

SANTA BARBARA LOCAL AGENCY
FORMATION COMMISSION
JUNE 30, 2018 AND 2017
FINANCIAL STATEMENTS



BARTLETT, PRINGLE & WOLF, LLP
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION

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INDEPENDENT AUDITOR'S REPORT

**To the Members of the
Santa Barbara Local Agency Formation Commission:**

Report on the Financial Statements

We have audited the accompanying financial statements of the Santa Barbara Local Agency Formation Commission (the Commission) as of and for the years ended June 30, 2018 and 2017, 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Commission'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 Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of June 30, 2018 and 2017, and the changes in net position and cash flows for the years 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 on pages 3 through 6 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The Supplemental Schedules of Revenues, Expenses and Changes in Net Position - Actual vs. Budget on pages 14 and 15 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplemental Schedules of Revenues, Expenses and Changes in Net Position - Actual vs. Budget are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Schedules of Revenues, Expenses and Changes in Net Position - Actual vs. Budget are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Bartlett, Pringh & Wolf, LLP

Santa Barbara, California
January 7, 2019

SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Santa Barbara Local Agency Formation Commission's (the Commission) annual financial report presents our analysis of the Commission's financial performance during the year ended June 30, 2018, and other significant conditions and events. This section should be read in conjunction with the financial statements, which follow.

Financial Highlights

- The Commission's assets exceeded its liabilities at the end of fiscal year 2017-2018 by \$75,372.
- For the year ended June 30, 2018, the Commission's revenues exceeded its expenses by \$64,896.

Overview of Financial Statements

The financial statements provide information about the Commission, whose records are maintained by the County of Santa Barbara accounting system. The County provides treasury and investment services to the Commission.

- The Statement of Net Position provides an overview of the Commission's assets (or resources) and liabilities (or obligations).
- The Statement of Revenues, Expenses and Changes in Net Position provides information regarding the Commission's operating revenues, operating expenses, income from operations, non-operating revenue and change in net position from the beginning of the year to the end of the year.
- The Statement of Cash Flows provides information regarding the Commission's cash receipts and cash disbursements during the year. This statement differs from the statement of revenues, expenses and changes in net position because this statement accounts only for transactions that result in cash receipts or cash disbursements.
- The Supplemental Schedules of Revenues, Expenses and Changes in Net Position-Actual vs. Budget provide detailed information regarding budgeted revenues and expenses compared to actual revenues and expenses.
- The Notes to Financial Statements provide explanations of the Commission's significant accounting policies and procedures which support the financial statements.

**SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Statement of Net Position
June 30, 2018, 2017 and 2016**

	2018	2017	2016	FY 2018 to 2017 Change	FY 2017 to 2016 Change
<u>ASSETS</u>					
Current Assets:					
Cash	\$ 90,070	\$ 28,683	\$ 57,169	\$ 61,387	\$(28,486)
Accounts receivable	5,435	283	283	5,152	-
Interest receivable	473	166	180	307	(14)
Total current assets	95,978	29,132	57,632	66,846	(28,500)
Total assets	95,978	29,132	57,632	66,846	(28,500)
<u>LIABILITIES</u>					
Current Liabilities:					
Accounts payable	20,606	18,656	12,649	1,950	6,007
Total current liabilities	20,606	18,656	12,649	1,950	6,007
<u>NET POSITION</u>					
Net Position:					
Unrestricted	75,372	10,476	44,983	64,896	(34,507)
Total net position	\$ 75,372	\$ 10,476	\$ 44,983	\$ 64,896	\$(34,507)

The increase in cash and unrestricted net position is primarily due to income from operations in the amount of \$62,999 for the year ended June 30, 2018.

**SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Condensed Statement of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2018, 2017 and 2016**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>FY 2018 to 2017 Change</u>	<u>FY 2017 to 2016 Change</u>
Total operating revenues	\$ 502,929	\$ 349,762	\$ 378,310	\$ 153,167	\$ (28,548)
Total operating expenses	<u>439,930</u>	<u>385,307</u>	<u>373,721</u>	<u>54,623</u>	<u>11,586</u>
Income (loss) from operations	62,999	(35,545)	4,589	98,544	(40,134)
Non-operating revenue	<u>1,897</u>	<u>1,038</u>	<u>935</u>	<u>859</u>	<u>103</u>
Changes in net assets	<u>\$ 64,896</u>	<u>\$ (34,507)</u>	<u>\$ 5,524</u>	<u>\$ 99,403</u>	<u>\$ (40,031)</u>

The 2018 change in net assets increased from 2017 primarily due to an increase in operating revenues.

Current Assets

The Commission's assets consist of cash, accounts receivable and interest receivable.

Other than office furnishings, i.e., file cabinets, conference table and chairs, the Commission has no capital assets. Office furnishings are fully depreciated and have a net book value of zero.

The Commission's file materials consist of records of current and past boundary changes and extensions of public services, local agency spheres of influence and municipal service reviews and budgetary, administrative and procedural files.

Long-Term Debt

The Commission has no long term debt.

Conditions Affecting Current Financial Position

Expenditures are predicated upon the Commission's staffing costs, cost allocation fees for use of County facilities and services and operating expenses related to payment of Commissioner per diems for participating in Commission meetings and copy and mailing expenses for Commission notices of hearing, agendas and staff reports.

SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Request for Information

This financial report is designed to provide the County and local agencies that financially support the Commission, residents, property owners and taxpayers in Santa Barbara County with a general overview of the Commission's finances and the Commission's accountability for the money it receives.

If you have any questions about this report or need additional financial information you may reach Paul Hood, Executive Officer at (805) 568-3391.

SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION
STATEMENT OF NET POSITION
June 30, 2018 and 2017

	2018	2017
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 90,070	\$ 28,683
Accounts receivable	5,435	283
Interest receivable	473	166
Total current assets	95,978	29,132
Total assets	95,978	29,132
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable	20,606	18,656
Total current liabilities	20,606	18,656
<u>NET POSITION</u>		
Net Position:		
Unrestricted	75,372	10,476
Total net position	\$ 75,372	\$ 10,476

See accompanying notes

SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Revenues:		
Other governmental agencies	\$ 423,000	\$ 335,003
Planning study services	79,779	11,967
Miscellaneous revenue	150	2,792
	<u>502,929</u>	<u>349,762</u>
Total operating revenues		
Operating Expenses:		
Contractual services	211,376	258,799
Cost allocations	55,305	(24,289)
Legal fees	23,693	66,337
Memberships	5,161	4,630
Office expense	931	1,973
Payroll taxes	979	1,879
Payroll fees	1,109	1,838
Professional and special services	102,281	21,479
Professional fees	6,000	5,800
Publications and notices	126	4,332
Salaries and wages	12,072	18,120
Training and travel	19,686	23,225
Telephone services	348	348
Utilities	863	836
	<u>439,930</u>	<u>385,307</u>
Total operating expenses		
Income (loss) from operations	<u>62,999</u>	<u>(35,545)</u>
Non-Operating Revenue:		
Interest income	<u>1,897</u>	<u>1,038</u>
Total non-operating revenue	<u>1,897</u>	<u>1,038</u>
Change in net position	64,896	(34,507)
Net position, beginning of year	<u>10,476</u>	<u>44,983</u>
Net position, end of year	<u>\$ 75,372</u>	<u>\$ 10,476</u>

See accompanying notes

SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION
STATEMENT OF CASH FLOWS
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Receipts from customers	\$ 497,777	\$ 349,762
Payments to vendors and employees	(437,980)	(379,300)
Net cash provided (used) by operating activities	<u>59,797</u>	<u>(29,538)</u>
Cash flows from investing activities:		
Interest received	<u>1,590</u>	<u>1,052</u>
Net cash provided by investing activities	<u>1,590</u>	<u>1,052</u>
Net increase (decrease) in cash	61,387	(28,486)
Cash, beginning of year	<u>28,683</u>	<u>57,169</u>
Cash, end of year	<u>\$ 90,070</u>	<u>\$ 28,683</u>
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:		
Income (loss) from operations	\$ 62,999	\$ (35,545)
Changes in assets and liabilities:		
Accounts receivable	(5,152)	-
Accounts payable	<u>1,950</u>	<u>6,007</u>
Net cash provided (used) by operating activities	<u>\$ 59,797</u>	<u>\$ (29,538)</u>

See accompanying notes

SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION
NOTES TO FINANCIAL STATEMENTS

Note 1 - Nature of Organization

The Santa Barbara Local Agency Formation Commission (the Commission) is an independent agency created in 1963, by the legislature in Santa Barbara County. The Commission works closely with citizens, the county, cities and special districts on a variety of issues concerning the organization of local governments, jurisdiction changes, and public services. The Commission's statutory purpose includes discouraging urban sprawl, preserving agricultural land, and encouraging orderly boundaries based upon local circumstances and conditions, and promoting adequate public services. From its creation in 1963 to June 30, 2001, the County of Santa Barbara funded the Commission. Beginning July 1, 2001, the *Cortese/Knox/Hertzberg Local Reorganization Act* redefined the Commission's responsibilities and established a new funding method and process. The Commission, after accounting for charges and services is now funded in equal thirds by (1) the County of Santa Barbara, (2) the cities and (3) the independent special districts in Santa Barbara. The Commission adopts its annual budget by June 15 of each year and transmits it to each of the member organizations.

Note 2 - Summary of Significant Accounting Policies

A) Basis for Accounting and Measurement Focus

The Commission reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the Commission is that the costs of operating on a continuing basis be financed or recovered primarily through revenues generated by the Commission.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

An enterprise fund is accounted for on the "flow of economic resources" measurement focus. This means that all assets and liabilities, whether current or long term, are included on the balance sheet. Revenues and expenses are recognized on the accrual basis, as such revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of the timing of related cash flows.

B) Cash

For purposes of reporting in the statement of cash flows, the Commission considers all cash accounts with original maturity of three months or less to be cash equivalents.

C) Member Allocations

All member organizations are required to pay an allocation of costs of the annual Commission's budget.

SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION
NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of Significant Accounting Policies (continued)

D) Use of Estimates

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

E) Net Position

Net position represents the difference between assets and liabilities and is classified into three components as follows:

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds.

Restricted – This component of net position consists of assets which are legally restricted by outside parties for use for a specific purpose.

Unrestricted – This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets”. Dedicated net position represents unrestricted assets which are segregated by the Board of Directors for specific future uses.

All of the Commission’s net position is unrestricted.

Note 3 - Cash

The Commission maintains all of its cash in the Santa Barbara County Treasury. The County Treasurer pools and invests the Commission’s cash with other funds under its control. Interest earned on pooled investments is apportioned quarterly into participating funds based upon each fund's average daily balance.

A summary of cash as reported on the statement of net position and statement of cash flows, respectively, at June 30, 2018 and 2017 is as follows:

	2018	2017
Cash with the County Treasurer	\$ 90,070	\$ 28,683
Total cash	\$ 90,070	\$ 28,683

SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 3 - Cash (continued)

Investment Authorized by the California Government Code and the Entity's Investment Policy

The Commission's investment policy only authorizes investment in the local government investment pool administered by the County of Santa Barbara. The Commission's investment policy does not contain any specific provisions intended to limit the Commission's exposure to interest rate risk, credit risk, and concentration of credit risk.

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 its fair value to changes in market interest rates.

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. Presented below is the minimum rating required by (where applicable) the California Government Code and the Commission's investment policy, and the actual rating as of the year end for each investment type.

<u>2018</u>		Minimum Legal Rating	Exempt From Disclosure	<u>Rating as of Year End</u>		
<u>Investment Type</u>	<u>Amount</u>			<u>AAA</u>	<u>AA</u>	<u>Not Rated</u>
Santa Barbara County						
Investment Pool	\$ 90,070	N/A	\$ 90,070	\$ -	\$ -	\$ -
Total	<u>\$ 90,070</u>		<u>\$ 90,070</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

<u>2017</u>		Minimum Legal Rating	Exempt From Disclosure	<u>Rating as of Year End</u>		
<u>Investment Type</u>	<u>Amount</u>			<u>AAA</u>	<u>AA</u>	<u>Not Rated</u>
Santa Barbara County						
Investment Pool	\$ 28,683	N/A	\$ 28,683	\$ -	\$ -	\$ -
Total	<u>\$ 28,683</u>		<u>\$ 28,683</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Concentration of Credit Risk

The investment policy of the Commission contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. All of the Commission's cash is held in the Santa Barbara County Investment Pool.

SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION
NOTES TO FINANCIAL STATEMENTS

Note 3 - Cash (continued)

Custodial Credit Risk

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 that would limit the exposure to custodial credit risk for investments. 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 Santa Barbara County Investment Pool).

Investment in Santa Barbara County Investment Pool

The Commission is a participant in the Santa Barbara County Investment Pool that is regulated by the California Government Code. The fair value of the Commission's investment in this pool is reported in the accompanying financial statements at the amounts based upon the Commission's pro-rata share of the fair value provided by the Santa Barbara County Investment Pool for the entire Santa Barbara County Investment Pool portfolio. The balance available for withdrawal is based on the accounting records maintained by the Santa Barbara Investment Pool.

Note 4 - Subsequent Events

Subsequent events have been evaluated through January 7, 2019, the date that the financial statements were available for issuance.

SUPPLEMENTARY INFORMATION

SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION
SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
ACTUAL VS. BUDGET
For the Year Ended June 30, 2018

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues:			
Other governmental agencies	\$ 424,498	\$ 423,000	\$ (1,498)
Planning study services	25,000	79,779	54,779
Miscellaneous revenue	3,000	150	(2,850)
Total operating revenues	<u>452,498</u>	<u>502,929</u>	<u>50,431</u>
Operating Expenses:			
Contractual services	235,000	211,376	23,624
Cost allocations	55,151	55,305	(154)
Legal fees	35,000	23,693	11,307
Liability insurance	158	-	158
Memberships	6,000	5,161	839
Office expense	2,500	931	1,569
Payroll taxes	2,225	979	1,246
Payroll fees	1,750	1,109	641
Professional and special services	45,000	102,281	(57,281)
Professional fees	6,000	6,000	-
Publications and notices	2,500	126	2,374
Salaries and wages	15,000	12,072	2,928
Training and travel	26,000	19,686	6,314
Telephone services	348	348	-
Utilities	926	863	63
Total operating expenses	<u>433,558</u>	<u>439,930</u>	<u>(6,372)</u>
Income from operations	<u>18,940</u>	<u>62,999</u>	<u>44,059</u>
Non-Operating Revenue:			
Interest income	<u>1,060</u>	<u>1,897</u>	<u>837</u>
Total non-operating revenue	<u>1,060</u>	<u>1,897</u>	<u>837</u>
Change in net position	<u>\$ 20,000</u>	<u>\$ 64,896</u>	<u>\$ 44,896</u>

SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION
SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
ACTUAL VS. BUDGET
For the Year Ended June 30, 2017

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues:			
Other governmental agencies	\$ 337,441	\$ 335,003	\$ (2,438)
Planning study services	40,000	11,967	(28,033)
Miscellaneous revenue	500	2,792	2,292
Total operating revenues	<u>377,941</u>	<u>349,762</u>	<u>(28,179)</u>
Operating Expenses:			
Contractual services	220,000	258,799	(38,799)
Copier expense	1,000	-	1,000
Cost allocations	(24,459)	(24,289)	(170)
Legal fees	35,000	66,337	(31,337)
Liability insurance	200	-	200
Memberships	5,000	4,630	370
Office expense	1,200	1,973	(773)
Payroll taxes	2,225	1,879	346
Payroll fees	1,750	1,838	(88)
Professional and special services	36,000	21,479	14,521
Professional fees	6,000	5,800	200
Publications and notices	2,500	4,332	(1,832)
Salaries and wages	15,000	18,120	(3,120)
Training and travel	26,000	23,225	2,775
Telephone services	348	348	-
Utilities	827	836	(9)
Total operating expenses	<u>328,591</u>	<u>385,307</u>	<u>(56,716)</u>
Income (loss) from operations	<u>49,350</u>	<u>(35,545)</u>	<u>(84,895)</u>
Non-Operating Revenue:			
Interest income	650	1,038	388
Total non-operating revenue	<u>650</u>	<u>1,038</u>	<u>388</u>
Change in net position	<u>\$ 50,000</u>	<u>\$ (34,507)</u>	<u>\$ (84,507)</u>