

**MARIN LOCAL AGENCY  
FORMATION COMMISSION**

**SAN RAFAEL, CALIFORNIA**

**BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2014**

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INDEPENDENT AUDITORS' REPORT

Commissioners  
Marin Local Agency Formation Commission  
San Rafael, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Marin Local Agency Formation Commission, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Marin Local Agency Formation Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to Marin Local Agency Formation Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Marin Local Agency Formation Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 major fund of the Marin Local Agency Formation Commission, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3-6) and the required supplementary information (page 17), as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*R. J. Ricciardi, Inc.*

R. J. Ricciardi, Inc.  
Certified Public Accountants

San Rafael, California  
June 3, 2015

Marin Local Agency Formation Commission  
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

This section of Marin Local Agency Formation Commission's (LAFCO's) basic financial statements presents management's overview and analysis of the financial activities of the organization for the fiscal year ended June 30, 2014. We encourage the reader to consider the information presented here in conjunction with the basic financial statements as a whole.

### **Introduction to the Basic Financial Statements**

This discussion and analysis is intended to serve as an introduction to LAFCO's audited financial statements, which are composed of the basic financial statements. This annual report is prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for States and Local Governments*. The Single Governmental Program for Special Purpose Governments reporting model is used, which best represents the activities of LAFCO.

The required financial statements include the Statement of Net Position and Governmental Funds Balance Sheet; and the Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances.

These statements are supported by notes to the basic financial statements. All sections must be considered together to obtain a complete understanding of the financial picture of LAFCO.

### **The Basic Financial Statements**

The Basic Financial Statements comprise the Combined Government-wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of LAFCO's financial activities and financial position.

The Government-wide Financial Statements provide a longer-term view of LAFCO's activities as a whole, and comprise the Statement of Net Position and the Statement of Activities. The Statement of Net Position provides information about the financial position of LAFCO as a whole, including all of its capital assets and long-term liabilities on the full accrual basis, similar to that used by corporations. The Statement of Activities provides information about all of LAFCO's revenues and all of its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of LAFCO's programs. The Statement of Activities explains in detail the change in Net Position for the year.

All of LAFCO's activities are grouped into Government Activities, as explained below.

The Fund Financial Statements report LAFCO's operations in more detail than the Government-wide statements and focus primarily on the short-term activities of LAFCO's Major Funds. The Fund Financial Statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt and other long-term amounts.

Major Funds account for the major financial activities of LAFCO and are presented individually. Major Funds are explained below.

### **The Government-wide Financial Statements**

Government-wide Financial Statements are prepared on the accrual basis, which means they measure the flow of all economic resources of LAFCO as a whole.

The Statement of Net Position and the Statement of Activities present information about the following: *Governmental Activities* – LAFCO's basic services are considered to be governmental activities. These services are supported by specific general revenues from local agencies.

Marin Local Agency Formation Commission  
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

**Fund Financial Statements**

The Fund Financial Statements provide detailed information about each of LAFCO's most significant funds, called Major Funds. The concept of Major Funds, and the determination of which are Major Funds, was established by GASB Statement No. 34 and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually, with all Non-major Funds summarized and presented only in a single column. Major Funds present the major activities of LAFCO for the year, and may change from year-to-year as a result of changes in the pattern of LAFCO's activities.

In LAFCO's case, there is only one Major Governmental Fund.

Governmental Fund Financial Statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements.

Comparisons of Budget and Actual financial information are presented for the General Fund.

**Analyses of Major Funds**

Governmental Funds

General Fund revenue decreased this fiscal year compared to the prior year due primarily to decreases in boundary change applications. Actual revenues were less than budgeted amounts by \$33,351 due primarily to decreased application activity.

General Fund expenditures were \$291,319, a decrease of \$55,370 from the prior year primarily due to LAFCO being contracted for EO recruitment and actuary study. Expenditures were \$72,214 less than budgeted.

**Governmental Activities**

Table 1  
Governmental Net Position

|                    | 2014<br>Governmental<br>Activities | 2013<br>Governmental<br>Activities |
|--------------------|------------------------------------|------------------------------------|
| Current assets     | \$ 215,647                         | \$ 169,643                         |
| Total assets       | 215,647                            | 169,643                            |
| Accounts payable   | 10,755                             | 18,933                             |
| Accrued payroll    | 20,454                             | 16,526                             |
| Total liabilities  | 31,209                             | 35,459                             |
| Net position       |                                    |                                    |
| Unrestricted       | 184,438                            | 134,184                            |
| Total net position | \$ 184,438                         | \$ 134,184                         |

Marin Local Agency Formation Commission  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
 June 30, 2014

LAFCO's governmental net position amounted to \$184,438 as of June 30, 2014, an increase of \$50,254 from 2013. This increase is the Change in Net Position reflected in the Statement of Activities shown in Table 2. LAFCO's net position as of June 30, 2014 comprised the following:

- Cash and investments comprised \$215,647 of cash on deposit with the Marin County Treasury.
- Accounts payable totaling \$10,755.
- Accrued expenses totaling \$20,454.
- Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements or restrictions. LAFCO had \$184,438 of unrestricted net position as of June 30, 2014.

The Statement of Activities presents program revenues and expenses and general revenues in detail. All of these are elements in the Changes in Governmental Net Position summarized below.

Table 2  
Changes in Governmental Net Position

|                                   | 2014<br>Governmental<br>Activities | 2013<br>Governmental<br>Activities |
|-----------------------------------|------------------------------------|------------------------------------|
| <u>Expenses</u>                   |                                    |                                    |
| Services and supplies             | \$ 294,739                         | \$ 357,883                         |
| Total expenses                    | 294,739                            | 357,883                            |
| <br><u>Revenues</u>               |                                    |                                    |
| Program revenues:                 |                                    |                                    |
| Charges for services              | 5,960                              | 12,894                             |
| Total program revenues            | 5,960                              | 12,894                             |
| General revenues:                 |                                    |                                    |
| Intergovernmental                 | 339,033                            | 298,748                            |
| Total general revenues            | 339,033                            | 298,748                            |
| Total revenues                    | 344,993                            | 311,642                            |
| <br><u>Change in net position</u> | \$ 50,254                          | \$ (46,241)                        |

As Table 2 above shows, \$5,960, or 1.73% of LAFCO's fiscal year 2014 governmental revenue, came from program revenues and \$339,033, or 98.27%, came from general revenues such as contributions from local agencies.

Program revenues were composed of application and related fees of \$5,960.

General revenues are not allocable to programs. General revenues are used to pay for the net cost of governmental programs.

**Capital Assets**

LAFCO has no capital assets.

**Debt Administration**

LAFCO does not utilize long-term debt to fund operations or growth.

Marin Local Agency Formation Commission  
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

**Economic Outlook and Major Initiatives**

Financial planning is based on specific assumptions from recent trends, State of California economic forecasts and historical growth patterns in the various agencies served by LAFCO.

The economic condition of LAFCO as it appears on the balance sheet reflects financial stability. LAFCO will continue to maintain a watchful eye over expenditures and remain committed to sound fiscal management practices to deliver the highest quality service to the citizens of the area.

**Contacting LAFCO's Financial Management**

The basic financial statements are intended to provide citizens, taxpayers, and creditors with a general overview of LAFCO's finances. Questions about this report should be directed to Marin Local Agency Formation Commission, 555 Northgate Drive, Suite 230, San Rafael, California 94903.



Marin Local Agency Formation Commission  
STATEMENT OF NET POSITION AND  
GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2014

|                                         | General        | Adjustments<br>(Note 9) | Statement of<br>Net Position |
|-----------------------------------------|----------------|-------------------------|------------------------------|
| <u>ASSETS</u>                           |                |                         |                              |
| Cash and investments                    | \$ 215,647     | \$ -                    | \$ 215,647                   |
| Total assets                            | \$ 215,647     | \$ -                    | \$ 215,647                   |
| <br><u>LIABILITIES</u>                  |                |                         |                              |
| Accounts payable                        | \$ 10,755      | \$ -                    | \$ 10,755                    |
| Accrued expenses                        | 5,840          | 14,614                  | 20,454                       |
| Total liabilities                       | 16,595         | 14,614                  | 31,209                       |
| <br><u>FUND BALANCES/NET POSITION</u>   |                |                         |                              |
| Fund balances:                          |                |                         |                              |
| Unassigned fund balance                 | 199,052        | (14,614)                | 184,438                      |
| Total fund balances                     | 199,052        | (14,614)                | 184,438                      |
| <br>Total liabilities and fund balances | <br>\$ 215,647 |                         |                              |
| <br>Net position:                       |                |                         |                              |
| Unrestricted                            |                | 184,438                 | 184,438                      |
| Total net position                      |                | \$ 184,438              | \$ 184,438                   |

The accompanying notes are an integral part of these financial statements.

Marin Local Agency Formation Commission  
STATEMENT OF ACTIVITIES AND  
GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
For the period ended June 30, 2014

|                                                                                                | <u>General</u>    | <u>Adjustments<br/>(Note 10)</u> | <u>Statement of<br/>Net Position</u> |
|------------------------------------------------------------------------------------------------|-------------------|----------------------------------|--------------------------------------|
| Expenditures/expenses:                                                                         |                   |                                  |                                      |
| Services and supplies                                                                          | \$ 291,319        | \$ 3,420                         | \$ 294,739                           |
| Total expenditures/expenses                                                                    | <u>291,319</u>    | <u>3,420</u>                     | <u>294,739</u>                       |
| Program revenues:                                                                              |                   |                                  |                                      |
| Charges for services                                                                           | <u>5,960</u>      | <u>-</u>                         | <u>5,960</u>                         |
| Net program expense                                                                            |                   |                                  | <u>(288,779)</u>                     |
| General revenues:                                                                              |                   |                                  |                                      |
| Intergovernmental                                                                              | <u>339,033</u>    | <u>-</u>                         | <u>339,033</u>                       |
| Total general revenues and transfers                                                           | <u>339,033</u>    | <u>-</u>                         | <u>339,033</u>                       |
| Excess (deficiency) of revenues and transfer in<br>over (under) expenditures and transfers out | 53,674            | (53,674)                         | -                                    |
| Changes in net position                                                                        | -                 | 50,254                           | 50,254                               |
| Fund balance/Net position at beginning of period                                               | <u>145,378</u>    | <u>(11,194)</u>                  | <u>134,184</u>                       |
| Fund balance/Net position at end of period                                                     | <u>\$ 199,052</u> | <u>\$ (14,614)</u>               | <u>\$ 184,438</u>                    |

The accompanying notes are an integral part of these financial statements.

Marin Local Agency Formation Commission  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2014

NOTE 1 - REPORTING ENTITY

A. Organization of LAFCO

Marin Local Agency Formation Commission (LAFCO) was formed in 1963. LAFCO is responsible for coordinating logical and timely changes in local government boundaries, conducting special studies that review ways to reorganize, simplify, and streamline governmental structure, and preparing a sphere of influence for each city and special district within its county. LAFCO's efforts are directed toward seeing that services are provided efficiently and economically while agricultural and open-space lands are protected. LAFCO also conducts service reviews to evaluate the provision of municipal services within its county.

B. Principles that Determine the Scope of Reporting Entity

LAFCO consists of seven voting members and exercises the powers allowed by state statutes. This follows section 56325 of the Government Code. The basic financial statements of LAFCO consist only of the funds of LAFCO. LAFCO has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by, or dependent on, LAFCO.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

LAFCO's basic financial statements are prepared in conformity with U.S. generally accepted accounting principles. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

LAFCO has chosen to present its basic financial statements using the reporting model for special purpose governments engaged in a single government program.

This model allows the fund financial statements and the government-wide statements to be combined using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements rather than at the bottom of the statements or in an accompanying schedule.

Government-wide Financial Statements

LAFCO's financial statements reflect only its own activities; it has no component units. The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity. Governmental activities generally are financed through intergovernmental revenues and charges for services.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of LAFCO's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods and services offered by the program. Revenues that are not classified as program revenues, including all intergovernmental revenues, are presented as general revenues.

Marin Local Agency Formation Commission  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation (concluded)

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. General Fund operations are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures (or expenses) as appropriate. LAFCO's resources are accounted for based on the purposes for which they are to be spent and the means by which spending activities are controlled. An emphasis is placed on major funds within the governmental categories. A fund is considered major if it is the primary operating fund of LAFCO or meets the following criteria: Total assets, liabilities, revenues or expenditures (or expenses) of the individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type. The General Fund is always a major fund.

Governmental Funds

General Fund: This is the operating fund of LAFCO. The major revenue source for this fund is intergovernmental revenues. Expenditures are made for intergovernmental revenues projects and administration.

B. Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *full accrual basis* of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental funds are reported using the *current financial resources measurement focus* and the *modified accrual* basis of accounting. Under this method, revenues are recognized when "measurable and available." LAFCO considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Those revenues susceptible to accrual are intergovernmental, certain charges for services and interest revenue. Charges for services are not susceptible to accrual because they are not measurable until received in cash.

Non-exchange transactions, in which LAFCO gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed.

Marin Local Agency Formation Commission  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

B. Basis of Accounting (concluded)

LAFCO may fund programs with a combination of charges for services and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenditures. LAFCO's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

C. LAFCO Budget

Pursuant to Section 56381, et seq of the Government Code, LAFCO adopts a preliminary budget by May 1 and a final budget by June 15 of each year.

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Budget/actual comparisons in this report use this budgetary basis. These budgeted amounts are as originally adopted or as amended by LAFCO. Individual amendments were not material in relation to the original appropriations that were amended.

D. Property, Plant and Equipment

LAFCO currently has no fixed assets.

E. Compensated Absences

Compensated absences comprise unpaid vacation. Vacation and sick time are accrued as earned.

NOTE 3 - CASH AND INVESTMENTS

LAFCO's cash is maintained with the Marin County Treasury in a non-interest-bearing account. LAFCO's cash on deposit with Marin County Treasury at June 30, 2014 was \$215,647.

Credit Risk, Carrying Amount and Market Value of Investments

LAFCO maintains specific cash deposits with Marin County. Marin County is restricted by state code in the types of investments it can make. Furthermore, the Marin County Treasurer has a written investment policy, approved by the Board of Supervisors, which is more restrictive than state code as to terms of maturity and type of investment. Also, Marin County has an investment committee, which performs regulatory oversight for its pool as required by California Government Code Section 27134. In addition, LAFCO has its own investment policy as well.

Marin County's investment policy authorizes Marin County to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, certificates of deposit, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, and the State Treasurer's investment pool. At June 30, 2014, LAFCO's cash with the Marin County Treasurer was maintained in a non-interest-bearing account.

Marin Local Agency Formation Commission  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2014

NOTE 4 - USE OF ESTIMATES

The basic financial statements have been prepared in conformity with U.S. generally accepted accounting principles and, as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those amounts.

NOTE 5 - CONTINGENCIES

LAFCO may be involved from time to time in various claims and litigation arising in the ordinary course of business. LAFCO management, based upon the opinion of legal counsel, is of the opinion that the ultimate resolution of such matters should not have a materially adverse effect on LAFCO's financial position or results of operations.

NOTE 6 - FUND EQUITY

The accompanying basic financial statements reflect certain changes that have been made with respect to the reporting of the components of Fund Balances for governmental funds. In previous years, fund balances for governmental funds were reported in accordance with previous standards that included components for reserved fund balance, unreserved fund balance, designated fund balance, and undesignated fund balance. Due to the implementation of GASB Statement No. 54, the components of the fund balances of governmental funds now reflect the component classifications described below. In the fund financial statements, governmental fund balances are reported in the following classifications:

Nonspendable fund balance includes amounts that are not in a spendable form, such as prepaid items or supplies inventories, or that are legally or contractually required to remain intact, such as principal endowments.

Restricted fund balance includes amounts that are subject to externally enforceable legal restrictions imposed by outside parties (i.e., creditors, grantors, contributors) or that are imposed by law through constitutional provisions or enabling legislation.

Committed fund balance includes amounts whose use is constrained by specific limitations that the government imposes upon itself, as determined by a formal action of the highest level of decision-making authority. The Commissioners serve as LAFCO's highest level of decision-making authority and have the authority to establish, modify or rescind a fund balance commitment via minutes action.

Assigned fund balance includes amounts intended to be used by LAFCO for specific purposes, subject to change, as established either directly by the Commissioners or by management officials to whom assignment authority has been delegated by the Commissioners.

Unassigned fund balance is the residual classification that includes spendable amounts in the General Fund that are available for any purpose.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) fund balances are available, LAFCO specifies that restricted revenues will be applied first. When expenditures are incurred for purposes for which committed, assigned or unassigned fund balances are available, LAFCO's policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

Marin Local Agency Formation Commission  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2014

NOTE 6 - FUND EQUITY (concluded)

Net Position

Net Position is the excess of all LAFCO's assets over all its liabilities, regardless of fund. Net Position is divided into three captions under GASB Statement No. 34. These captions apply only to Net Position, which is determined only at the government-wide level, and are described below:

*Invested in capital assets, net of related debt* describes the portion of Net Position that is represented by the current net book value of LAFCO's capital assets, less the outstanding balance of any debt issued to finance these assets.

*Restricted* describes the portion of Net Position that is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions that LAFCO cannot unilaterally alter.

*Unrestricted* describes the portion of Net Position that is not restricted to use.

All of LAFCO's Net Position is unrestricted.

NOTE 7 - PENSION PLAN

A LAFCO employee is eligible to participate in pension plans offered by Marin County Employee Retirement Association (MCERA), a cost sharing multiple employer defined benefit pension plan (the Plan) which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are governed by the 1937 Act of the California Government Code. It covers employees eligible for membership, and provides retirement, disability, death, and survivor benefits based upon specified compensation as well as annual cost-of-living adjustments after retirement. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by MCERA; LAFCO must contribute these amounts.

A LAFCO employee will pay actuarially required contributions. Retirement age varies and is based on different criteria, described as follows: any time, regardless of age, if the employee has 30 or more years of retirement service credit; any time after age 50 or 55, if the employee has 10 or more years of retirement service credit; at age 65, if the employee was a member on or before December 31, 1978; at age 70, regardless of years of retirement service credit.

MCERA determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, LAFCO's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost.

Normal benefit cost under this method is the level amount the employer must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the pension benefit obligation.

Marin Local Agency Formation Commission  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2014

NOTE 7 - PENSION PLAN (concluded)

MCERA uses the market related value method of valuing the Plan's assets. The June 30, 2013 valuation included an assumed investment rate of return of 7.5%, including inflation at 3.25%. Annual salary increases are assumed to vary by duration of service. LAFCO's unfunded actuarial accrued liability is being amortized as a level percentage of payroll over a closed 30 year period, with 25 years remaining as of June 30, 2014.

MCERA financial statements can be obtained at the Marin County Employee Retirement Association, One McInnis Parkway, Suite 100, San Rafael, California 94903.

NOTE 8 - OTHER POSTEMPLOYMENT BENEFIT (OPEB)

A. Plan Description

LAFCO employees are eligible to participate in the Marin County (County) defined benefit healthcare plan. The County sponsors, and MCERA provides administrative services for, a single-employer defined-benefit postemployment healthcare plan (the Plan) to provide medical and dental insurance benefits to eligible retired employees. Benefit provisions are established and may be amended by the County.

Under the current practice, the County allows eligible service and disability retirees and their dependents to continue health coverage in the County's medical and dental plans. The County pays a portion of the premiums based on date of hire.

1. For retirees hired before October 1, 1987 (Plan 1), the County pays 100% of the eligible retiree's single health plan premiums.
2. For retirees hired between October 1, 1987 and September 30, 1993 (Plan 2), the County pays the retiree's single health plan premiums up to \$2,275 per year.
3. For retirees hired between October 1, 1993 and December 31, 2007 (Plan 3), the County pays a percentage of the retiree's single premium up to a dollar cap based on years of service at retirement, where the dollar cap is reviewed each year. Through January 1, 2007 the cap was increased to cover single Anthem Blue Cross Prudent Buyer Classic and Delta Dental premiums. Due to the amount of unfunded liability the County faces, the Board of Supervisors has implemented a policy to limit annual increases in the maximum allocation for Plan 3 to no more than 3%, subject to annual approval regarding whether any increase will be granted and, if so, the amount of the increase. Cap increases were 3% effective January 1, 2008 and January 1, 2009. No cap increases have been adopted since that time. Currently, the Plan 3 cap is \$8,853 per year.
4. For retirees hired on or after January 1, 2008 (Plan 4), the County pays \$150 per year of service up to \$3,000 per year for the retiree's single health plan premiums only.

Retirees eligible for Plans 1 and 2 may elect Plan 3 instead; and retirees eligible for Plans 1, 2, or 3 may elect Plan 4 instead.

Certain County medical plans have premium structures that result in subsidies of retiree claim costs from premiums paid for employees by the County.



Marin Local Agency Formation Commission  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2014

NOTE 8 - OTHER POSTEMPLOYMENT BENEFIT (OPEB) (concluded)

B. Eligibility

LAFCO retirees are eligible for membership in the plans upon retirement from the County (drawing a pension from MCERA or CalPERS). Employees are eligible for retirement at age 50 and with 5 years of service or upon disability.

Members in deferred retirement status may maintain membership in County health plans at their own cost and become eligible for coverage as a retiree upon commencement of their pension.

C. Funding Policy

The contribution policy is determined by the County. The County's Plan has been funded on a pay-as-you-go basis. In February 2013, the County entered into an irrevocable trust agreement with California Employers Retiree Benefit Trust Program (CERBT) to pre-fund the County's OPEB through CalPERS, in addition to the County's regular pay-as-you-go contributions. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 45, funds contributed to the trust are irrevocable and are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the plan. LAFCO currently – and on its own accord – is on a pay-as-you-go for OPEB with payments provided through MCERA.

D. Annual OPEB Cost and Net OPEB Contribution

The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the provisions of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and any unfunded actuarial liabilities (or funding excess) amortized over thirty years. Both the ARC and the funded status information have been based on the assumption that the Plan 3 cap would increase over time to cover increases in Blue Cross Prudent Buyer Classic and Delta Dental premiums.

For further information regarding the Marin County defined benefit healthcare plan, please refer to the County of Marin Comprehensive Annual Financial Report which can be obtained at Marin County Department of Finance, 3501 Civic Center Drive, Suite 225, San Rafael, CA 94903.

NOTE 9 - RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET WITH THE STATEMENT OF NET POSITION

Reconciling adjustments are as follows:

|                                             |                   |
|---------------------------------------------|-------------------|
| Non-current portion of compensated absences | \$ (14,614)       |
| Total fund balances – governmental funds    | <u>199,052</u>    |
| Net position of governmental activities     | <u>\$ 184,438</u> |

Marin Local Agency Formation Commission  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2014

NOTE 10 - RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES WITH THE STATEMENT OF ACTIVITIES

Reconciling adjustments are as follows:

|                                                       |           |
|-------------------------------------------------------|-----------|
| Net change in fund balance – total governmental funds | \$ 53,674 |
|-------------------------------------------------------|-----------|

The amounts below included in the statement of activities do not provide (require) the use of current financial resources and, therefore, are not reported as revenues or expenditures in governmental funds (net change):

|                      |                |
|----------------------|----------------|
| Compensated absences | <u>(4,320)</u> |
|----------------------|----------------|

|                                                   |                  |
|---------------------------------------------------|------------------|
| Change in net position of governmental activities | <u>\$ 50,254</u> |
|---------------------------------------------------|------------------|

Marin Local Agency Formation Commission  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE

Required Supplemental Information  
 Budget and Actual  
 General Fund (Unaudited)  
 For the period ended June 30, 2014

|                                               | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>     | <u>Variance<br/>with<br/>Final Budget</u> |
|-----------------------------------------------|----------------------------|-------------------------|-------------------|-------------------------------------------|
| Revenue:                                      |                            |                         |                   |                                           |
| Intergovernmental                             | \$ 339,033                 | \$ 339,033              | \$ 339,033        | \$ -                                      |
| Charges for services                          | <u>25,000</u>              | <u>25,000</u>           | <u>5,960</u>      | <u>(19,040)</u>                           |
| Total revenue                                 | <u>364,033</u>             | <u>364,033</u>          | <u>344,993</u>    | <u>(19,040)</u>                           |
| Expenditures:                                 |                            |                         |                   |                                           |
| Salaries and benefits                         | 261,333                    | 309,683                 | 230,464           | 79,219                                    |
| Services and supplies                         | <u>102,700</u>             | <u>54,350</u>           | <u>60,855</u>     | <u>(6,505)</u>                            |
| Total expenditures                            | <u>364,033</u>             | <u>364,033</u>          | <u>291,319</u>    | <u>72,714</u>                             |
| Excess (deficit) of revenue over expenditures | <u>\$ -</u>                | <u>\$ -</u>             | 53,674            | <u>\$ 53,674</u>                          |
| Fund balance, beginning of period             |                            |                         | <u>145,378</u>    |                                           |
| Fund balance, end of period                   |                            |                         | <u>\$ 199,052</u> |                                           |

The accompanying notes are an integral part of these basic financial statements.