

**AMADOR LOCAL AGENCY
FORMATION COMMISSION**

AUDIT REPORT

JUNE 30, 2015

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AMADOR LOCAL AGENCY FORMATION COMMISSION

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AMADOR LOCAL AGENCY FORMATION COMMISSION

Commission Membership

<u>Name</u>	<u>Position</u>
Louis Boitano	Chairman Amador County Board of Supervisors
Brian Oneto	Amador County Board of Supervisors
Richard Forster	Alternate Amador County Board of Supervisors
Patrick Crew	City of Jackson City Council
Tim Murphy	City of Sutter Creek City Council
Dominic Atlan	Alternate City of Lone City Council
Jim Vinciguerra	Vice Chairman Public Member
Byron Damiani	Alternate Public Member



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Amador Local Agency Formation Commission
Jackson, CA

Report on the Financial Statements

We have audited the accompanying financial statements of the Amador Local Agency Formation Commission (Commission), as of and for the year ended June 30, 2015, and the related notes to the financial statements.

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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Amador Local Agency Formation Commission, as of June 30, 2015, and the changes in financial position 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 budgetary comparison information, as listed in the table of contents, 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2016 on our consideration of the Amador Local Agency Formation 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 Amador Local Agency Formation Commission's internal control over financial reporting and compliance.



Roseville, California
March 18, 2016

AMADOR LOCAL AGENCY FORMATION COMMISSION

Statement of Net Position
June 30, 2015

<u>ASSETS</u>	
Cash in County Treasury	\$ 122,316
Total Assets	<u>122,316</u>
<u>NET POSITION</u>	
Unrestricted	<u>122,316</u>
Total Net Position	<u>\$ 122,316</u>

The accompanying notes are an integral part of these financial statements.

AMADOR LOCAL AGENCY FORMATION COMMISSION

Statement of Activities
For the Year Ended June 30, 2015

<u>EXPENSES</u>	
Services and supplies	<u>\$ 59,428</u>
<u>PROGRAM REVENUES</u>	
Member agency contributions	64,177
Annexation fees	<u>1,888</u>
Total program revenues	<u>66,065</u>
Net Program Revenue (Expenses)	6,637
<u>GENERAL REVENUES</u>	
Interest income	<u>432</u>
Change in Net Position	7,069
Net Position, Beginning of the Year	<u>115,247</u>
Net Position, End of the Year	<u><u>\$ 122,316</u></u>

The accompanying notes are an integral part of these financial statements.

AMADOR LOCAL AGENCY FORMATION COMMISSION

Balance Sheet
Governmental Fund
June 30, 2015

	<u>General Fund</u>
<u>ASSETS</u>	
Cash in county treasury	<u>\$ 122,316</u>
Total Assets	<u><u>\$ 122,316</u></u>
<u>FUND BALANCE</u>	
Unrestricted	<u>\$ 122,316</u>
Total Fund Balance	<u><u>\$ 122,316</u></u>

The accompanying notes are an integral part of these financial statements.

AMADOR LOCAL AGENCY FORMATION COMMISSION

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund
For the Year Ended June 30, 2015

	<u>General Fund</u>
<u>REVENUES</u>	
Member agency contributions	\$ 64,177
Annexation fees	1,888
Interest income	<u>432</u>
 Total Revenues	 <u>66,497</u>
 <u>EXPENDITURES</u>	
Services and supplies	<u>59,428</u>
 Total Expenditures	 <u>59,428</u>
 Change in Fund Balance	 7,069
 Fund Balance, Beginning of the Year	 <u>115,247</u>
 Fund Balance, End of the Year	 <u>\$ 122,316</u>

The accompanying notes are an integral part of these financial statements.

AMADOR LOCAL AGENCY FORMATION COMMISSION

Notes to Financial Statements
June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Amador Local Agency Formation Commission (Commission) was created in 1963 by the California Legislature to encourage the orderly formation and development of local agencies, promote the efficient extension of municipal services, and protect against the premature conversion of agricultural and open-space lands. In 2001, following the enactment of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, the Commission became an independent agency separate from the County of Amador. As of June 30, 2015 there are five cities and districts under the Commission in Amador County.

The Commission is comprised of five regular and two alternate members. Each member is appointed pursuant to California Government Code Section 56000 et. Seq. and represents one of the following three interests:

- County Members: Two regular and one alternate member represent the County of Amador. These members are Board of Supervisors. Appointments are made by the Board of Supervisors.
- City Members: Two regular and one alternate member represent five cities in Amador County. The members are mayors or council members. Appointments are made by the City Selection Committee.
- Public Members: One regular and one alternate member represent the general public. Appointments are made by the County and City members on the Commission.

The Commission includes all activities (operations of its administrative staff and commission officers) considered to be a part of the Commission. The Commission reviewed the criteria developed by the Governmental Accounting Standards Board (GASB) in its issuance of Statement No. 14, relating to the financial reporting entity to determine whether the Commission is financially accountable for other entities. The Commission has determined that no other outside entity meets the above criteria, and therefore, no agency has been included as a component unit in the financial statements. In addition, the Commission is not aware of any entity that would be financially accountable for the Commission that would result in the Commission being considered a component unit of that entity.

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 include grants and contributions that 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.

AMADOR LOCAL AGENCY FORMATION COMMISSION

Notes to Financial Statements
June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. **Basis of Presentation and Accounting** (continued)

Government-Wide Statements (continued)

The government-wide financial statements are reporting 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.

When both restricted and unrestricted net assets are available, restricted assets are used first.

Fund Financial Statements

The 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 ("susceptible to accrual"). Member agency contributions and interest are accrued when their receipt 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.

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

C. **Use of Estimates**

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

AMADOR LOCAL AGENCY FORMATION COMMISSION

Notes to Financial Statements
June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Balances – Governmental Fund Financial Statements

Beginning with the fiscal year 2011, the Commission implemented Governmental Accounting Standards Board Statement No. 54 “Fund Balance Reporting and Governmental Fund Type Definitions.” This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that cannot be spent because they are either not spendable in form or legally or contractually required to remain intact.
- Restricted fund balance – amounts with constraints placed on their use by those external to the Commission, including creditors, grantors, contributors or laws and regulations of other governments. It also includes constraints imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance – amounts that can only be used for specific purposes determined by formal action of the Commission’s highest level of decision-making authority (the Commission) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- Assigned fund balance – amounts that are constrained by the Commission’s intent to be used for specific purposes. The intent can be established at either the highest level of decision making or by a body or an official designed for that purpose.
- Unassigned fund balance – the residual classification that includes amounts not contained in the other classifications.

The Commission’s governing board establishes, modifies or rescinds fund balance commitments and assignments by passage of a resolution. When restricted and unrestricted resources are available for use, it is the Commission’s policy to use restricted resources first, followed by unrestricted committed, assigned and unassigned resources as they are needed.

AMADOR LOCAL AGENCY FORMATION COMMISSION

Notes to Financial Statements
June 30, 2015

NOTE 2: CASH AND INVESTMENTS

Cash and investments at June 30, 2015 consisted of the following:

Cash in County Treasury	<u>\$ 122,316</u>
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The Commission maintains all of its cash and investments with the Amador County Treasurer in an investment pool. On a quarterly basis the Treasurer allocates interest to participants based upon their average daily balances. Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's financial statements.

The County of Amador's financial statements may be obtained by contacting the County of Amador's Auditor-Controller's office at 810 Court Street, Jackson, CA 95642. The Amador County Treasury Oversight Committee oversees the Treasurer's investments and policies.

Required disclosures for the Commission's deposit and investment risks at June 30, 2015, were as follows:

Credit risk	Not rated
Custodial risk	Not applicable
Concentration of credit risk	Not applicable
Interest rate risk	1.12 years

Investments held in the County's investment pool are available on demand and are stated at cost plus accrued interest, which approximates fair value.

NOTE 3: RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2015, the Commission carried insurance through a commercial carrier to cover all risks of losses. The Commission has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past two fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

AMADOR LOCAL AGENCY FORMATION COMMISSION

Budgetary Comparison Schedule - General Fund
Budget and Actual
For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	Variance With Final Budget Positive (Negative)
REVENUES:				
Member agency contributions	\$ 114,177	\$ 114,177	\$ 64,177	\$ (50,000)
Annexation fees	25,000	25,000	1,888	(23,112)
Interest income	400	400	432	32
 Total Revenues	 <u>139,577</u>	 <u>139,577</u>	 <u>66,497</u>	 <u>(73,080)</u>
EXPENDITURES:				
 Services and supplies	 <u>139,577</u>	 <u>139,577</u>	 <u>59,428</u>	 <u>80,149</u>
 Total Expenditures	 <u>139,577</u>	 <u>139,577</u>	 <u>59,428</u>	 <u>80,149</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 --	 --	 7,069	 7,069
 Fund Balance, Beginning of the Year	 <u>115,247</u>	 <u>115,247</u>	 <u>115,247</u>	 <u>--</u>
 Fund Balance, End of the Year	 <u>\$ 115,247</u>	 <u>\$ 115,247</u>	 <u>\$ 122,316</u>	 <u>\$ 7,069</u>

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BUDGET AND BUDGETARY REPORTING

The Board of Directors acting in accordance with the Joint Exercise of Powers Agreement is required to formally adopt a budget for the Commission prior to July 1st of each fiscal year. Operations of the Commission generally parallel the level of activity on which the budget was predicated. The budget is used as a control over the financial operations over the Commission.

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 the revised revenue estimates as approved by the Commission.

An operating budget is adopted each year on the modified accrual basis. Additionally, encumbrance accounting is utilized to assure effective budgetary control. Encumbrances outstanding at year end represent the estimated amount of expenditures ultimately to result if the unperformed contracts in process at year end are completed or purchase commitments satisfied. Such year end encumbrances are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year and included in the subsequent year's budget. Unencumbered appropriations lapse at year end. Budgets are prepared using generally accepted accounting principles.

The legal level of budgetary control (the level on which expenditures may not legally exceed appropriations) is at the object level. Object levels of expenditures are as follows: salaries and benefits, services and supplies, and capital outlay.

OTHER REPORT

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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**

Board of Directors
Amador Local Agency Formation Commission
Jackson, California

We have audited the financial statements of the Amador Local Agency Formation Commission (Commission) as of and for the year ended June 30, 2015 and have issued our report thereon dated March 18, 2016. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*.

Board of Directors
Amador Local Agency Formation Commission

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.

A handwritten signature in cursive script that reads "Gallina LLP".

Roseville, California
March 18, 2016