



Joint Legislative Audit Committee
Office of the Auditor General



FINANCIAL AUDIT REPORT
COMMISSION OF THE CALIFORNIAS
YEAR ENDED JUNE 30, 1979

REPORT TO THE
CALIFORNIA LEGISLATURE

REPORT **F-999.08**

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

999.08

FINANCIAL AUDIT REPORT
COMMISSION OF THE CALIFORNIAS
YEAR ENDED JUNE 30, 1979

OCTOBER 1980



California Legislature

Joint Legislative Audit Committee

GOVERNMENT CODE SECTION 10500 et al

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S. FLOYD MORI
CHAIRMAN

October 17, 1980

999.08

The Honorable Speaker of the Assembly
The Honorable President pro Tempore of the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits the Auditor General's financial audit report of the Commission of the Californias, year ended June 30, 1979.

The auditors are Curt Davis, CPA; Romero Zamora; Gus Demas; Geraldine Parks; Teri Yee; Michael Tritz; and Charles Thrasher.

Respectfully submitted,

S. FLOYD MORI
Chairman, Joint Legislative
Audit Committee

Attachment

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INTRODUCTION

In response to a resolution of the Joint Legislative Audit Committee and in compliance with federal Office of Revenue Sharing regulations, we have conducted a financial audit of the Commission of the Californias. This audit was conducted under the authority vested in the Auditor General by Section 10527 of the Government Code.

The objective of the Commission of the Californias is to develop favorable economic and cultural relations with the State of Baja California and the Territory of Baja California Sur, Republic of Mexico, and to cooperate with their official delegations.

The Commission of the Californias is supported by appropriations from the State's General Fund.


AUDITOR'S OPINION

To the Joint Legislative Audit Committee of the California Legislature:

We have examined the combined balance sheet of the Commission of the Californias as of June 30, 1979 and the related statements of financing sources, expenditures, and changes in fund balance and operating clearing for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of the Commission of the Californias at June 30, 1979 and the results of operations and changes in fund balance and operating clearing for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The column amounts on the accompanying financial statements captioned "Totals - Memorandum Only" for June 30, 1979 are not necessary for a fair presentation of the financial statements but are presented as additional analytical data and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.



WESLEY E. VOSS
Assistant Auditor General

Date: March 15, 1980

Staff: Curt Davis, CPA
Romero Zamora
Gus Demas
Geraldine Parks
Teri Yee
Michael Tritz
Charles Thrasher

COMMISSION OF THE CALIFORNIAS
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUP
 JUNE 30, 1979

	<u>Governmental Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Account Group</u>	<u>Totals (Memorandum Only)</u>
<u>ASSETS</u>	<u>General</u>	<u>Expendable Trust</u>	<u>General Fixed Assets</u>	<u>June 30, 1979</u>
Cash	\$ --	\$747	\$ --	\$ 747
Accounts receivable	2,500	--	--	2,500
Equipment	--	--	4,340	4,340
Total Assets	<u>\$ 2,500</u>	<u>\$747</u>	<u>\$4,340</u>	<u>\$ 7,587</u>
 <u>LIABILITIES, ENCUMBRANCES OUTSTANDING, AND FUND EQUITY</u>				
Liabilities:				
Accounts payable	\$ 23,890	\$ --	\$ --	\$ 23,890
Reimbursements collected in advance	7,947	--	--	7,947
Total Liabilities	<u>31,837</u>	<u>--</u>	<u>--</u>	<u>31,837</u>
Encumbrances Outstanding	<u>16,343</u>	<u>--</u>	<u>--</u>	<u>16,343</u>
Fund Equity:				
Investment in general fixed assets	--	--	4,340	4,340
Fund balance	--	747	--	747
Operating clearing (Note 4)	<u>(45,680)</u>	<u>--</u>	<u>--</u>	<u>(45,680)</u>
Total Fund Equity	<u>(45,680)</u>	<u>747</u>	<u>4,340</u>	<u>(40,593)</u>
Total Liabilities, Encumbrances Outstanding, and Fund Equity	<u>\$ 2,500</u>	<u>\$747</u>	<u>\$4,340</u>	<u>\$ 7,587</u>

The notes to the financial statements are an integral part of this statement.

COMMISSION OF THE CALIFORNIAS
 COMBINED STATEMENT OF FINANCING SOURCES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE AND OPERATING CLEARING
 GOVERNMENTAL FUND TYPE AND EXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 1979

	<u>Governmental Fund Type</u>	<u>Fiduciary Fund Type Expendable Trust</u>	<u>Totals (Memorandum Only) June 30, 1979</u>
	<u>General</u>		
Financing Sources:			
Support appropriation	\$ 36,823	\$ --	\$ 36,823
Reimbursements	33,318	--	33,318
Miscellaneous adjustments (Note 3)	<u>118</u>	<u>--</u>	<u>118</u>
Total Financing Sources	<u>70,259</u>	<u>--</u>	<u>70,259</u>
Expenditures:			
Personal services	51,128	--	51,128
Operating expenses and equipment	<u>60,266</u>	<u>29</u>	<u>60,295</u>
Total Expenditures	<u>111,394</u>	<u>29</u>	<u>111,423</u>
Excess of Sources over (under) Expenditures	(41,135)	(29)	(41,164)
Fund Balance - July 1	--	776	776
Operating Clearing - July 1	<u>(4,545)</u>	<u>--</u>	<u>(4,545)</u>
Fund Balance - June 30	--	747	747
Operating Clearing - June 30	<u>\$(45,680)</u>	<u>\$ --</u>	<u>\$(45,680)</u>

The notes to the financial statements are an integral part of this statement.

COMMISSION OF THE CALIFORNIAS
 STATEMENT OF FINANCING SOURCES, EXPENDITURES,
 AND CHANGES IN OPERATING CLEARING - BUDGET AND ACTUAL
 GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 1979

	<u>Budget as Adjusted</u>	<u>Actual</u>	<u>Variance</u>
Financing Sources: (Note 2)			
Support appropriation	\$ 81,056	\$ 36,823	\$ (44,233)
Reimbursements	80,030	33,318	(46,712)
Miscellaneous adjustments (Note 3)	<u> --</u>	<u> 118</u>	<u> 118</u>
Total Financing Sources	<u>161,086</u>	<u>70,259</u>	<u>(90,827)</u>
Expenditures: (Note 2)			
Personal services	51,639	51,128	511
Operating expenses and equipment	<u>109,447</u>	<u>60,266</u>	<u>49,181</u>
Total Expenditures	<u>161,086</u>	<u>111,394</u>	<u>49,692</u>
Excess of Financing Sources over (under) Expenditures	<u>\$ --</u>	(41,135)	<u>\$ (41,135)</u>
Operating Clearing - July 1		<u>(4,545)</u>	
Operating Clearing - June 30		<u>\$(45,680)</u>	

The notes to the financial statements are an integral part of this statement.

COMMISSION OF THE CALIFORNIAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1979

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements reflect the financial position and results of operations of the Commission of the Californias. The statements have been prepared in conformity with generally accepted accounting principles applicable to state and local governments as prescribed by the American Institute of Certified Public Accountants and by the National Council on Governmental Accounting.

The accompanying financial statements are structured into a Governmental Fund Type, a Fiduciary Fund Type, and an Account Group. The Commission of the Californias accounts for only its portion of the two fund type categories. The State Controller maintains the central accounts for all state funds and annually publishes fund statements.

GOVERNMENTAL FUND TYPES

Governmental Fund Types are those through which most governmental functions are financed. The acquisition, use, and balances of the government's expendable financial resources and the related current liabilities--except those accounted for in Proprietary Funds--are accounted for through governmental funds. The Governmental Fund Type for the Commission of the Californias is the General Fund. This fund includes all financial resources not accounted for in another fund.

The General Fund is maintained on the modified accrual basis of accounting. These are some of its more significant elements:

Income

Throughout the fiscal year all income, except for certain reimbursements which are recorded when billed, is accounted for on a cash basis. At June 30, the accounts are adjusted to accrue all earned but uncollected income.

Expenditures

Expenditures are accounted for at the time claims for payment are filed with the State Controller. At June 30, all valid expenditure commitments are accrued as expenditures including encumbrances outstanding against budget appropriations for which no goods or services have been received.

Liabilities

Retirement Plan - Regular employees of the commission are members of the Public Employees' Retirement System (PERS) which is a defined benefit, contributory retirement plan. The amount the commission and employees contribute to PERS is actuarially determined under a program in which contributions plus retirement system earnings provide the necessary funds to pay retirement costs as accrued. Retirement contributions for the year totaled \$6,951.

Vacation and Sick Leave - Costs of vacation and sick leave are charged when these benefits are used rather than when they are earned.

FIDUCIARY FUND TYPE

The Fiduciary Fund Type is used to account for assets held by a governmental unit in a trustee capacity. The Fiduciary Fund Type for the commission is the special deposit fund, an expendable trust fund which is used to account for cash donations from individuals. These donations are used to defray the expenses of the commission's General Assembly meetings.

ACCOUNT GROUP

The Account Group is used to account for general fixed assets. Assets purchased are recorded as expenditures in the appropriate fund in the year of acquisition or encumbrance. General fixed assets increased by a net of \$77 during the fiscal year.

2. BUDGETED FINANCING SOURCES AND EXPENDITURES

The amounts shown under "Budget as Adjusted" for financing sources and expenditures reflect the Governor's Budget after allowing for adjustments by the Budget Act, interim statutory changes affecting appropriations, and authorized executive budget revisions issued during the year.

3. MISCELLANEOUS ADJUSTMENTS

This account shows the difference between the net amount of financing sources, expenditures, and reimbursements accrued as of the previous June 30 and the actual amount of financing sources, expenditures, and reimbursements related to the prior year but obtained during the current fiscal year.

4. OPERATING CLEARING

This account is the connecting link between the records of the various state agencies and the central fund accounts of the State Controller for the General Fund and other funds not accounted for entirely by one agency. The balance at June 30, represents the net assets and liabilities for which the Commission of the Californias is accountable.

OTHER INFORMATION

As an integral part of our examination, we reviewed the accounting procedures and related system of internal accounting control at the commission and at the Department of General Services (which maintains the commission's accounting records) to the extent we considered necessary to properly form an opinion concerning the fairness with which the commission's financial statements present its financial position and results of operations in accordance with generally accepted accounting principles consistently applied.

Our review enabled us to suggest improvements which would result in better operating procedures and controls. A management letter describing the suggested operating improvements was issued to the commission in conjunction with certain recommended adjusting entries necessary to achieve compliance with generally accepted accounting principles.

The commission generally concurs with the suggested operating improvements and adjusting entries.

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
Secretary of State
State Controller
State Treasurer
Legislative Analyst
Director of Finance
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
California State Department Heads
Capitol Press Corps