

VENTURA LOCAL AGENCY FORMATION COMMISSION

Annual Financial Report

Fiscal Year Ended June 30, 2024

VENTURA LOCAL AGENCY FORMATION COMMISSION

ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2024

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FINANCIAL SECTION

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Independent Auditor's Report

The Commissioners of Ventura
Local Agency Formation Commission
Ventura, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying 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, 2024, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2024, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 be presented to supplement the basic financial statements. Such information is the responsibility of management and 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 GAAS, 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 March 3, 2025, 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, 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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California
March 3, 2025

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**MANAGEMENT'S
DISCUSSION
AND ANALYSIS
(UNAUDITED)**

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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, 2024. 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).

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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 - 21 of this report.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Table 1
Net Position - Governmental Activities

| | <u>2024</u> | <u>2023</u> |
|--|-----------------------|-----------------------|
| Assets: | | |
| Current and other assets | \$ 688,074 | \$ 653,642 |
| Total assets | <u>\$ 688,074</u> | <u>\$ 653,642</u> |
| Liabilities: | | |
| Current and other liabilities | \$ 16,285 | \$ 25,781 |
| Long-term liabilities | <u>157,020</u> | <u>172,460</u> |
| Total liabilities | <u>173,305</u> | <u>198,241</u> |
| Net position: | | |
| Unrestricted | <u>514,769</u> | <u>455,401</u> |
| Total net position | <u>514,769</u> | <u>455,401</u> |
| Total liabilities and net position | <u>\$ 688,074</u> | <u>\$ 653,642</u> |

As shown in Table 1, the Commission's total assets in the fiscal year ended June 30, 2024, increased \$34,432 or 5.3 percent from the fiscal year ended June 30, 2023. As shown in Table 2, the amount of revenue from the Commission's application filing fees in the fiscal year ended June 30, 2024, was higher than in the past fiscal year. This is a result of processing a higher number of applications in the current fiscal year than in the past year. Net position as of June 30, 2024, increased \$59,368, indicating a 13.0 percent increase in the Commission's overall financial condition, primarily due to an increase in apportionments from other governmental agencies. LAFCo's budget is funded by 1) fund balance, 2) miscellaneous revenue (interest earnings and filing fees), and 3) revenue from other governmental agencies. Revenue from other governmental agencies always makes up the overwhelming majority of the budget (it was 89% in fiscal year 23-24). Each year when preparing the budget, after the anticipated amounts of fund balance, interest, and filing fees are estimated, the remainder of the budget is covered by the other governmental agencies – 1/3 by the county, 1/3 by the 10 cities, and 1/3 by the independent special districts. This is required pursuant to state law. The County Auditor-Controller's Office then determines the amount of the apportionment that each city and special district will be required to cover using a formula outlined in state law. As LAFCo's budget increases each year, the amount from the governmental agencies, and thus apportionments, will typically increase as well.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)**

Table 2
Revenue from Filing Fees, FY 2019-24

| Fiscal Year | Amount of Revenue from Filing Fees |
|----------------|---------------------------------------|
| 2018-19 | \$17,497 |
| 2019-20 | \$15,222 |
| 2020-21 | \$13,555 |
| 2021-22 | \$38,026 |
| 2022-23 | \$20,101 |
| 2023-24 | \$27,153 |

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

Table 3
Changes in Net Position - Governmental Activities

| | 2024 | 2023 |
|----------------------------------|-------------------|-------------------|
| Revenues: | | |
| Apportionments | \$ 863,241 | \$ 769,392 |
| Charges for services | 27,153 | 20,101 |
| Interest income, net | 47,740 | 27,959 |
| Miscellaneous | - | 7,656 |
| Total revenues | <u>938,134</u> | <u>825,108</u> |
| Expenses: | | |
| General government | <u>878,766</u> | <u>839,700</u> |
| Total expenses | <u>878,766</u> | <u>839,700</u> |
| Change in net position | 59,368 | (14,592) |
| Net position - beginning of year | <u>455,401</u> | <u>469,993</u> |
| Net position - end of year | <u>\$ 514,769</u> | <u>\$ 455,401</u> |

As in all other years, the Commission's major source of revenue in fiscal year ended June 30, 2024, was apportionments from other governmental units. Since apportionments comprise a significant proportion of the Commission's total revenue and 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 increased \$7,052 or 35.1 percent in fiscal year ended June 30, 2024, primarily due to processing a greater number of applications than the prior fiscal year. Additionally, interest income, net increased \$19,781 or 70.8 percent in fiscal year ended June 30, 2024, due to interest rates rebounding from historic lows, and an increase in fair valuation of \$7,511 compared to fiscal year ended June 30, 2023. Miscellaneous revenue decreased \$7,656 in fiscal year ended June 30, 2024, due to a true up of cost allocation plan expenses from the County of Ventura that fluctuate each year depending on actual charges.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)**

As shown in Table 3, total expenses in fiscal year ended June 30, 2024, increased by \$39,066 or 4.7 percent. This was primarily comprised of 1) a 4.0 percent general salary increase for contract labor, which became effective December 2023, 2) an increase in the amount of vacation time "cashed out" by contract staff pursuant to the Management, Confidential Clerical and Other Unrepresented Employees Resolution, and 3) an increase in the Cost Allocation Plan Charges, which are set by the County Budget Manual.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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 fiscal year ended June 30, 2024, total fund balance of the General Fund was \$667,210, compared to \$595,808 for fiscal year ended June 30, 2023.

GENERAL FUND BUDGET

There was one General Fund budget adjustment during the fiscal year, which transferred \$10,500 from the contingency account to the 401K Plan account. This transfer was to cover an unanticipated 2.0 percent non-elective contribution to the 401K Plan approved by the County Board of Supervisors for most county staff covered by the Management Resolution, which includes LAFCo staff. The increase was approved in November 2023 and became effective in February 2024. The budget adjustment was approved by the Commission in February 2024. 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 as a result of LAFCo receiving a significantly greater number of applications than estimated.
 - Interest income, net was more than budgeted, primarily due to utilizing a conservative projection of the investment rate of return.
- *Contract labor:*
 - Retirement Contribution expenditures were less than budgeted due to less contributions being made during the year than anticipated.
- *Services and supplies:*
 - Attorney services expenditures were less than budgeted due to less need for legal services than anticipated.
 - Other Professional and Specialized Non ISF expenditures were less than anticipated because a contract to produce videos for the LAFCo website was not completed and it was delayed to the following fiscal year.
 - Travel expenditures were less than budgeted because fewer commissioners attended the CALAFCO Annual Conference than anticipated.

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

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VENTURA LOCAL AGENCY FORMATION COMMISSION
GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET POSITION
JUNE 30, 2024

| | <u>General Fund</u> | <u>Adjustments</u> | <u>Statement of Net Position</u> |
|--|---------------------|--------------------|--------------------------------------|
| <u>ASSETS</u> | | | |
| Cash and cash equivalents (Note 2) | \$ 669,401 | \$ - | \$ 669,401 |
| Interest receivable | 14,094 | - | 14,094 |
| Right-to-use assets: (Note 4) | | | |
| Right-to-use assets, net | - | 4,579 | 4,579 |
| Total assets | <u>\$ 683,495</u> | <u>\$ 4,579</u> | <u>\$ 688,074</u> |
| <u>LIABILITIES</u> | | | |
| Contracted labor payable | 15,542 | - | 15,542 |
| Due to County of Ventura (Note 6) | 743 | - | 743 |
| Long-term liabilities (Note 5): | | | |
| Due within one year | - | 80,202 | 80,202 |
| Due after one year | - | 76,818 | 76,818 |
| Total liabilities | <u>16,285</u> | <u>157,020</u> | <u>173,305</u> |
| <u>FUND BALANCE/NET POSITION</u> | | | |
| Fund balances: | | | |
| Committed | 135,000 | (135,000) | - |
| Assigned | 75,000 | (75,000) | - |
| Unassigned | 457,210 | (457,210) | - |
| Total fund balance | <u>667,210</u> | <u>(667,210)</u> | <u>-</u> |
| Total liabilities and fund balance | <u>\$ 683,495</u> | | |
| Net position: | | | |
| Unrestricted | | 514,769 | 514,769 |
| Total net position | | <u>\$ 514,769</u> | <u>\$ 514,769</u> |
| Fund balances - total governmental fund | | | \$ 667,210 |
| Amounts reported for governmental activities in the statement of net position are different because: | | | |
| Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the governmental fund. | | | |
| | | | 4,579 |
| 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. | | | |
| | | | <u>(157,020)</u> |
| Net position of governmental activities | | | <u>\$ 514,769</u> |

See the accompanying notes to the basic financial statements

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, 2024

| | <u>General Fund</u> | <u>Adjustments</u> | <u>Statement of Activities</u> |
|-----------------------------|---------------------|---------------------|------------------------------------|
| Expenditures/expenses: | | | |
| General government | \$ 837,412 | \$ 41,354 | \$ 878,766 |
| Debt Service: | | | |
| Principal retirement | 28,700 | (28,700) | - |
| Interest and fiscal charges | <u>620</u> | <u>(620)</u> | <u>-</u> |
| Total expenditures/expenses | <u>866,732</u> | <u>12,034</u> | <u>878,766</u> |
| Revenues: | | | |
| Apportionments | 863,241 | - | 863,241 |
| Charges for services | 27,153 | - | 27,153 |
| Interest income, net | <u>47,740</u> | <u>-</u> | <u>47,740</u> |
| Total revenues | <u>938,134</u> | <u>-</u> | <u>938,134</u> |
| Net change in fund balance | 71,402 | <u>(71,402)</u> | <u>-</u> |
| Change in net position | | 59,368 | 59,368 |
| Fund balance/net position: | | | |
| Beginning of the year | <u>595,808</u> | <u>(140,407)</u> | <u>455,401</u> |
| End of the year | <u>\$ 667,210</u> | <u>\$ (152,441)</u> | <u>\$ 514,769</u> |

Net change in fund balances - total governmental fund \$ 71,402

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 | (13,260) |
| Change in lease liabilities | 28,700 |
| Amortization expense | <u>(27,474)</u> |
| Change in net position of governmental activities | <u><u>\$ 59,368</u></u> |

See the accompanying notes to the basic financial statements

VENTURA LOCAL AGENCY FORMATION COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024
(Continued)

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 Commission 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

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. 101, *Compensated Absences*, effective for reporting period beginning after December 15, 2023, provides guidance to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The requirements of this Statement will improve financial reporting by establishing a unified recognition and measurement model for compensated absences that more appropriately reflects when a government incurs an obligation. The Commission intends to implement the new requirements for the fiscal year 2024-25 financial statements.

GASB Statement No. 102, *Certain Risk Disclosures*, effective for reporting period beginning after June 15, 2024, provides essential information about risks related to government vulnerabilities. This statement requires a government to assess whether a concentration or constraint makes the primary government reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a

VENTURA LOCAL AGENCY FORMATION COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024
(Continued)

concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The Commission intends to implement the new requirements for the fiscal year 2024-25 financial statements.

GASB Statement No. 103, *Financial Reporting Model Improvements*, effective for reporting period beginning after June 15, 2025, provides information that is essential for decision making and assessing a government's accountability. The requirements for MD&A will improve the quality of the analysis of changes from the prior year, which will enhance the relevance of that information. They also will provide clarity regarding what information should be presented in MD&A. The requirements for the separate presentation of unusual or infrequent items will provide clarity regarding which items should be reported separately from other inflows and outflows of resources. The requirement for presentation of major component unit information will improve comparability. And budgetary comparison information to be presented as RSI will improve comparability. The Commission intends to implement the new requirements for the fiscal year 2025-26 financial statements.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, effective for reporting period beginning after June 15, 2025, provides guidance of required certain types of capital assets to be disclosed separately in the Capital assets note disclosures. The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information about certain types of capital assets to make informed decisions and assess accountability. Additionally, the disclosure requirements will improve consistency and comparability between governments. The Commission intends to implement the new requirements for the fiscal year 2025-26 financial statements.

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, including apportionments, 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

VENTURA LOCAL AGENCY FORMATION COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024
(Continued)

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.

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.

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 \$135,000, 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 \$75,000 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.

VENTURA LOCAL AGENCY FORMATION COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024
(Continued)

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.

VENTURA LOCAL AGENCY FORMATION COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024
(Continued)

G. Capital Assets

Capital asset components consist of right-to-use leased structures and improvements. The Commission defines capital assets as assets with an estimated useful life in excess of one year, and over \$5,000 in purchase cost.

The capitalization level and estimated useful life are as follows:

| <u>Category</u> | <u>Capitalization Level</u> | <u>Useful life</u> |
|---|-----------------------------|--------------------|
| Right-to-use leased structures and improvements | \$5,000 | 5 |

Right-to-use leased assets are recognized at the lease commencement date and represent the Commission's right to use an underlying asset for the leased term. Right-to-use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right-to-use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method.

H. Leases

In accordance with GASB Statement No. 87, leases are defined as financings of the right to use an underlying asset.

Lease liabilities and the corresponding right-to-use leased assets represent the Commission's obligations as a lessee to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments are discounted based on the rate provided in the lease contract or if not available, the borrowing rate determined by the County from Indicative Interest Rate Scales as of June 1 of the respective year.

I. 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, 2024, available working capital in excess of 60 days was \$346,008.

VENTURA LOCAL AGENCY FORMATION COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024
(Continued)

J. 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, 2024, the Commission's total cash and cash equivalents was \$669,401; the change in fair value amounted to an increase of \$7,511.

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, 2024, the weighted average maturity of the County of Ventura Investment Pool was 304 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 AA Af 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.

VENTURA LOCAL AGENCY FORMATION COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024
(Continued)

As of June 30, 2024, 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, 2024, 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, 2024, is uncategorized and not defined as Level 1, Level 2 or Level 3 input.

VENTURA LOCAL AGENCY FORMATION COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024
(Continued)

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 | \$ 20,000,000 | Per occurrence/aggregate where applicable. \$25,000 deductible per occurrence. |
| General Liability | \$ 50,000,000 | In aggregate. \$2,000,000 self insured retention per occurrence. |
| Cyber Liability | \$ 21,000,000 | 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. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024, was as follows:

| Governmental Activities | Balance July 1, 2023 | Additions | Deletions | Balance June 30, 2024 |
|---|----------------------------|--------------------|-------------|-----------------------------|
| Right-to-use assets, amortizable: | | | | |
| Right-to-use leased structures and improvements | \$ 87,001 | \$ - | \$ - | \$ 87,001 |
| Less: accumulated amortization | (54,948) | (27,474) | - | (82,422) |
| Governmental activities right-to-use assets, net | \$ 32,053 | \$ (27,474) | \$ - | \$ 4,579 |

VENTURA LOCAL AGENCY FORMATION COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024
(Continued)

5. LONG-TERM LIABILITIES

Long-term obligations of the Commission consist of contract labor related liabilities, and lease 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. Lease liability is reported as required by GASB Statement No. 87.

A summary of long-term liabilities incurred, outstanding as of June 30, 2024, is as follows:

| Type of Liability | Outstanding July 1, 2023 | Additions | Maturities | Outstanding June 30, 2024 | Amount Due Within One Year |
|-------------------------------------|--------------------------------|------------------|-------------------|---------------------------------|----------------------------------|
| Compensated Absences | \$ 138,876 | \$ 88,996 | \$ 75,736 | \$ 152,136 | \$ 75,318 |
| Structure and improvement leases | 33,584 | - | 28,700 | 4,884 | 4,884 |
| Total long-term liabilities | \$ 172,460 | \$ 88,996 | \$ 104,436 | \$ 157,020 | \$ 80,202 |

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

The Commission entered into a lease for office space on September 1, 2019. The current lease expires August 31, 2024, with an automatic extension of year-to-year unless terminated by either party. The Commission is required to make monthly fixed payments ranging from \$2,310 to \$2,452 with a five year initial term. An initial lease liability was recorded in governmental activities in the amount of \$87,001, during fiscal year ended June 30, 2022. The imputed interest rate is 3.02 percent.

The following is a schedule of future minimum lease payments for noncancellable lease liabilities as of June 30, 2024:

| Year Ending June 30, | Principal | Interest |
|----------------------|-----------------|--------------|
| 2025 | \$ 4,884 | \$ 18 |
| | - | - |
| Total | \$ 4,884 | \$ 18 |

6. 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, 2024, was \$779,972. 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, 2024, was \$743.

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**REQUIRED
SUPPLEMENTARY
INFORMATION
(OTHER THAN MD&A)
(UNAUDITED)**

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VENTURA LOCAL AGENCY FORMATION COMMISSION
BUDGETARY COMPARISON SCHEDULE - ON BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

| | Original Budget | Final Budget | Actual on Budgetary Basis | Variance with Final Budget Positive (Negative) |
|--|--------------------|-------------------|---------------------------------|---|
| Resources (inflows): | | | | |
| Apportionments | \$ 863,242 | \$ 863,242 | \$ 863,241 | \$ (1) |
| Charges for services | 6,000 | 6,000 | 27,153 | 21,153 |
| Interest income, net | <u>5,000</u> | <u>5,000</u> | <u>40,229</u> | <u>35,229</u> |
| Amount available for appropriation | <u>874,242</u> | <u>874,242</u> | <u>930,623</u> | <u>56,381</u> |
| Charges to appropriations (outflows): | | | | |
| General government: | | | | |
| Contract labor | 751,450 | 761,950 | 736,160 | 25,790 |
| Services and supplies | 176,400 | 176,400 | 130,572 | 45,828 |
| Contingencies | <u>46,392</u> | <u>35,892</u> | <u>-</u> | <u>35,892</u> |
| Total charges to appropriation | <u>974,242</u> | <u>974,242</u> | <u>866,732</u> | <u>107,510</u> |
| Excess/(deficiency) of revenues over/(under) expenditures | <u>(100,000)</u> | <u>(100,000)</u> | <u>63,891</u> | <u>163,891</u> |
| Fund balance - beginning | <u>595,808</u> | <u>595,808</u> | <u>595,808</u> | <u>-</u> |
| Fund balance - ending | <u>\$ 495,808</u> | <u>\$ 495,808</u> | <u>\$ 659,699</u> | <u>\$ 163,891</u> |

VENTURA LOCAL AGENCY FORMATION COMMISSION
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

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, 2024:

| | |
|--|--------------------------|
| | <u>FY 2023-24</u> |
| | <u>General</u> |
| Fund balance - Actual on budgetary basis | \$ 659,699 |
| Adjustment: | |
| Change in fair value of investments | <u>7,511</u> |
| Fund balance - GAAP basis | <u><u>\$ 667,210</u></u> |

VENTURA LOCAL AGENCY FORMATION COMMISSION
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2024
(Continued)

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

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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*

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 (*Government Auditing Standards*), 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, 2024, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated March 3, 2025.

Report on 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 or significant deficiencies may exist that were not identified.

Report on 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.

A handwritten signature in black ink that reads "Eide Sallie LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
March 3, 2025