



LAFCO - San Luis Obispo - Local Agency Formation Commission
SLO LAFCO - Serving the Area of San Luis Obispo County

TO: MEMBERS, FORMATION COMMISSION

FROM: DAVID CHURCH, EXECUTIVE OFFICER (DC)

DATE: JUNE 15, 2017

**SUBJECT: REVIEW AND ACCEPT ANNUAL AUDIT FOR FY 2016
PREPARED BY BROWN AND ARMSTRONG AND APPROVE
PROPOSED CREDIT CARD POLICIES**

Recommendation

It is respectfully recommended that the Commission take the following actions: 1) review and accept the attached audit for FY 2015-16, 2) review and approve the attached policies for use of the LAFCO Credit Card, 3) direct the Executive Officer to submit the Audit for FY 2016 to the County Auditor. 4) provide staff with direction as to the timing of the next review or audit.

Background

At the January 2017 LAFCO meeting the Commission directed staff to contract with Brown and Armstrong to prepare an Audit for the FY 2016. LAFCO financial records are administered by LAFCO staff with technical advice, monitoring, and accounting support provided by the County of San Luis Obispo Auditor's Office. LAFCO staff enters all draw warrants and claims into the County's financial system which tracks LAFCO's revenues and expenditures. The system is used in completing payroll, paying bills, and all financial transactions.

Exhibit A: Audit by Brown & Armstrong for FY 2016

Exhibit B: Proposed Credit Card Policies

Audit for FY 2016. The Audit completed for FY 2016 is found in Attachment A. Attachment B are the proposed policies for credit card use that are recommended for approval. The key audit finding is as follows:

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 major fund of the Commission as of June 30, 2016, and the respective changes in its financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

This means that the LAFCO financial statements are presented consistent with accepted accounting principles. This is a positive audit result and indicates that LAFCO's financial condition and processes are sound. The Commission may choose to complete an audit on a different cycle; every two or three years. Given the cost of an audit, and the fact that County reviews LAFCO transactions, this may be a practical, fiscally prudent choice to consider. In addition, your Commission may consider a Review of Transactions as opposed to a full Audit. This is a more general review of LAFCO transactions.

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