VENTURA LOCAL AGENCY FORMATION COMMISSION

Annual Financial Report

Fiscal Year Ended June 30, 2021

INTRODUCTORY SECTION

VENTURA LOCAL AGENCY FORMATION COMMISSION

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

TABLE OF CONTENTS

INTRODUCTORY SECTION

FINANCIAL SECTION

COMPLIANCE SECTION

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Financial Section

Independent Auditor's Report

The Commissioners of Ventura
Local Agency Formation Commission
Ventura, California

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities and the general fund of the Ventura County Local Agency Formation Commission (Commission), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

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 opinions.

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Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Commission as of June 30, 2021, and the respective 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 the management's discussion and analysis and 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.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2022, 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 solely 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 effectiveness of the Commission's 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 the Commission's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
April 7, 2022

Management's Discussion and Analysis (Unaudited)

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

The following discussion and analysis of the financial performance of the Ventura Local Agency Formation Commission (Commission) provides an overview of the Commission’s financial activities for the fiscal year ended June 30, 2021. Please read it in conjunction with the basic financial statements and the notes to those financial statements identified in the accompanying table of contents.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the Commission's basic financial statements. The Commission's basic financial statements include three components: the governmental fund financial statements, the government-wide financial statements, and the notes to the basic financial statements. The basic financial statements consolidate the two kinds of statements that present different views of the Commission. The statements and notes are followed by a section of required supplementary information that provide additional financial and budgetary information.

The two statements presented are the Governmental Fund Balance Sheet/Statement of Net Position, and the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities. The General Fund columns reflect the governmental fund financial statements that focus on the short-term. The Statement of Net Position and the Statement of Activities columns reflect the government-wide financial statements that provide both long-term and short-term information about the Commission’s overall financial status. These statements can be found on pages 11 - 12.

Government-wide Financial Statements

The financial statements are designed to provide readers with a broad overview of the Commission's finances in a manner similar to a private-sector business. The *statement of net position* and *statement of activities* use the flow of economic resources measurement focus and accrual basis of accounting. The focus and basis emphasize the *long-term* view of the Commission's finances.

The *statement of net position* presents information on all Commission assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The *statement of activities* presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Fund Financial Statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the Commission rather than the Commission as a whole. They are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Commission is a single purpose, single fund entity and utilizes a governmental fund to account for its activities.

The fund financial statements consist of the balance sheet and statement of revenues, expenditures, and changes in fund balance. These are prepared on the modified-accrual basis of accounting, while the government-wide statements are prepared on the full-accrual basis.

In general, these financial statements under the modified-accrual basis have a short-term emphasis and for the most part, measure and account for assets that are current financial resources, and liabilities that are expected to be liquidated with current financial resources. Specifically, cash and receivables collectible within a very short period of time are reported on the balance sheet.

Fund liabilities include amounts that are to be paid within a very short time after the end of the fiscal year. The long-term liabilities are not included. The difference between a fund's total assets and total liabilities represents the fund balance. The committed, assigned, and unassigned portions of the fund balance represents the amount available to finance future activities.

The operating statement for the governmental fund reports only those revenues and expenditures that were collected in cash or paid with cash during the current period or very shortly after the end of the year.

The focus of the fund financial statements is narrower than that of the government-wide financial statements. Since the different accounting basis is used to prepare the above statements, reconciliations are required to facilitate the comparison between the fund statements and the government-wide statements. The reconciliation between the total fund balances and net position of governmental activities can be found on page 11.

The reconciliation of the total change in the fund balance for the governmental fund to the change in net position of governmental activities can be found on page 12.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 13 - 22 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A summary of the government-wide statement of net position follows:

Table 1
Net Position - Governmental Activities

	2021	2020
Assets:		
Current and other assets	$ 628,335	$ 630,972
Total assets	$ 628,335	$ 630,972
Liabilities:		
Current and other liabilities	$ 49,204	$ 36,030
Long-term liabilities	103,114	67,804
Total liabilities	152,318	103,834
Net position:		
Unrestricted	476,017	527,138
Total net position	476,017	527,138
Total liabilities and net position	$ 628,335	$ 630,972

As shown in Table 1, the Commission’s total assets in the fiscal year ended June 30, 2021, decreased $2,637 or 0.4 percent from the fiscal year ended June 30, 2020. This was primarily due to a decrease in interest receivable. As shown in Table 2, the amount of revenue from the Commission's application filing fees in the fiscal year ended June 30, 2021, was lower than in past fiscal years. This is a result of processing fewer complex applications in the current fiscal year than in past years. Net position as of June 30, 2021, decreased $51,121, indicating a 9.7 percent decline in the Commission’s overall financial condition and was primarily due to an increase in both services and supplies expenses and contract labor expenses.

Table 2
Revenue from Filing Fees, FY 2016-21

Fiscal Year	Amount of Revenue from Filing Fees
2015-16	$24,108
2016-17	$32,354
2017-18	$38,466
2018-19	$17,497
2019-20	$15,222
2020-21	$13,555

A summary of the government-wide statement of activities follows:

Table 3
Changes in Net Position - Governmental Activities

	2021	2020
Revenues:		
Program revenues:		
Charges for services:		
Apportionments from other governmental units	$ 717,873	$ 657,225
Filing fees	13,555	15,222
General revenues:		
Interest	2,055	17,181
Total revenues	733,483	689,628
Expenses:		
General government	784,604	740,435
Total expenses	784,604	740,435
Change in net position	(51,121)	(50,807)
Net position - beginning of year	527,138	577,945
Net position - end of year	$ 476,017	$ 527,138

As in all other years, the Commission’s major source of revenue in fiscal year ended June 30, 2021, was apportionments from other governmental units. Since apportionments comprise a significant proportion of the Commission’s total revenue and since the annual apportionment amount is based directly on the Commission’s projected operating expenditures, total revenue generally varies from any given year for the same reasons as do total expenditures. Filing fees decreased $1,667 or 11.0 percent in fiscal year ended June 30, 2021, primarily due to processing fewer complex applications than the prior fiscal year. Additionally, interest revenue decreased $15,126 or 88.0 percent in fiscal year ended June 30, 2021, due to historically low interest rates.

As shown in Table 3, total expenses in fiscal year ended June 30, 2021, increased by $44,169 or 6.0 percent. This was primarily comprised of an increase of $25,593 for contract labor, which was a result of all county staff represented by the Management, Confidential Clerical and Other Unrepresented Employees Resolution receiving a 2.5 percent general salary increase effective December 2020. Finally, the increase in total expenses was also comprised of an increase of $18,576 in various services and supplies expenses.

GOVERNMENTAL FUND FINANCIAL ANALYSIS

As noted earlier, the Commission uses fund accounting to provide proper financial management of the Commission's resources and to demonstrate compliance with finance-related legal requirements.

Major Governmental Fund. The General Fund is the chief operating fund of the Commission. At the end of the fiscal year ended June 30, 2021, total fund balance of the General Fund was $579,131, compared to $594,942 for fiscal year ended June 30, 2020.

GENERAL FUND BUDGET

There was one General Fund budget adjustment during the fiscal year, which transferred $8,000 from Travel Expenses to the Information Technology ISF account to cover the costs of a contract with the Ventura County IT Services Department to update the LAFCo website. The contract and budget adjustment were both approved by the Commission in March 2021. Major deviations between the budget of the General Fund and its actual operating results were as follows:

- *Filing fees revenue:*
  - -Filing fees revenue was more than budgeted, primarily a result of two particularly complex applications that were received and required significant contract labor time to process.
- *Contract labor:*
  - -Terminations/Buydown expenditures were less than budgeted due to fewer than anticipated expenditures for buydowns of accrued annual leave by LAFCo contract labor.
  - -Retirement Contribution expenditures were less than budgeted due to less contributions being made during the year than anticipated.
- *Services and supplies:*
  - -Travel expenditures were less than budgeted, primarily due to travel by Commissioners being less than anticipated due to the COVID-19 pandemic.
  - -County Counsel expenditures were less than budgeted, due to receiving fewer applications than anticipated.
  - -Other maintenance expenditures were less than budgeted, due to only five Commission meetings being conducted via teleconference during the year.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Executive Officer at 801 S. Victoria Avenue, Suite 301, Ventura, California 93003.

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BASIC FINANCIAL STATEMENTS

VENTURA LOCAL AGENCY FORMATION COMMISSION
GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET POSITION
JUNE 30, 2021

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash and cash equivalents (Note 2)	$ 622,502	$ -	$ 622,502
Accounts receivable	5,269	-	5,269
Interest receivable	564	-	564
Total assets	628,335	-	628,335
LIABILITIES			
Accounts payable	$ 9,108	-	9,108
Contracted labor payable	30,522	-	30,522
Due to County of Ventura (Note 4)	7,774	-	7,774
Unearned revenue	1,800	-	1,800
Long-term liabilities (Note 5):			
Due within one year	-	53,000	53,000
Due after one year	-	50,114	50,114
Total liabilities	49,204	103,114	152,318
FUND BALANCE/NET POSITION			
Fund balances:			
Committed	100,000	(100,000)	-
Assigned	100,000	(100,000)	-
Unassigned	379,131	(379,131)	-
Total fund balance	579,131	(579,131)	-
Total liabilities and fund balance	$ 628,335		
Net position:			
Unrestricted		476,017	476,017
Total net position		$ 476,017	$ 476,017

Fund balances - total governmental fund	$ 579,131
Amounts reported for governmental activities in the statement of net position are different because:	
Long-term liabilities used in governmental activities are not due and payable in the current period and, therefore, are not reported in the governmental fund.	(103,114)
Net position of governmental activities	$ 476,017

VENTURA LOCAL AGENCY FORMATION COMMISSION
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	General Fund	Adjustments	Statement of Activities
Expenditures/expenses:			
General government	$ 749,294	$ 35,310	$ 784,604
Total expenditures/expense	749,294	35,310	784,604
Program revenues:			
Charges for services:			
Apportionments	717,873	-	717,873
Filing fees	13,555	-	13,555
Total charges for services	731,428	-	731,428
Net program expense			(53,176)
General revenues:			
Interest	2,055	-	2,055
Total general revenues	2,055	-	2,055
Net change in fund balance	(15,811)	15,811	-
Change in net position		(51,121)	(51,121)
Fund balance/net position:			
Beginning of the year	594,942	(67,804)	527,138
End of the year	$ 579,131	$ (103,114)	$ 476,017

Net change in fund balances - total governmental fund	$ (15,811)
Amounts reported for governmental activities in the statement of activities are different because:	
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.	
Change in contract related payables	(35,310)
Change in net position of governmental activities	$ (51,121)

See the accompanying notes to the basic financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Ventura Local Agency Formation Commission (Commission) conform to generally accepted accounting principles (GAAP) as applicable to governments. The following is a summary of the significant policies.

A. Description of the Reporting Entity

Following the end of World War II, California entered a new era of demographic growth and diversity and economic development. With this growth came the need for housing, jobs, and public services. To provide for these services, California experienced a wave of newly formed cities and special districts, but with little forethought as to how the new agencies should plan for services. The lack of coordination and adequate planning for future governance led to a multitude of overlapping, inefficient jurisdictional and service boundaries.

In 1963, the State Legislature created Local Agency Formation Commissions to help direct and coordinate California's growth in a logical, efficient, and orderly manner. Each county within California is required to have a Commission. The Commissions are charged with the responsibility of making difficult decisions on proposals for new cities and special districts, spheres of influence, consolidations, and annexations.

The Commission's governing board consists of eleven appointed Commissioners: seven voting members with four alternate members, who vote only in the absence of a voting member. Two members and one alternate member are selected by the Board of Supervisors of the County of Ventura (County) from their own membership; two members and one alternate member are selected by the cities in the County; two members and one alternate member are selected from special districts by the independent special district selection committee; and one member and one alternate member are selected to represent the general public, who are appointed by the other Commissioners.

B. New Accounting Pronouncements

GASB Statement No. 84, *Fiduciary Activities*, effective for reporting periods beginning after December 15, 2019*, enhances consistency and comparability of financial statements by establishing specific criteria for identifying activities that should be reported as fiduciary and clarifying whether and how business-type activities should report their fiduciary activities. The Commission has evaluated the new requirements and has determined it is not applicable.

GASB Statement No. 90, *Majority Equity Interests-an Amendment of GASB Statements No. 14 and No. 61*, effective for reporting periods beginning after December 15, 2019*, improves financial reporting by providing users of financial statements with essential information related to presentation of majority equity interest in legally separate organizations that previously was reported inconsistently. In addition, requires reporting of information about component units if the government acquires a 100 percent equity interest and provides information about the cost of services to be provided by the component unit in relation to the consideration provided to acquire the component unit. The Commission has evaluated the new requirements and has determined that it is not applicable.

* Date as modified by GASB Statement No. 95.

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, effective immediately, is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, by one (1) or one-and-a-half (1.5) years from the original published effective dates. This Statement will provide governments sufficient time to apply the authoritative guidance addressed in this Statement and will help safeguard the reliability of the financial statements. The Commission implemented the new requirement beginning with the fiscal year 2019-20 financial statements.

GASB Statement No. 98, *The Annual Comprehensive Financial Report*, effective for reporting periods beginning after December 15, 2021, with earlier application encouraged, establishes the term *annual comprehensive financial report and its acronym ACFR*. The new term and acronym replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local government. The Commission has evaluated the new requirements and has determined that it is not applicable.

The Commission is currently evaluating its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

GASB Statement No. 87, *Leases*, effective for reporting periods beginning after June 15, 2021*, improves accounting and financial reporting for leases and requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Commission intends to implement the new requirements for the fiscal year 2021-22 financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for reporting periods beginning after December 15, 2020*, provides users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period for both governmental activities and business-type activities. Management believes the new requirements are not applicable to the Commission.

GASB Statement No. 91, *Conduit Debt Obligations*, effective for reporting periods beginning after December 15, 2021*, improves financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities. In addition, requires issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations. These revised disclosure requirements will provide financial statement users with better information regarding the commitments issuers extend and the likelihood that they will fulfill those commitments. Management believes the new requirements are not applicable to the Commission.

* Date as modified by GASB Statement No. 95.

GASB Statement No. 92, *Omnibus 2020*, effective for reporting periods beginning after June 15, 2021*, enhances comparability in accounting and financial reporting to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation of certain GASB Statements. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. The Commission intends to implement the new requirements for the fiscal year 2021-22 financial statements.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, effective for reporting periods beginning after June 15, 2021*, except for the removal of LIBOR as an appropriate benchmark interest rate which is effective for reporting periods ending December 31, 2022. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). The requirements of this Statement will enhance the comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Management believes the new requirements are not applicable to the Commission.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for reporting periods beginning after June 15, 2022, is intended to improve financial reporting by addressing issues related to improve public-private and public-public partnership arrangements (PPPs). The requirements of this Statement will improve financial reporting by establishing the definitions of PPPs and availability payment arrangements (APAs) and provides uniform guidance on the accounting and financial reporting for transactions that meet those definitions. This Statement will enhance the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. Management believes the new requirements are not applicable to the Commission.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for reporting periods beginning after June 15, 2022, provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The Commission intends to implement the new requirements for the fiscal year 2022-23 financial statements.

* Date as modified by GASB Statement No. 95.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statement No. 14 and No. 84, and a supersession of GASB Statement No. 32*, effective for reporting periods beginning after June 15, 2021, but requires immediate implementation of paragraphs that address defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans. This new guidance intends to 1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances where a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; 2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans as fiduciary component units in fiduciary fund financial statements; and 3) enhance the relevance, consistency and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans while mitigating the costs associated with reporting those plans. The requirements will also enhance the relevance, consistency, and comparability of the information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans and investment information for all Section 457 plans. Management believes the new requirements are not applicable to the Commission.

C. Government-wide and Fund Financial Statements

Government-wide Financial Statements
The government-wide financial statements (i.e., the statement of net position and the statement of activities) are prepared using the accrual basis of accounting and the economic resources measurement focus. The government-wide financial statements report information on all of the activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges for services that are restricted to meeting the operational or capital requirements of a particular function or segment. Interest and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements
The governmental fund financial statements are prepared under the modified accrual basis of accounting and the current financial resources measurement focus. The emphasis of fund financial statements is on major governmental funds.

Because the governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, a reconciliation is presented which explains the adjustments necessary to reconcile fund financial statements to the government-wide financial statements.

D. Net Position/Fund Balances

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

Net Investment In Capital Assets – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation, the outstanding balances of debt, and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

Restricted Net Position (RNP) – This category reflects the component of net position that is subject to constraints either by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This category represents the component of net position not restricted for any project or other purpose. Outstanding liabilities that are attributable to this component, reduce the balance of this category.

Fund Statement - Fund Balances

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned 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.

Nonspendable fund balance - includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories or prepaid amounts and may also include the long-term receivables.

Restricted fund balance - includes amounts with constraints on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – includes amounts that can only be used for the specific purposes determined by formal action of the highest level of decision-making authority, the Commission. All policy decisions by the Commission are made through the adoption of a resolution; these policies are then incorporated in the Commissioner's Handbook. Commitments may be changed only by the Commission taking the same formal action that originally imposed the constraint. The Commission has committed $100,000, for a Litigation Account with the intent of limiting the use of the Litigation Account funds for unanticipated expenditures resulting from litigation against the Commission that does not occur routinely and would not be reimbursed by another party.

Assigned fund balance – includes amounts that are constrained by the Commission's intent to be used for specific purposes. The intent is expressed by the highest level of decision-making, the Commission. Assigned fund balance does not require the same formal action required for committed fund balance; instead an assignment of fund balance requires a majority vote of the Commission. However, if a portion of existing fund balance is included as a budgetary resource in the subsequent year's budget, the Commissioner's Handbook specifies that portion of fund balance should be classified as assigned. Fund balance of $100,000 is assigned for the subsequent year's budget "deficit."

Unassigned fund balance – is the residual classification for the General Fund and includes all amounts not contained in the other classifications.

It is the Commission's policy when restricted and unrestricted (committed, assigned, or unassigned) resources are available, restricted resources are generally considered to be used first, followed by committed, assigned, and unassigned resources as they are needed.

E. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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 the liability is incurred, regardless of the timing of the related cash flows.

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. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due.

Charges for services and interest associated with the current fiscal periods are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal periods. All other revenue items are considered to be measurable and available only when cash is received by the government.

Amounts reported as program revenues include apportionments and filing fees. Internally dedicated resources are reported as general revenues rather than as program revenues.

F. Cash and Cash Equivalents

The Commission considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The Commission's cash from operations is deposited in the County of Ventura Investment Pool. The County pools its funds with other government agencies in the County and invests them as prescribed by the California Government Code. The only authorized investment for the Commission is the County of Ventura Investment Pool. The Commission's deposits in the County pool may be accessed any time. The Commission is allocated interest income on monies deposited with the County based on its proportional share of the total pool. All pooled investments are carried at fair value. The fair value of a participant's position in the pool is not the same as the value of the pooled shares. The County of Ventura investment policy and related disclosures may be found in the notes to the County's basic financial statements.

G. Fund Balance Policy

The Commission has adopted a policy to achieve a minimum level of unassigned fund balance in the General Fund of approximately 60 days of working capital. Excess fund balance remaining over and above the committed and assigned fund balances is classified as "unassigned" in the General Fund. Should unassigned fund balance fall below 45 days working capital it will be addressed in the next fiscal year budget. As of June 30, 2021, available working capital in excess of 60 days was $282,609.

H. Estimates

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

2. CASH AND CASH EQUIVALENTS

The Commission participates in the County Treasurer's cash and investment pool. At June 30, 2021, the Commission's total cash and cash equivalents was $622,502; the change in fair value amounted to a decrease of $970.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of the fair value to changes in market interest rates.

At June 30, 2021, the weighted average maturity of the County of Ventura Investment Pool was 322 days.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County of Ventura Investment Pool has received ratings of AAAf and S1+ by Standard and Poor's Ratings Services, the highest possible ratings given by the agency.

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 custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Commission's investment policy do not contain legal or policy requirements, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental 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 law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2021, the Commission had all of its cash pooled with the County of Ventura Investment Pool. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as the money invested by the Commission in the County of Ventura Investment Pool).

Fair Value Measurements

The Commission categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 includes directly or indirectly observable inputs; Level 3 inputs are unobservable inputs. As of June 30, 2021, the Commission held no individual investments. All funds are invested in the Ventura County Investment Pool.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Commission's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Deposits and withdrawals in governmental investment pools, such as the Ventura County Investment Pool, are made on the basis of one dollar and not fair value. Consequently, the Commission's proportionate share of investments in the Ventura County Investment Pool at June 30, 2021, is uncategorized and not defined as Level 1, Level 2 or Level 3 input.

3. INSURANCE

The Commission is a member of the County of Ventura's Risk Management affiliated agencies. The schedule of insurance coverage is as follows:

Coverage	Limit of Insurance	
Public Employees Blanket Bond Fraudulent Mortgage Rider Funds Transfer Fraud	$ 15,000,000	Per occurrence/aggregate where applicable. $25,000 deductible per occurrence.
General Liability	$ 42,000,000	In aggregate. $2,000,000 self insured retention per occurrence.
Cyber Liability	$ 17,000,000	Per occurrence/aggregate where applicable. $100,000 deductible per occurrence.
Business Travel Accident	$ 5,700,000	Aggregate, no deductible.
Risk Property, Boiler & Machinery, Heavy Equipment, DIC, Library Book Floater	$ 600,000,000	Varies.

Settlements or judgments have not exceeded commercial coverage for any risk of loss in each of the past three fiscal years.

4. RELATED PARTY TRANSACTIONS

The Commission and the County entered into a Memorandum of Agreement to provide office space, contract labor, accounting, information technology support, legal service, workers' compensation and liability insurance, administrative support, and maintenance support. Benefits provided to the contract labor including compensated absences, health and pension benefits are charged to the Commission on a pay-as-you-go basis. The total expense incurred by the Commission to the County for the year ended June 30, 2021, was $687,075. Due to County of Ventura is the payment due to the County for services and support provided by the County to the Commission. The total due to the County as of June 30, 2021, was $7,774.

5. LONG-TERM LIABILITIES

Long-term obligations of the Commission consist of contract labor related liabilities. Contract labor related liabilities are liabilities for vacation, vested sick leave benefits, and compensatory time reported as required by GASB Statement No. 16 and No. 34 in the governmental activities of the government-wide financial statements.

A summary of long-term liabilities incurred, outstanding as of June 30, 2021, is as follows:

Type of Liability	Outstanding July 1, 2020	Additions	Maturities	Outstanding June 30, 2021	Amount Due Within One Year
Contract labor related liabilities	$ 67,804	$ 89,770	$ 54,460	$ 103,114	$ 53,000

A liability for contract labor related liabilities are reported in the governmental fund financial statements only if they have matured due to employee resignations and retirements.

Required Supplementary Information (Other than MD&A) (Unaudited)

VENTURA LOCAL AGENCY FORMATION COMMISSION
BUDGETARY COMPARISON SCHEDULE - ON BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
Resources (inflows):				
Apportionments	$ 718,431	$ 718,431	$ 717,873	$ (558)
Filing fees	6,000	6,000	13,555	7,555
Interest	8,000	8,000	5,469	(2,531)
Amount available for appropriation	732,431	732,431	736,897	4,466
Charges to appropriations (outflows):				
General government:				
Contract labor	631,600	631,600	606,724	24,876
Services and supplies	185,000	185,000	142,569	42,431
Contingencies	40,830	40,830	-	40,830
Total charges to appropriation	857,430	857,430	749,293	108,137
Deficiency of revenues under expenditures	(124,999)	(124,999)	(12,396)	112,603
Fund balance - beginning	594,942	594,942	594,942	-
Fund balance - ending	$ 469,943	$ 469,943	$ 582,546	$ 112,603

1. BUDGET AND BUDGETARY ACCOUNTING

As set forth in California Government Code Section 56381 of the Cortese-Knox-Hertzberg (CKH) Local Government Reorganization Act of 2000, the Commission is legally required to adopt a proposed annual budget for the General Fund by May 1, and a final annual budget by June 15. The Commission adheres to the provisions of California Government Code Sections 29000 through 29144 concerning budgetary matters, commonly known as The County Budget Act.

The adopted budget can be amended by the Commission to change both appropriations and estimated revenues as unforeseen circumstances come to management's attention. Increases and decreases in revenue and appropriations require approval by the Commissioners. Expenditures may not exceed total appropriations at the individual object level. Any transfer of appropriations between object levels is delegated by the Commission to the Executive Officer. It is the practice of the Commission's management to review the budget quarterly and, if necessary, recommend changes to the Commission.

The Budgetary Comparison Schedule for the General Fund, as required by GASB 34, presents the original budget, final budget and actual amount. The “original budget” includes the adopted budget plus appropriations for prior year approved rollover encumbrances. The “final budget” is the budget as Board approved at the end of the fiscal year. The “actual amount” includes the actual revenues and expenditures incurred on a budgetary basis and as adjusted for the basic financial statements. Variances are provided between the Final Budget Amounts and the Actual Amounts on a budgetary basis.

This information is presented as Required Supplementary Information. Analysis of the final budget to actual variances is discussed in the Management’s Discussion and Analysis.

The budget is adopted on a basis of accounting which is different from GAAP. The primary difference is:

- For budgetary purposes, changes in the fair value of investments are not recognized as increases or decreases to revenue. Under GAAP, such changes are recognized as increases or decreases to revenue.

The following schedule is a reconciliation of the difference between the fund balances on the actual on a budgetary basis and the GAAP basis on the fund financial statements at June 30, 2021:

	FY 2020-21
	General
Fund balance - Actual on budgetary basis	$ 582,546
Adjustment:	
Change in fair value of investments	(3,415)
Fund balance - GAAP basis	$ 579,131

Level of Budgetary Control

The legal level for budgetary control (the level at which expenditures may not legally exceed appropriations) is at the object level: contract labor, services and supplies, and contingencies. Expenditures are classified as general government. Any transfer of appropriations between object levels within the same budget unit is delegated by the Commission to the LAFCo Executive Officer.

Encumbrances

The Commission utilizes an encumbrance system as an extension of normal budgetary accounting to assist in controlling expenditures. Under this system, purchase orders, contracts, and other commitments for expenditures are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as assignment or commitment of fund balance in the governmental fund. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward in the ensuing year's budget.

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Compliance Section

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*

To the Commissioners of Ventura
Local Agency Formation Commission
Ventura, California

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 financial statements of the governmental activities and the general fund of the Ventura Local Agency Formation Commission (Commission), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated April 7, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these 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 have not been identified.

Compliance and Other Matters

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

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.

Eide Bailly LLP

Rancho Cucamonga, California
April 7, 2022