

VENTURA COUNCIL OF GOVERNMENTS

Basic Financial Statements

For the Year Ended June 30, 2011

VENTURA COUNCIL OF GOVERNMENTS
Basic Financial Statements
For the Year Ended June 30, 2011

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Ventura Council of Governments
Ventura, California

We have audited the accompanying financial statements of the governmental activities and the general fund of Ventura Council of Governments, California (the Council), as of and for the year ended June 30, 2011, which collectively comprise the Council's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Council's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative financial information has been derived from the Council's 2010 financial statements and, in our report dated December 17, 2010, expressed unqualified opinions on the respective financial statements of the governmental activities and the general fund of the Council.

We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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 general fund of the Council, as of June 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the Financial Statements, the Council adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2011, on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison schedule on page 13 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Council has not presented management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of the basic financial statements.

Vavrinch, Train, Day & Co., LLP

Rancho Cucamonga, California
November 14, 2011

VENTURA COUNCIL OF GOVERNMENTS

Statement of Net Assets

June 30, 2011

(With Comparative Totals for June 30, 2010)

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Assets:		
Cash and investments (note 2)	<u>\$65,585</u>	<u>\$56,654</u>
Total assets	<u>65,585</u>	<u>56,654</u>
Liabilities:		
Accounts payable	<u>3,415</u>	<u>2,821</u>
Total liabilities	<u>3,415</u>	<u>2,821</u>
Net assets:		
Unrestricted	<u>62,170</u>	<u>53,833</u>
Total net assets	<u>\$62,170</u>	<u>\$53,833</u>

See accompanying notes to the basic financial statements

VENTURA COUNCIL OF GOVERNMENTS
Statement of Activities
Year Ended June 30, 2011
(With Comparative Totals For Year Ended June 30, 2010)

	Program Revenues			Governmental Activities	
	Charges for Expenses	Operating Grants and Services	Capital Grants and Contributions	2011	2010
Governmental activities:					
Planning and programming	\$57,750	\$1,035	\$64,994	\$0	\$ 8,279
Total governmental activities	<u>\$57,750</u>	<u>\$1,035</u>	<u>\$64,994</u>	<u>\$0</u>	<u>\$ 8,279</u>
General revenues:					
Unrestricted investment earnings				58	556
Total general revenues				<u>58</u>	<u>556</u>
Change in net assets				8,337	7,900
Net assets at beginning of year				<u>53,833</u>	<u>45,933</u>
Net assets at end of year				<u>\$ 62,170</u>	<u>\$ 53,833</u>

See accompanying notes to the basic financial statements

VENTURA COUNCIL OF GOVERNMENTS

Governmental Funds

Balance Sheet – General Fund

June 30, 2011

(With Comparative Totals for June 30, 2010)

	<u>2011</u>	<u>2010</u>
Assets:		
Cash and investments (note 2)	<u>\$65,585</u>	<u>\$56,654</u>
Total assets	<u>65,585</u>	<u>56,654</u>
Liabilities and Fund Balances:		
Liabilities:		
Accounts payable	<u>3,415</u>	<u>2,821</u>
Total liabilities	<u>3,415</u>	<u>2,821</u>
Fund Balances:		
Unassigned	<u>62,170</u>	<u>53,833</u>
Total fund balances	<u>62,170</u>	<u>53,833</u>
Total liabilities and fund balances	<u>\$65,585</u>	<u>\$56,654</u>

See accompanying notes to the basic financial statements

VENTURA COUNCIL OF GOVERNMENTS

Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2011

(With Comparative Totals for Year Ended June 30, 2010)

	<u>2011</u>	<u>2010</u>
Revenues:		
Charges for services	\$ 1,035	\$ 435
Contributions	64,994	65,150
Investment income	<u>58</u>	<u>556</u>
Total revenues	<u>66,087</u>	<u>66,141</u>
Expenditures:		
Current:		
General government:		
Professional services	51,800	51,640
Other	<u>5,950</u>	<u>3,774</u>
Total general government	<u>57,750</u>	<u>55,414</u>
Programs:		
Planning and programming	<u>0</u>	<u>2,827</u>
Total programs	<u>0</u>	<u>2,827</u>
Total expenditures	<u>57,750</u>	<u>58,241</u>
Net change in fund balances	8,337	7,900
Fund balances, beginning of year	<u>53,833</u>	<u>45,933</u>
Fund balances, end of year	<u>\$62,170</u>	<u>\$53,833</u>

See accompanying notes to the basic financial statements.

VENTURA COUNCIL OF GOVERNMENTS

Notes to the Basic Financial Statements

Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies

Reporting Entity: The Ventura Council of Governments (Council) was established by a voluntary joint powers agreement on December 1, 1992 representing the 10 cities of Ventura County as well as the County. This Joint Powers Agency was established under Organization of Title 1, Division 7, Chapter 5 of the California Government Code Section 6503.5. The purpose of the Ventura Council of Governments is to facilitate cooperative sub-regional and regional planning, coordination and technical assistance on issues of mutual concern.

There are many other governmental agencies, including the County of Ventura and the Ventura County Transportation Council, providing services within the area served by the Council. These other governmental agencies have independently elected governing boards and consequently are not under the direction of the Council. Financial information for these agencies is not included in the accompanying financial statements.

Financial Statement Presentation: The Council's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB).

Government-Wide Financial Statements: The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the Council. These statements report governmental activities, which normally are supported by general and intergovernmental revenues. The Council does not have any business-type activities, which rely to a significant extent on fees and charges for support.

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 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. For the Council, charges for services represent member agency dues. Investment earnings and other items not properly included among program revenues are reported instead as *general revenues*.

In the fiscal year ended June 30, 2011, the government-wide financial statements under full accrual were the same as the fund financial statements under modified accrual.

VENTURA COUNCIL OF GOVERNMENTS
Notes to the Basic Financial Statements
Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

Fund Financial Statements: The underlying accounting system of the Council is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the Council's governmental funds are presented after the government-wide financial statements. The emphasis on fund financial statements is on major governmental funds, each displayed in a separate column.

The Council has only one fund, the General Fund. The General Fund is the general operating fund of the Council and accounts for financial resources not required to be accounted for in another fund.

Measurement Focus and Basis of Accounting: 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 a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Council considers revenues to be available if they are collected within 180 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred.

Those revenues susceptible to accrual include member agency dues and interest revenue.

Cash and Investments: The Council does not have its own approved investment policy. The Council maintains cash and investments in accordance with an investment policy adopted on June 3, 2011 by the Ventura County Transportation Commission, who is administering and managing the Council's business. The investment policy complies with, or is more restrictive than, applicable state statutes.

The unexpended cash of the General Fund is deposited in a separate interest bearing bank account from the Ventura County Transportation Commission's funds.

VENTURA COUNCIL OF GOVERNMENTS
Notes to the Basic Financial Statements
Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

Fund Balance: The Council maintains its equity in accordance with the fund balance policy adopted on June 3, 2011 by the Ventura County Transportation Commission, who is administering and managing the Council's business.

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented effective July 1, 2010 and as part of the process, VCTC formally adopted a fund balance policy on June 3, 2011. In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned and unassigned fund balances to identify the extent to which the commission is bound to honor constraints on the specific purposes for which amounts can be spent. Nonspendable fund balances are assets that are not in spendable form (ie. prepaid items) or are legally or contractually required to be maintained intact (ie. permanent endowments). Restricted fund balances include amounts that are constrained by the specific purpose stipulated by external resource providers and/or imposed constitutionally or by enabling legislation. Committed fund balances include amounts that can be used for specific purposes determined by formal action of the government's highest level of decision-making authority by resolution or formal board action. Assigned fund balances include amounts that are intended by the government to be used for specific purposes, but are neither committed nor assigned. The Commission has designated the authority to assign amounts used for specific purposes to the Executive Director and/or the Finance Director. Unassigned fund balances include the residual funds for the General Fund and all amounts not contained in the other classifications. When both restricted and unrestricted resources are available for use, it is the Commission's policy to use the most restricted resources first and then unrestricted resources in the following manner: committed, assigned and unassigned.

Net Assets: In the government-wide financial statements, net assets represent the difference between assets and liabilities and are classified as unrestricted net assets.

Unrestricted net assets represent those assets that are available for general use.

When both restricted and unrestricted resources are available for use, it is the Council's policy to use restricted resources first and then unrestricted resources, as they are needed.

Use of Estimates: The preparation of basic 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 reported amounts of assets and liabilities at the reporting date and revenues and expenses during the reporting period. Actual results could differ from those estimates.

VENTURA COUNCIL OF GOVERNMENTS
Notes to the Basic Financial Statements
Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

Prior Year Data: Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Council's prior year financial statements, from which this selected financial data was derived.

Note 2. Cash and Investments

The unexpended cash of the General Fund is deposited in a separate interest bearing bank account from the Ventura County Transportation Commission's funds. The carrying value of cash as of June 30, 2011 was \$65,585. The first \$250,000 of the deposit balance is federally insured and the remaining balance is collateralized in accordance with the California Government Code; however, the collateralized securities are not held in the name of the Council.

Investments Authorized by the Commission's Investment Policy: The table below identifies the investment types that are authorized for the Commission by the California Government Code and the Commission's investment policy. The table also identifies certain provisions of the California Government Code (or the Commission's investment policy, if more restrictive) that addresses interest rate risk, credit risk, and concentration of credit risk.

<u>Investment Types Authorized by State Law</u>	<u>Investment Policy</u>	<u>Authorized by Maximum Maturity*</u>	<u>Percentage of Portfolio*</u>	<u>Maximum Investment Issuer*</u>	<u>Maximum In One</u>
Local Agency Bonds		Yes	5 years	None	None
U.S. Treasury Obligations		Yes	5 years	None	None
U.S. Agency Securities		Yes	5 years	None	None
Banker's Acceptances		Yes	180 days	40%	30%
Commercial Paper		Yes	270 days	25%	10%
Negotiable Certificates of Deposit		Yes	5 years	30%	None
Repurchase Agreements		Yes	1 year	None	None
Reverse Repurchase Agreements		Yes	92 days	20% of base value	None
Medium-Term Notes		No	5 years	30%	None
Mutual Funds		No	N/A	20%	10%
Money Market Mutual Funds		No	N/A	20%	10%
Mortgage Pass-Through Securities		No	5 years	20%	None
County Pooled Investment Fund		Yes	N/A	None	None
Local Agency Investment Fund		Yes	N/A	None	None

*Based on state law requirements or investment policy requirements, whichever is more restrictive.

VENTURA COUNCIL OF GOVERNMENTS
Notes to the Basic Financial Statements
Year Ended June 30, 2011

Note 2. Cash and Investments (continued)

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 Council's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, 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 Council deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Note 3. Risk Management:

The Council has general liability insurance coverage. Liabilities are reported when it is probably that a loss has occurred and the amount of the loss can be reasonably estimated. There have been no claims or insurance settlements and the Council has no liability at June 30, 2011 for unpaid claims.

Note 4. Support Services:

The Council has no employees. The Council contracts with the Ventura County Transportation Commission for management and administrative services. In Fiscal Year 2010/2011 the Ventura County Transportation Commission received payment of \$50,000 to perform management and administrative services. The expenditure for the Council was reported as professional services in the fund financial statements.

Note 5. Commitments and Contingencies:

Council's management is not aware of any outstanding claims or litigations. The Council has limited revenue sources from member dues. It is dependent on continued available funding.

VENTURA COUNCIL OF GOVERNMENTS
Required Supplementary Information
Year Ended June 30, 2011

GENERAL FUND: The General Fund is classified as a major fund and is used to account for revenues and expenditures that are not required to be accounted for in another fund.

VENTURA COUNCIL OF GOVERNMENTS
 General Fund
 Budgetary Comparison Schedule
 Year Ended June 30, 2011
 (With Comparative Totals for Year Ended June 30, 2010)

	<u>Fiscal Year 2010/2011</u>		<u>Fiscal Year</u> <u>2010/2011</u>	<u>Variances with</u> <u>Final Budget</u> <u>Positive/</u> <u>(Negative)</u>	<u>Fiscal Year</u> <u>2009/2010</u>
	<u>Budgeted Amounts</u> <u>Original</u>	<u>Final</u>			
Revenues:					
Charges for services	\$ 0	\$ 0	\$ 1,035	\$ 1,035	\$ 435
Contributions	64,994	64,994	64,994	0	65,150
Investment income	<u>0</u>	<u>0</u>	<u>58</u>	<u>58</u>	<u>556</u>
Total revenues	<u>64,994</u>	<u>64,994</u>	<u>66,087</u>	<u>1,093</u>	<u>66,141</u>
Expenditures:					
Current:					
General government:					
Professional services	52,500	52,500	51,800	700	51,640
Other	<u>13,000</u>	<u>13,000</u>	<u>5,950</u>	<u>7,050</u>	<u>3,774</u>
Total general government	<u>65,500</u>	<u>65,500</u>	<u>57,750</u>	<u>7,750</u>	<u>55,414</u>
Programs:					
Planning and programming	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,827</u>
Total programs	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,827</u>
Total expenditures	<u>65,500</u>	<u>65,500</u>	<u>57,750</u>	<u>7,750</u>	<u>58,241</u>
Net change in fund balances	(506)	(506)	8,337	8,843	7,900
Fund balances, beginning of year	<u>50,000</u>	<u>50,000</u>	<u>53,833</u>	<u>3,833</u>	<u>45,933</u>
Fund balances, end of year	<u>\$49,494</u>	<u>\$49,494</u>	<u>\$62,170</u>	<u>\$12,676</u>	<u>\$53,833</u>

See accompanying notes to the required supplemental information

VENTURA COUNCIL OF GOVERNMENTS
Notes to Required Supplementary Information
Year Ended June 30, 2011

(1) Budgetary Data

The annual budget serves the fiscal period from July 1 through June 30 and is a vehicle that accurately and openly communicates the Council's priorities to the community, businesses, vendors and other public agencies. Also, the budget provides the foundation of financial planning by providing resource planning and controls that permit the evaluation and adjustment of the Council's performance.

Budgets are prepared in accordance with generally accepted accounting principles using the modified accrual basis of accounting. Budgeted amounts are as originally adopted, or as amended in accordance with prescribed procedures throughout the fiscal year.