



**Local Agency
Formation Commission**
LAFCO of Napa County

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AUGUST 7, 2006
AGENDA ITEM NO. 5d

August 1, 2006

TO: Local Agency Formation Commission

FROM: Keene Simonds, Executive Officer

SUBJECT: FY05-06 Budget: Close of Accounting Records (Information)

Staff has prepared a report on the close of accounting records for FY05-06. The report is being presented to the Commission for information.

The Executive Officer and the Auditor-Controller have completed the necessary actions to close the FY05-06 accounting records. LAFCO finished FY05-06 with unexpended funds totaling \$145,316.75. This unexpended fund amount is approximately \$60,000 more than the total for FY04-05 and is primarily attributed to the reduction in staffing costs associated with the departure of former Executive Officer Daniel Schwarz in January. The unexpended funds should be returned to the six funding agencies (the County of Napa and the Cities of American Canyon, Calistoga, Napa, St. Helena, and Town of Yountville) in the form of credits toward their respective FY06-07 contributions. These credits will be determined proportionally to each agency's FY05-06 share of the LAFCO budget.

LAFCO practices bottom-line accounting and has granted the Executive Officer discretionary authority over above-the-line accounts relating to *Salaries & Benefits* and *Services and Supplies*. Although the above-the-line total was positive in FY05-06, some individual line-items exceeded their FY05-06 budget. For the benefit of the Commission, these individual line-items are discussed in the attached summary.

Note: As discussed in the attached summary, staff believes that there is a accounting error involving \$1,381.20 in unaccounted funds in one of the Commission's service and supply accounts, "PSS: Other." Staff is working with the County Auditor-Controller on this matter and will provide the Commission a written update for the August 7th meeting.

Attachments:

- 1) Summary of deficit line-items
- 2) FY05-06 General Ledger Report – Expenditures

Dr. Andrew Alexander, Vice-Chair
Mayor, City of Calistoga

Kevin Block, Commissioner
Councilmember, City of Napa

Cindy Coffey, Alt. Commissioner
Councilmember, City of American Canyon

Bill Dodd, Chair
Supervisor, 4th District

Brad Wagenknecht, Commissioner
Supervisor, 1st District

Mark Luce, Alt. Commissioner
Supervisor, 2nd District

Guy Kay, Commissioner
Representative of the General Public

Brian Kelly, Alt. Commissioner
Representative of the General Public

Keene Simonds
Executive Officer

LAFCO FY05-06 Budget: Close of Accounting Records Discussion of Deficits in Individual Line-Items

Salaries and Benefits

Retirement Payoff (#51300200)

Former Executive Officer Daniel Schwarz received \$5,989.67 following his January, 2006 departure as payoff for his accrued vacation time. This line-item was added to the FY05-06 General Ledger after the approval of the budget in response to Mr. Schwarz's departure. Excess funds in other *Salaries and Benefits* line-items were sufficient to cover this payoff amount.

Services and Supplies

Memberships (#52150000)

LAFCO uses this line-item to pay its annual membership with CALAFCO. In FY05-06, this line-item experienced a deficit of \$1,441. This deficit was the result of staff having processed a warrant for LAFCO's 06-07 membership fee prior to the official close of books for FY05-06. Although this early payment was detected shortly after its submittal to the County Auditor's Office, the error could not be corrected because the close of the books for FY05-06 had been completed. Excess funds in other *Service and Supplies* line-items were sufficient to cover this deficit.

Please note that because of the early payment of its 06-07 CALAFCO membership fee, LAFCO will have excess funds available in this line-item at the close of FY06-07.

Professional Support Services (PSS): Other (#52185000)

LAFCO uses this line-item each year to cover the cost of an independent audit and services from the Auditor-Controller's office. In addition, LAFCO moves funds from its *Professional Services Dedication* to this line to cover consulting contracts. In FY05-06, this line-item experienced a deficit of \$4,367.46. The majority of this deficit is attributed to the rising cost for the preparation of the independent audit and increased usage of the Auditor-Controller, which was not fully anticipated in the FY05-06 budget. An increase of \$1,500 to this line-item has been budgeted for FY06-07. Staff also anticipates making less use of the Auditor-Controller as it becomes more familiar with PeopleSoft software.

Please note that in addition to increases in auditing costs and use of the Auditor-Controller, staff believes that an accounting error involving the misplacement of \$1,381.20 in carryover funds from FY04-05 has contributed to the deficit in this line-item. As the Commission will recall, LAFCO carried over \$4,239.90 from FY04-05 in this line-item to complete payment to Cotton/Bridges/Associates for consulting services. However, beginning in April 2006, this line-item reflected an unexplained decrease in carryover funds from \$4,239.90 to \$2,855.70. Staff is working with the Auditor's Office to address this apparent error and will provide a written update at the Commission's August 7th meeting.

LAFCO FY05-06 Budget: Close of Accounting Records Discussion of Deficits in Individual Line-Items

Publications/Legal Notices (#52190000)

LAFCO uses this line-item each year to cover the costs of all publications. In FY05-06, this line-item experienced a deficit of \$674.60. This deficit is attributed to publishing advertisements relating to the recruitment of an executive officer.

SDE: Other (#52235000)

LAFCO uses this line-item to pay one-time operating expenses. In FY05-06, LAFCO replaced one laptop computer. The cost was \$660.19 above the budgeted amount.