, 2014

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Sampson, Sampson & Patterson, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

3148 Willow Avenue, Suite 102  
Clovis, California 93612-4739  
(559) 291-0277 • FAX (559) 291-6411

March 14, 2016

The Board of Commissioners  
Fresno Local Agency Formation Commission  
Fresno, California

### INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying basic financial statements of Fresno Local Agency Formation Commission (LAFCo) as of June 30, 2014 as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

#### **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 and the standards appropriate to financial audits combine in *Government Auditing Standards*, issued by the Comptroller General of the United States, 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. 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.

Fresno Local Agency Formation Commission  
March 14, 2016  
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## Opinion

In our opinion, the financial statements referred to above presented fairly, in all material respects, the financial position of LAFCo as of June 30, 2014, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2015, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 15 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 the 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 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

*Sampson, Sampson & Patterson, LLP*

FRESNO LOCAL AGENCY FORMATION COMMISSION  
STATEMENT OF NET POSITION  
JUNE 30, 2014

ASSETS:	
Cash	\$269,918
Accounts receivable	10,614
Prepaid expenses	9,363
Deposit	1,705
Property and equipment, net of accumulated depreciation of \$4,118	<u>2,620</u>
 TOTAL ASSETS	 <u>\$294,220</u>
 LIABILITIES:	
Accounts payable	\$ 7,675
Accrued compensated absences:	
Due within one year	15,702
Due in more than one year	<u>2,147</u>
 TOTAL LIABILITIES	 <u>25,524</u>
 NET POSITION:	
Net investment in capital assets	2,620
Unrestricted	<u>266,076</u>
Net Position	<u>268,696</u>
 TOTAL LIABILITIES AND NET POSITION	 <u>\$294,220</u>

See independent auditor's report and  
notes to financial statements.

FRESNO LOCAL AGENCY FORMATION COMMISSION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014

EXPENSES:

Salaries and benefits	\$321,987
Services and supplies	139,460
Depreciation	<u>2,246</u>
Total expenses	<u>463,693</u>

PROGRAM REVENUES:

Intergovernmental revenues:	
County of Fresno	220,743
City of Fresno	220,743
Other	<u>51,831</u>
Total program revenues	<u>493,317</u>

Change in net position 29,624

NET POSITION – BEGINNING OF YEAR 239,072

NET POSITION – END OF YEAR \$268,696

See independent auditor's report and  
notes to financial statements.

FRESNO LOCAL AGENCY FORMATION COMMISSION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

ASSETS:	
Cash	\$269,918
Accounts receivable	10,614
Prepaid	9,363
Deposit	<u>1,705</u>
TOTAL ASSETS	<u>\$291,600</u>
LIABILITIES:	
Accounts payable	\$ <u>7,675</u>
TOTAL LIABILITIES	<u>7,675</u>
FUND BALANCE:	
Nonspendable for prepaids and deposit	11,068
Assigned for legal reserves	50,000
Unassigned	<u>222,857</u>
TOTAL FUND BALANCE	<u>283,925</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$291,600</u>

See independent auditor's report and  
notes to financial statements.

FRESNO LOCAL AGENCY FORMATION COMMISSION  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2014

Total fund balance - governmental funds		\$283,925
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation</p>		
Capital assets at historical cost	\$ 6,738	
Accumulated depreciation	<u>(4,118)</u>	2,620
<p>Long-term liabilities, including compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:</p>		
Compensated absences		<u>(17,849)</u>
Total Net Position		<u>\$268,696</u>

See independent auditor's report and notes to financial statements.

FRESNO LOCAL AGENCY FORMATION COMMISSION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014

REVENUES:	
Fees – County contribution	\$220,743
Fees – City contributions	220,743
Other Fees	<u>51,831</u>
Total Revenue	<u>493,317</u>
EXPENDITURES:	
General County	779
Fresno County Assessor	2,175
LAFCo Council	25,881
Executive officer salary and benefits	135,448
Salaries and benefits	184,106
Insurance	12,251
Professional membership	6,466
Office operations	4,815
Data processing service and fees	20,952
Office lease	25,437
Transportation and education	8,268
Mileage reimbursement	990
Publication and legal notices	3,417
Postage	2,431
Maintenance	348
Telephone	1,507
Fresno County health	880
Accounting	5,446
Consultants	<u>17,417</u>
Total Expenditures	<u>459,014</u>
CHANGES IN FUND BALANCE	34,303
FUND BALANCE, BEGINNING OF YEAR	<u>249,622</u>
FUND BALANCE, END OF YEAR	<u>\$283,925</u>

See independent auditor's report and  
notes to financial statements.

FRESNO LOCAL AGENCY FORMATION COMMISSION  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT  
OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014

Change in fund balance - governmental funds	\$34,303
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense:	(2,246)
Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and those earned was:	<u>(2,433)</u>
Change in net position of governmental activities	<u>\$29,624</u>

See independent auditor's report and  
notes to financial statements.

FRESNO LOCAL AGENCY FORMATION COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Reporting Entity

The Fresno Local Agency Formation Commission (LAFCo) was created by the California Legislature in 1963. There are 58 county LAFCo's in California. Fresno LAFCo's objectives are to encourage the orderly formation of local governmental agencies, preserve agricultural land resources, and to discourage urban sprawl. LAFCo is under the direction of the Commission which is composed of two County Supervisors and one alternate, two city council members from the County's 15 cities and one alternate, and one member from the public that is appointed by the other four seated Commissioners and one alternate public member.

The Commission is responsible for coordinating logical and timely changes in local governmental boundaries, conducting special studies that review ways to reorganize, simplify, and streamline governmental structure and preparing a sphere of influence for each city and special district within each county.

As of June 30, 2014 there are 15 cities and 132 special districts under the jurisdiction of the Commission in Fresno County.

B. Basis of Presentation and Accounting

*Government-Wide Statements*

The statement of net position and statement of activities display information about the primary government (Commission). These statements include the financial activities of the overall Commission.

The statement of activities presents a comparison between direct expenses and program revenues for the Commission's governmental activity. Direct expenses are those that are specifically associated with the Commission. Program revenues are restricted to meeting the operational or capital requirements of the Commission. Revenues that are not classified as program revenues, including all taxes and investment income, are presented as general revenues.

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 a liability is incurred, regardless of when the related cash flows take place.

*Fund Financial Statements*

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when measurable and available (susceptible to accrual). Taxes, interest, certain state and federal grants, and charges for services revenues are accrued when their receipts occurs within sixty days after the end of the accounting period so as to be measurable and available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

The General Fund is the Commission's primary operating fund. It accounts for all financial resources of the general government.

FRESNO LOCAL AGENCY FORMATION COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014

C. Accrued Compensated Absences

Full-time employees paid directly by the Commission with less than two years of continuous service accrue paid time off at the rate of 21 working days per year. Upon completion of two continuous years of service, the employee shall earn one additional day of paid time off each year of service thereafter, until the end of the tenth year. Part-time employees paid directly by the Commission who work 20 hours or more currently accrue paid time off benefits on a pro rata basis. Employees paid directly by the Commission can accrue a maximum of three times their annual accrual rate.

Two of LAFCo's staff are County employees contracted to LAFCo and earn sick and vacation days using the County's Personnel Rules. The new Executive Officer, however, has a separate contract that includes different benefits, but must comply with the employee handbook.

The Commission accounts for compensated absences in accordance with Governmental Accounting Standards Board Statement No. 16 *Accounting for Compensated Absences*. An employee whose employment terminates will be paid for accrued unused vacation on a pro-rata basis. There is no payout of sick leave upon termination from the Commission.

D. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Accounts Receivable

Accounts receivable consists primarily of MSR fees billed but not collected. LAFCo does not enforce payment by the cities and districts for the services they have provided. However, LAFCo keeps a list of cities and districts that have been billed but have not paid and plans to request payment of their outstanding bill when these entities request services from LAFCo in the future. LAFCo utilizes the direct write-off method for bad debts. At June 30, 2014, no material write-offs are expected for accounts receivable.

F. Prepays

Prepaid expenditures represent payments made to vendors for services that will benefit periods beyond June 30, 2014.

G. Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation. It is the Commission's policy to capitalize property and equipment over \$5,000, lesser amounts are expensed. Repairs and maintenance and minor alterations are charged to expense as incurred. Costs which are considered improvements are added to the appropriate capital asset account. Depreciable assets are depreciated over their estimated useful lives using the straight-line method. Estimated useful lives are as follows:

Office equipment	3 years
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FRESNO LOCAL AGENCY FORMATION COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014  
(Continued)

NOTE 2 - CASH:

Cash balances at June 30, 2014 consists of the following:

Checking	\$209,821
Business savings	<u>60,097</u>
	<u>\$269,918</u>

Investments Authorized by the California Government Code

The Commission does not have an investment policy independent of what is allowed under the California Government Code.

The table below identifies the investment types that are authorized for the Commission by the California Government Code. The table also identifies certain provisions of the Code that addresses interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base value	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
JPA Pools (other investment pools)	N/A	None	None
Supranationals	5 years	30%	None

Required disclosures for the Commission's deposit and investment risks at June 30, 2014, were as follows:

Credit risk	Not rated
Concentration of credit risk	Not applicable
Interest rate risk	Not applicable

FRESNO LOCAL AGENCY FORMATION COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014  
(Continued)

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 California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provisions for deposits: The California Government Code requires that financial institution secure deposits made by the state or local government 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 laws also allows financial institutions to secure district deposits by pledging the first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2014 the Commission's deposits were in excess of FDIC limits. Management does not believe the Commission is exposed to any significant risk related to cash for those times when the FDIC limits are exceeded.

Note 3 - PROPERTY AND EQUIPMENT:

Property and equipment consists of the following:

	June 30, 2014
Office equipment	\$ 6,738
Accumulated depreciation	<u>(4,118)</u>
Total	<u>\$ 2,620</u>

NOTE 4 - LEASE COMMITMENTS:

The Commission is lessee of their office facility, classified as an operating lease.

Annual future minimum rental payments for the office facility, are as follows:

Year Ending June 30,	Office Facilities	Total
2015	\$ 24,688	\$ 24,688
2016	25,195	25,195
2017	25,557	25,557
2018	26,064	26,064
2019	<u>15,204</u>	<u>15,204</u>
Total	<u>\$116,708</u>	<u>\$116,708</u>

Office rent expense for the year ended June 30, 2014 was \$25,437, including utilities of \$4,282.

FRESNO LOCAL AGENCY FORMATION COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014  
(Continued)

NOTE 5 - NET POSITION/FUND BALANCE:

Net Position

Net position comprises of the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position is classified in the following three components: Invested in capital assets (net of related debt), restricted and unrestricted. The Commission has unrestricted funds. Unrestricted net position represents net position not included in the above categories.

Fund Balance

Governmental funds report fund balance in classifications 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. As of June 30, 2014, fund balances for governmental funds are made up of the following:

- *Nonspendable fund balance* – amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- *Restricted fund balance* – amount constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- *Committed fund balance* – amounts constrained to specific purposes by the Commission itself, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the Commission takes the same highest level of action to remove or change the constraint.
- *Assigned fund balance* – amounts the Commission intends to use for a specific purpose. Intent can be expressed by the Commission’s board or by an official or body to which the Commission’s board delegates the authority.
- *Unassigned fund balance* – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The Commission’s board establishes fund balance commitments by adopting a final budget no later than June 15<sup>th</sup> and approving amendments as needed throughout the fiscal year. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund.

NOTE 6 - RELATED PARTY TRANSACTIONS:

During the fiscal year ended June 30, 2014, the Commission paid Fresno County, a related party, \$200,071 for personnel and other support services.

FRESNO LOCAL AGENCY FORMATION COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014  
(Continued)

In addition, the Commission received \$220,743 during the fiscal year ended June 30, 2014, from Fresno County, a related party, pursuant to Government Code Section 56381. The County provides half of the intergovernmental revenue to the Commission. The other half is funded by the 15 cities in Fresno County.

NOTE 7 - PENSION PLAN:

The Executive Officer's contract authorizes his participation in a retirement plan called ICMARC, which the Commission will match up to 7.5% of the employee's contribution. The contribution for the fiscal year ended June 30, 2014 was \$7,719.

NOTE 8 - CONTINGENCY:

LAFCo is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of LAFCo.

NOTE 9 - SUBSEQUENT EVENTS:

The Commission has reviewed the results of the operations and evaluated subsequent events for the period of time from its year ended June 30, 2014 through the date of the auditors' report.

The Commission has determined that no adjustments are necessary to amounts reported in the accompanying financial statements, and no subsequent events have occurred, the notice of which would require disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

FRESNO LOCAL AGENCY FORMATION COMMISSION  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED JUNE 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Fees – County contribution	\$259,328	\$259,328	\$220,743	\$(38,585)
Fees – City contributions	259,328	259,328	220,743	(38,585)
Other Fees			<u>51,831</u>	<u>51,831</u>
Total revenues	<u>518,656</u>	<u>518,656</u>	<u>493,317</u>	<u>(25,339)</u>
<b>EXPENDITURES:</b>				
General County	2,000	2,000	779	1,221
Fresno County Assessor	4,500	4,500	2,175	2,325
LAFCo Council	85,000	85,000	25,881	59,119
Executive officer salary and benefits	130,083	130,083	135,448	(5,365)
Salaries and benefits	184,190	184,190	184,106	84
Insurance	12,203	12,203	12,251	(48)
Professional membership	6,466	6,466	6,466	
Office operations	6,000	6,000	4,815	1,185
Data processing service	17,739	17,739	20,952	(3,213)
Office lease	26,248	26,248	25,437	811
Transportation, travel and education/conference	11,100	11,100	8,268	2,832
Mileage	2,000	2,000	990	1,010
Publication and legal notices	3,000	3,000	3,417	(417)
Postage	5,383	5,383	2,431	2,952
Maintenance	676	676	348	328
Telephone	1,108	1,108	1,507	(399)
Special Council	6,000	6,000		6,000
Fresno County Health	1,760	1,760	880	880
Fresno County Elections	600	600		600
Accounting	6,600	6,600	5,446	1,154
Donations			17,417	(17,417)
Contingencies	3,000	3,000		3,000
General Expenditures	<u>3,000</u>	<u>3,000</u>		<u>3,000</u>
Total Expenditures	<u>518,656</u>	<u>518,656</u>	<u>459,014</u>	<u>59,642</u>
<b>CHANGE IN FUND BALANCE</b>			34,303	34,303
<b>FUND BALANCE – BEGINNING OF YEAR</b>	<u>249,622</u>	<u>249,622</u>	<u>249,622</u>	<u>          </u>
<b>FUND BALANCE – END OF YEAR</b>	<u>\$249,622</u>	<u>\$249,622</u>	<u>\$283,925</u>	<u>\$ 34,303</u>

FRESNO LOCAL AGENCY FORMATION COMMISSION  
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2014

BUDGET AND BUDGETARY REPORTING

The Commission prepares and legally adopts a final budget on or before June 15<sup>th</sup> of each fiscal year.

After the budget is approved, the appropriations can be added to, subtracted from or changed only by Commission resolution. All such changes must be within the revenues and reserves estimated as available in the final budget or within revised revenue estimates as approved by the Commission.

An operating budget is adopted each fiscal year on the modified accrual basis. Additionally, encumbrance accounting is utilized to assure effective budgetary control. The budget is presented in the accompanying general purpose financial statements on a basis consistent with accounting principles generally accepted in the United States of America.

OTHER REPORT



March 14, 2016

The Board of Commissioners  
Fresno Local Agency Formation Commission  
Fresno, California

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

We have audited, 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, the accompanying basic financial statements of Fresno Local Agency Formation Commission (LAFCo) as of and for the year ended June 30, 2014, and have issued our report thereon dated March 14, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit, 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 opinion on the financial statements, but not for the purpose of expressing our 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Commission'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Given those limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that may have not been identified.

Fresno Local Agency Formation Commission

March 14, 2016

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### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of 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*.

We noted certain matters that we reported to management of the Commission in a separate letter dated March 14, 2016.

### 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.

*Sampson, Sampson & Patterson, LLP*