



San Luis Obispo Local Agency Formation Commission

TO: MEMBERS OF THE COMMISSION

FROM: ROB FITZROY, EXECUTIVE OFFICER

DATE: MAY 16, 2024

SUBJECT: CONSIDERATION OF THE FISCAL YEAR 2022-2023 AUDIT

RECOMMENDATION

It is recommended that the Commission consider taking the following action:

Action: Motion to Review and approve the Financial Report for the Fiscal Year 2022-2023 (Attachment A) and the Draft Management Report (Attachment B) and direct the Executive Officer to submit the reports to the County Auditor.

BACKGROUND

At the October 19, 2023 LAFCO meeting the Commission directed the Executive Officer and Legal Counsel to enter into contract with C.J. Brown & Company CPAs to prepare an audit for Fiscal Year (FY) 2022-2023. The audit began in January 2024 and was completed in April 2024. During this time LAFCO staff along with County Auditor staff worked with the audit firm to provide requested information.

HIGHLIGHTS

The following are financial highlights drawn from the audit. Additional details and information can be found in Attachments A & B.

- The financial statements present fairly, in all material respects, the financial position of LAFCO, in accordance with standard accounting principles.
- No deficiencies in internal financial controls were identified.
- No unusual transactions or fraud were identified.
- Pension liabilities have decreased (improved) consistently from 2018 to 2023 from \$1,543,856 in 2018 to \$1,052,739 in 2023. This is due to Tier 1 employees retiring or leaving employment. All current employees are Tier 3 pension beneficiaries and therefore cost less. It is important to note that a pension liability of \$1,052,739 does not represent current “debt”, rather it is the estimated amount that LAFCO will contribute to the pension system over

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the next twenty years incrementally. Payments are made to the pension system with each payroll every two weeks as per standard practice.

CONCLUSION

LAFCO is in a healthy budgetary position. The audit demonstrates LAFCO operates its finances consistent with standard accounting practices and controls. Once approved by the Commission, the audit will be transmitted to the County Auditor and posted on our website for transparency.

Attachment A: Draft Annual Financial Report for the Fiscal Year Ended June 30, 2023

Attachment B: Draft Management Report, June 30, 2023