

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

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DATE: FEBRUARY 10, 2014 
FROM: MICHAEL TUERPE, Project Manager
TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: Agenda Item #4: Review and Accept Audit Report for Fiscal Year Ended June 30, 2013

RECOMMENDATION:

Staff recommends that the Commission receive and file the materials submitted by White Nelson Diehl Evans LLP related to the Commission's audit for Fiscal Year 2012-13.

BACKGROUND:

The public accounting firm of White Nelson Diehl Evans LLP has conducted the annual audit for the period of July 1, 2012 through June 30, 2013 (copy attached to this staff report). The auditor has independently verified the financial statements prepared by LAFCO staff, outlined its professional responsibilities and findings, and disclosed its compliance with current *Government Auditing Standards*. During the audit process, the auditor did not identify any deficiencies in internal controls that it considered to be material weaknesses.

The financial statements consist of two parts – management's discussion and analysis, and the basic financial statements. The basic financial statements provide both short-term and long-term information about the Commission's overall financial status, include additional budgetary information, and include notes that explain some of the information presented.

The financial statements show a positive change in net position and fund balance which include an overall reduction in the receipt of revenues, as well as reductions in expenditures for both personnel and operations. Some of the more significant reasons for the changes in the revenues and expenses of the Commission's governmental activities are outlined as follows:

- The continuation of the Executive Officer as a contract employee for the entire fiscal year reduced overall salaries and benefits.

- Revenues related to proposal activity were reduced by \$11,864 from the prior year, or 20%, due to the economic climate within the region which translates into a corresponding reduction in proposal activity.
- Apportionment contributions decreased by \$30,639 during the period due to the Commission's determination to reduce overall costs.
- Overall, total expenditures decreased by \$23,954 over the prior year. Therefore, Net Position Ending continues to show movement in a positive direction.

In FY 2012-13, the Commission implemented two Statements from the Governmental Accounting Standards Board (GASB) that alter what was formerly known as the Statement of Net Assets. First, GASB 65 reclassifies certain items that were previously reported as assets and liabilities. The additional categories are deferred outflows (expenditures that apply to a future year and will not be recognized as an expenditure until then) and deferred inflows (revenues that apply to a future year and will not be recognized as a revenue until then). The Commission does not have any deferred outflows or deferred inflows to report. Second, GASB 63 incorporates deferred outflows and deferred inflows into the components of what was formerly known as Net Assets, now known as Net Position.

The Finance and Administrative Committee has met with and reviewed the audit with the independent auditors. Neither LAFCO staff nor the Committee has issues or concerns with the financial statements or audit letters provided by the auditors. Therefore, an auditor representative was not requested to be present at the hearing. Should you have any questions, LAFCO staff and/or the Committee would be glad to answer them prior to or at the hearing.

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[Attachment](#)