

**MARIN LOCAL AGENCY FORMATION COMMISSION**  
**Basic Financial Statements**  
**Year ended June 30, 2025**  
**(With Independent Auditor's Report Thereon)**

**MARIN LOCAL AGENCY FORMATION COMMISSION**

**Basic Financial Statements**

**Year ended June 30, 2025**

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**Independent Auditor’s Report**

Board of Commissioners  
Marin Local Agency Formation Commission  
San Rafael, California

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the financial statements of the governmental activities and the major fund of the Marin Local Agency Formation Commission (LAFCo), as of and for the year June 30, 2025, and the related notes to the financial statements, which collectively comprise Marin LAFCo’s basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Marin LAFCo, as of June 30, 2025, 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.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Marin LAFCo and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Emphasis of Matter***

As described further in Note 2 to the financial statements, during the year ended June 30, 2025, Marin LAFCo implemented Governmental Accounting Standards Board (GASB) Statement No. 101, Compensated Absences. As a result, the financial statements for the year ended June 30, 2025 reflect a restatement as described further in Note 10 to the financial statements. Our opinions are not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***

Marin LAFCo’s management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Marin LAFCo’s ability to continue as a going concern for one year after the date that the financial statements are issued.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Marin LAFCo's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events considered in the aggregate that raise substantial doubt about Marin LAFCo's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis, budgetary comparison information and pension and other post-employment benefit schedules* be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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

### ***Report on Summarized Comparative Information***

We have previously audited Marin LAFCo's 2024 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated March 27, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated on February 27, 2026, our consideration of Marin LAFCo'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 solely 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 the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Marin LAFCo's internal control over financial reporting and compliance.

DavisFarrLLP

Irvine, California  
February 27, 2026

Marin Local Agency Formation Commission  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2025

The Management's Discussion and Analysis (MD&A) provides an overview of the financial activities of the Marin Local Agency Formation Commission (LAFCo) for the fiscal year ended June 30, 2025. 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 statements must be considered together to obtain a complete understanding of the financial picture at LAFCo.

Financial Highlights

- LAFCo finished June 30, 2025 with a net position of \$384,320. This amount represents an overall decrease of \$11,820 from the prior fiscal year total of \$396,140. The net position includes all pension and post-employment liabilities.

Fund Level

- LAFCo finished June 30, 2025 with a total fund balance of \$449,474.

**The Basic Financial Statements**

The Basic Financial Statements comprise the 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 Statement of Activities. The Statement of Net Position provides information about the financial position of LAFCo as a whole, including any capital assets and long-term liabilities on the full accrual basis. 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.

The Fund Financial Statements report LAFCo's operations in more detail than the Government-wide statements and focus primarily on 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.

Marin Local Agency Formation Commission  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2025

**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 governmental activities. These services are supported by specific general revenues from local agencies.

**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 (of which LAFCo has none) and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements.

**Governmental Activities**

Table 1  
Governmental Net Position

	Governmental Activities			
	2025	2024	\$ Change	% Change
Current assets	\$ 449,474	\$ 431,918	\$ 17,556	4%
Capital assets, net of accumulated depreciation	104,662	139,546	(34,884)	-25%
Net OPEB Asset	15,089	7,837	7,252	93%
Total Assets	569,225	579,301	(10,076)	-2%
Deferred outflows of resources	126,442	149,811	(23,369)	-16%
Current liabilities	36,574	29,010	7,564	26%
Non-current liabilities	248,298	278,619	(30,321)	-11%
Total Liabilities	284,872	307,629	(22,757)	-7%
Deferred inflows of resources	26,475	25,343	1,132	4%
Net position:				
Net investment in capital assets	(9,168)	(7,220)	(1,948)	0%
Unrestricted	378,399	395,523	(17,124)	-4%
Restricted for OPEB	15,089	7,837	7,252	93%
Total net position	\$ 384,320	\$ 396,140	\$ (11,820)	-3%

Marin Local Agency Formation Commission  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2025

Table 2 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

	Governmental Activities			
	2025	2024	\$ Change	% Change
<u>Revenues</u>				
Program revenues:				
Charges for Services	\$ 47,596	\$ 11,074	\$ 36,522	330%
General revenues:				
Assessments	587,727	536,245	51,482	10%
Interest Income	24,036	19,211	4,825	25%
Total revenues	<u>659,359</u>	<u>566,530</u>	<u>92,829</u>	<u>339%</u>
<u>Program Expenses</u>				
General government	<u>655,108</u>	<u>627,701</u>	<u>27,407</u>	<u>4%</u>
Total expenses	<u>655,108</u>	<u>627,701</u>	<u>27,407</u>	<u>4%</u>
Change in Net Position	<u>\$ 4,251</u>	<u>\$ (61,171)</u>	<u>\$ 65,422</u>	<u>-107%</u>

**Debt Administration**

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

**Economic Outlook**

LAFCo is responsible under statute to annually review its organizational needs and adopt an operating budget accordingly with mandatory funding drawn from local agencies. State law also specifies the operating budget shall be equal to the budget adopted for the previous fiscal year unless LAFCo formally finds any reduced costs will allow the Commission to nonetheless meet its prescribed regulatory and planning duties. These statutory provisions provide LAFCo full discretion in setting and collecting local agency apportionments to meet budgeted expenses with the latter aligned to support annual workplans.

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**

This financial report is intended to provide our citizens, taxpayers, and creditors with a general overview of LAFCo's finances. Questions about this report should be directed to 1401 Los Gamos Drive, Suite 220, San Rafael, CA 94903.

**MARIN LOCAL AGENCY FORMATION COMMISSION**

**Statement of Net Position**

**June 30, 2025**

**(With prior year comparative information)**

	Governmental Activities	
	2025	2024
Assets:		
Cash and investments (note 3)	\$ 448,684	431,918
Prepaid items	790	-
Capital assets, net (note 4)	104,662	139,546
Net OPEB asset (note 8)	15,089	7,837
Total assets	569,225	579,301
Deferred outflow of resources:		
Deferred outflow-pension (note 7)	120,237	137,983
Deferred outflow-OPEB (note 8)	6,205	11,828
Total deferred outflow of resources	126,442	149,811
Liabilities:		
Accounts payable	7,504	4,370
Accrued liabilities	29,070	24,640
Noncurrent liabilities:		
Due within one year:		
Compensated absences (note 6)	14,495	32,992
Lease liability (note 6)	35,434	32,936
Due in more than one year:		
Compensated absences (note 6)	53,496	13,370
Lease liability (note 6)	78,396	113,830
Net pension liability (note 7)	66,477	85,491
Total liabilities	284,872	307,629
Deferred inflow of resources:		
Deferred inflow-pension actuarial (note 7)	8,319	10,268
Deferred inflow-OPEB actuarial (note 8)	18,156	15,075
Total deferred inflow of resources	26,475	25,343
Net position:		
Net investment in capital assets	(9,168)	(7,220)
Unrestricted	378,399	395,523
Restricted for OPEB	15,089	7,837
Total net position	\$ 384,320	396,140

See accompanying notes to the basic financial statements

**MARIN LOCAL AGENCY FORMATION COMMISSION**

**Statement of Activities**

**Year ended June 30, 2025**

**(With prior year comparative information)**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	
					<u>2025</u>	<u>2024</u>
Governmental activities:						
General government	\$ 651,156	47,596	-	-	(603,560)	(611,726)
Interest	<u>3,952</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,952)</u>	<u>(4,901)</u>
Total governmental activities	<u>\$ 655,108</u>	<u>47,596</u>	<u>-</u>	<u>-</u>	<u>(607,512)</u>	<u>(616,627)</u>
		General revenues:				
		Assessments			587,727	536,245
		Interest income			<u>24,036</u>	<u>19,211</u>
		Total general revenues			<u>611,763</u>	<u>555,456</u>
		Change in net position			<u>4,251</u>	<u>(61,171)</u>
		Net position, beginning of year, as previously reported			396,140	457,311
		Restatement - change in accounting principle (note 10)			<u>(16,071)</u>	<u>-</u>
		Net position, beginning of year, as restated			<u>380,069</u>	<u>-</u>
		Net position, end of year			<u>\$ 384,320</u>	<u>396,140</u>

See accompanying notes to the basic financial statements



**MARIN LOCAL AGENCY FORMATION COMMISSION**  
**Reconciliation of the Balance Sheet of**  
**Governmental Funds to the Statement of Net Position**

**June 30, 2025**

Fund balances of governmental fund	\$ 412,900
Amounts reported for governmental activities in the Statement of Net Position are different because:	
<i><u>Non-Current Assets</u></i>	
Non-current asset that have not been included in the governmental fund	
Right-to-use assets	177,337
Accumulated amortization	(72,675)
Net OPEB asset	15,089
<i><u>Long-Term Liability Transactions</u></i>	
Long-term liabilities applicable to the LAFCo's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the Statement of Net Position.	
Compensated absences	(67,991)
Lease liability	(113,830)
Net pension liability	(66,477)
<i><u>Deferred Outflows and Inflows of Resources</u></i>	
Certain deferred outflows and inflows of resources are not due and payable in the current period and are not current assets or financial resources, therefore these items are not reported in the governmental fund.	
Deferred outflows - pension related	120,237
Deferred outflows - OPEB related	6,205
Deferred inflows - pension related	(8,319)
Deferred inflows - OPEB related	<u>(18,156)</u>
Net position of governmental activities	<u>\$ 384,320</u>

See accompanying notes to the basic financial statements

**MARIN LOCAL AGENCY FORMATION COMMISSION**

**Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Fund**

**Year ended June 30, 2025**

**(With prior year comparative information)**

	General Fund	
	2025	2024
Revenues:		
Intergovernmental	\$ 587,727	536,245
Charges for services	47,596	11,074
Interest income	24,036	19,211
Total revenues	<u>659,359</u>	<u>566,530</u>
Expenditures:		
Current:		
General government:		
Salaries and benefits	472,108	432,969
Services and supplies	140,371	110,084
Debt service:		
Principal	32,936	30,571
Interest	3,952	4,901
Total expenditures	<u>649,367</u>	<u>578,525</u>
Net change in fund balances	9,992	(11,995)
Fund balances at beginning of year	<u>402,908</u>	<u>414,903</u>
Fund balances at end of year	<u>\$ 412,900</u>	<u>402,908</u>

See accompanying notes to the basic financial statements

**MARIN LOCAL AGENCY FORMATION COMMISSION**

**Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances of Governmental Funds  
to the Statement of Activities**

**Year ended June 30, 2025**

Net changes in fund balances - total governmental funds \$ 9,992

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital Related Items

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as amortization expense.

Amortization expense (34,884)

Long-Term Liability Transactions

Some expenses reported in the Statement of Activities do not require the use of current financial resources. Therefore, these expenses are not reported as expenditures in governmental funds. Repayment of debt service is reported as an expenditure in governmental funds and, thus, has the effect of reducing fund balances because current financial resources have been used. For the LAFCo as a whole, however, the principal payments reduce the liabilities in the Statement of Net Position and do not result in an expense in the Statement of Activities.

Net change in pension related items 3,217  
Net change in OPEB related items (1,452)  
Payment on lease liability 32,936  
Net change in compensated absences (5,558)

Change in net position of governmental activities \$ 4,251

See accompanying notes to the basic financial statements

# MARIN LOCAL AGENCY FORMATION COMMISSION

## Notes to the Basic Financial Statements

Year ended June 30, 2025

### (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.

### (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.

#### 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 the Basic Financial Statements

Year ended June 30, 2025

(Continued)

### (2) Summary of Significant Accounting Policies (Continued)

#### 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 the Basic Financial Statements**

**Year ended June 30, 2025**

**(Continued)**

**(2) Summary of Significant Accounting Policies (Continued)**

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 proposed 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) Capital Assets

Physical assets acquired through purchase or contribution with an acquisition value in excess of \$1,500 are capitalized on the financial statements and accounted for at their historical costs.

LAFCo is a lessee for right-to-use assets as detailed in Footnote 6. LAFCo recorded a lease payable in the financial statements. At the commencement of the lease, LAFCo initially measures the lease payable at the present value of payments expected to be paid during the lease term. Subsequently, the lease payable is reduced by the principal portion of lease payments made. LAFCo used the estimated borrowing rate as the discount rate for leases and the lease term includes the noncancellable period of the lease.

Capital assets of LAFCo are depreciated using the straight-line method over the following estimated useful lives:

Furniture and fixtures	10 years
General office equipment	5 years
Computer hardware	5 years
Computer software	3 years
Right-to-use assets	Life of lease

# MARIN LOCAL AGENCY FORMATION COMMISSION

## Notes to the Basic Financial Statements

Year ended June 30, 2025

(Continued)

### (2) Summary of Significant Accounting Policies (Continued)

#### (e) Compensated Absences

It is LAFCo's policy to permit employees to accumulate earned but unused vacation. The LAFCo implemented GASB Statement No. 101, Compensated Absences, in fiscal year 2025 and has restated prior periods in accordance with its provisions. The compensated absences calculation includes vacation, personal leave, sick leave, and other paid time off attributable to services already rendered. A liability is recognized only for leave that is (1) earned and attributable to services already rendered, (2) accumulates or can be carried forward, and (3) more likely than not to be used for time off or paid upon termination.

#### (f) Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net assets by the government that is applicable to a future reporting period. There are pension and OPEB related items that meet this definition.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net assets by LAFCo that is applicable to a future reporting period. There are pension and OPEB related items that meet this definition.

#### (g) Fund Balance

In the fund financial statements, governmental fund balances are reported in the following classifications:

Non-spendable 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.

**MARIN LOCAL AGENCY FORMATION COMMISSION**

**Notes to the Basic Financial Statements**

**Year ended June 30, 2025**

**(Continued)**

**(2) Summary of Significant Accounting Policies (Continued)**

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.

(h) Net Position

The net position reported on the Statement of Net Position in the government-wide financial statements consist of the following categories:

Net investment in capital assets 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.

(i) 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.

(j) Comparative Financial Statements

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 LAFCo's prior year financial statements, from which selected financial data was derived. The LAFCo's has reclassified certain prior year information to conform with current year presentations.

**MARIN LOCAL AGENCY FORMATION COMMISSION**

**Notes to the Basic Financial Statements**

**Year ended June 30, 2025**

**(Continued)**

**(2) Summary of Significant Accounting Policies (Continued)**

(k) Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the LAFCo's Marin County Employee's Retirement Association (MCERA) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS.

For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

Valuation Date (VD)	June 30, 2023
Measurement Date (MD)	June 30, 2024
Measurement Period (MP)	July 1, 2023, to June 30, 2024

(l) Other Post-Employment Benefits (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, and information about the plan (OPEB Plan), have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require that the reported results must pertain to the liability information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2023
Measurement Date (MD)	June 30, 2024
Measurement Period (MP)	July 1, 2023, to June 30, 2024

**(3) Cash and Investments**

LAFCo's cash on deposit with Marin County Treasury and Bank of Marin at June 30, 2025 consisted of the following:

Demand deposits	\$ 216,850
County Payroll Deposit	30,048
Marin County Investment Pool	199,987
Pooled County Investment	1,799
	<u>\$ 448,684</u>

# MARIN LOCAL AGENCY FORMATION COMMISSION

## Notes to the Basic Financial Statements

Year ended June 30, 2025

(Continued)

### (3) Cash and Investments (Continued)

#### 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 the 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.

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.

Fair Value Measurements – LAFCo categorizes its fair value measurements within the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs, and Level 3 inputs are other significant unobservable inputs. LAFCo's investments in the County Treasurer's Pool was \$199,987 as of June 30, 2025. County Investment Pools are not subject to fair value measurements. However, the certificates of deposit, local government bonds and money market funds are valued using Level 1 inputs.

#### 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 investments or collateral securities that are in the possession of another party. Deposits may be covered by federal deposit insurance. The California Government Code and the LAFCo's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government 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 LAFCo's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Any deposits in excess of depository insurance limits at the end of the year are collateralized by securities held at the depository financial institution's trust department.

**MARIN LOCAL AGENCY FORMATION COMMISSION**

**Notes to the Basic Financial Statements**

**Year ended June 30, 2025**

**(Continued)**

**(3) Cash and Investments (Continued)**

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as Marin Investment Pool).

**(4) Capital Assets**

A summary of changes in capital assets is as follows:

	Balance at July 1, 2024	Additions	Deletions	Balance at June 30, 2025
Capital assets being amortized:				
Right-to-use lease assets	\$ 177,337	-	-	177,337
Total capital assets being amortized	177,337	-	-	177,337
Less accumulated amortization:				
Right-to-use lease assets	(37,791)	(34,884)	-	(72,675)
Total accumulated amortization	(37,791)	(34,884)	-	(72,675)
Total capital assets being amortized, net	\$ 139,546	(34,884)	-	104,662

**(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.

**(6) Long-Term Liabilities**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2025:

	Balance at July 1, 2024*	Additions	Reductions	Balance at June 30, 2025	Due Within One Year
Compensated absences	\$ 62,433	5,558	-	67,991	14,495
Lease payable - Office	146,766	-	(32,936)	113,830	35,434
Total	\$ 209,199	5,558	(32,936)	181,821	49,929

\* - Balance at June 30, 2024 has been restated to implement GASB Statement No. 101  
The change in the compensated absence liability is presented as a net change.

**MARIN LOCAL AGENCY FORMATION COMMISSION**

**Notes to the Basic Financial Statements**

**Year ended June 30, 2025**

**(Continued)**

**(6) Long-Term Liabilities (Continued)**

Office Lease

On April 26, 2023, LAFCo extended their lease agreement for another five years through June 30, 2028, for the use of an office space which resulted in an increase of \$177,337 to the lease liability. As of June 30, 2025, the value of the lease liability is \$113,830. LAFCo is required to make monthly principal and interest payments of \$2,956 up to \$3,458 through the life of the lease. The value of the right-to-use asset is \$177,337 and had an accumulated amortization of \$72,675 as of June 30, 2025.

The future principal and interest payments as of June 30, 2025, are as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 35,434	2,930	38,364
2027	38,068	1,832	39,900
2028	40,328	652	40,980
Total Lease Payments	<u>\$ 113,830</u>	<u>5,414</u>	<u>119,244</u>

**(7) LAFCo's Employees' Retirement Plan**

A. Plan Description

LAFCo's retirement plan is administered by the Marin County Employees' Retirement Association (MCERA), a retirement system established in July 1950 and governed by the California Constitution; the County Employees Retirement Law of 1937 (CERL or 1937 Act, California government Code Section 31450 et seq.); the Public Employees' Pension Reform Act of 2013 (PEPRA, Government Code Section 7522); the provisions of California Government Code Section 7500 et seq; and the bylaws, procedures, and policies adopted by MCERA's Board of Retirement. The Marin County Board of Supervisors may also adopt resolutions, as permitted by the CERL and PEPRA, which may affect the benefits of MCERA members.

MCERA operates as a cost-sharing multiple employers defined benefit plan for the County and eight other participating employers: City of San Rafael, Local Agency Formation Commission (LAFCo), Marin City Community Services District, Marin County Superior Court, Marin/Sonoma Mosquito and Vector Control District, Novato Fire Protection District, Southern Marin Fire Protection District, and Tamalpais Community Services District. Separate actuarial valuations are performed for these other agencies and districts, and the responsibility for funding their plans rest with those entities. Post-retirement benefits are administered by MCERA to qualified retirees.

# MARIN LOCAL AGENCY FORMATION COMMISSION

## Notes to the Basic Financial Statements

Year ended June 30, 2025

(Continued)

### (7) LAFCo's Employees' Retirement Plan (Continued)

Copies of MCERA's annual financial reports, which include required supplementary information (RSI) for the Plan may be obtained from their office at One McInnis Parkway, Suite 100, San Rafael, CA 94903 or online at [www.mcera.org](http://www.mcera.org).

#### Administration

Retirement system administration is managed by the Retirement Board. All Retirement Board members, except the County Director of Finance, serve for a term of three years. By statute, retirement Board members include the following:

- The Director of Finance of the County (ex-officio).
- Four members who are qualified electors of the County and not connected with County government in any capacity, except one may be a County Supervisor. The Board of Supervisors appoints these members.
- Two General members of MCERA elected by the General membership.
- One Safety member and one Safety member alternative elected by the Safety membership.
- One retired member and one retired member alternate elected by the retired membership.

#### Membership

MCERA provides service retirement, disability, and death and survivor benefits to its general and safety members. Safety membership primarily includes law enforcement and firefighters of MCERA, as well as other classifications as allowed under the CERL and adopted by the employer. General membership is applicable to all other occupational classifications. The retirement benefits within the plan are tiered based on the participating employer and the date of the member's entry into MCERA membership.

#### B. Benefit Provisions

##### Vesting

Members become vested in retirement benefits upon completion of five years of credited service.

##### Service Retirement

MCERA's service retirement benefits are based on the years of credited service, final average compensation, and age at retirement, according to the applicable statutory formula. Members who qualify for service retirement are entitled to receive monthly retirement benefits for life.

General members hired prior to January 1, 2013 are eligible to retire once they attain the age of 50 (except tiers 3a and 4, whereby the minimum age is 55) and have acquired 10 or more years of retirement service credit. A member with 30 years of service is eligible to retire regardless of age. A member who is age 70 or older is eligible to retire regardless of service credit. General members who are first hired on or after January 1, 2013 are eligible to retire once they have attained the age of 52, and have acquired 5 years of retirement service credit, or age 70, regardless of service.

**MARIN LOCAL AGENCY FORMATION COMMISSION**

**Notes to the Basic Financial Statements**

**Year ended June 30, 2025**

**(Continued)**

**(7) LAFCo’s Employees’ Retirement Plan (Continued)**

Disability Retirement

A member with five years of service, regardless of age, who becomes permanently incapacitated for the performance of duty is eligible to apply for a non-service-connected disability retirement. Any member who becomes permanently incapacitated for the performance of duty as a result of injury or disease arising out of and in the course of employment is eligible to apply for a service-connected disability retirement, regardless of service length or age.

Death Benefits

MCERA provides specified death benefits to beneficiaries and members’ survivors. The death benefits provided depend on whether the member is active or retired. The basic active member death benefit consists of a members’ retirement contributions plus interest plus one month’s pay for each full year of service (up to a maximum of six month’s pay). Retiring members may choose from five retirement benefit payment options. Most retirees elect to receive the unmodified allowance which provides the maximum benefit to the retiree and continuance of 60% of the retiree’s allowance to the surviving spouse or registered domestic partner after the retiree’s death. Other death benefits may be available based on the years of service, marital status, and whether the member has minor children.

Cost of Living Adjustment

Retirement allowances are indexed for inflation. Most retirees receive automatic basic cost of living adjustments (COLA’s) based upon the Urban Consumer Price Index (UCPI) for the San Francisco Bay Area. These adjustments go into effect on April 1 of each year. Annual COLA increases are statutorily capped at 2%, 3%, or 4% depending upon the member’s retirement tier. When the UCPI exceeds the maximum statutory COLA for the member’s tier, the difference is accumulated for use in future years when the UCPI is less than the maximum statutory COLA. The accumulated percentage carryover is known as the COLA Bank.

As of June 30, 2025, LAFCo’s reported net pension liabilities for its proportionate shares of the net pension liability of the Miscellaneous Plan as follows:

Measurement date	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(c) = (a) - (b)
Balance at June 30, 2023	\$ 1,016,311	930,820	85,491
Balance at June 30, 2024	971,416	904,939	66,477
Net changes during 2023-24	<u>\$ (44,895)</u>	<u>(25,881)</u>	<u>(19,014)</u>

**MARIN LOCAL AGENCY FORMATION COMMISSION**

**Notes to the Basic Financial Statements**

**Year ended June 30, 2025**

**(Continued)**

**(7) LAFCo's Employees' Retirement Plan (Continued)**

LAFCo's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2025, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2024, updated to June 30, 2025. LAFCo's proportion of the net pension liability was based on a projection of LAFCo's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. LAFCo's proportionate share of the net pension liability for the Plan as of June 30, 2024, and 2025 was as follows:

<u>Measurement Dates</u>	
Proportion - June 30, 2023	0.0296%
Proportion - June 30, 2024	<u>0.0271%</u>
Change - Increase (Decrease)	<u>0.0025%</u>

For the year ended June 30, 2025, LAFCo recognized pension expense of \$38,921. At June 30, 2025, LAFCo reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions made after the measurement date	\$ 53,358	-
Adjustment due to differences in proportions	19,761	4,548
Differences between expected and actual experience	11,824	1,170
Differences between projected and actual earnings on pension plan investments	10,218	-
Differences between employer's contributions and proportionate share of contributions	25,076	-
Changes in assumptions	<u>-</u>	<u>2,601</u>
Total Deferred Outflows/Inflows of Resources	<u>\$ 120,237</u>	<u>8,319</u>

The \$53,358 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2026.

**MARIN LOCAL AGENCY FORMATION COMMISSION**

**Notes to the Basic Financial Statements**

**Year ended June 30, 2025**

**(Continued)**

**(7) LAFCo's Employees' Retirement Plan (Continued)**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30	Deferred Outflows/(Inflows) of Resources
2026	\$ 24,793
2027	34,700
2028	2,281
2029	(3,214)
Thereafter	-

**C. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions**

Actuarial Assumptions - The total pension liabilities in the June 30, 2023 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date:	June 30, 2023
Timing:	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the plan year
Actuarial Cost Method:	Entry Age Asset
Valuation Method:	Market Value
Amortization Method:	Level percentage of payroll with separate periods for Extraordinary Actuarial Gains or Loss (15 years remaining as of (6/30/2023)
Discount Rate:	6.75%
Price Inflation:	2.50%
Salary Increases:	3.00% plus merit component based on employee classification and years of service
Post-retirement COLA for Future Retirees:	Post-retirement COLAs are assumed at the rate of 2.5% for members with a 4% COLA cap, 2.4% for members with a 3% COLA cap, and 1.9% for members with a 2% COLA cap.
Post-retirement COLA for Current Retirees	Post-retirement COLAs for current retirees are assumed to be the same as future retirees with the same COLA cap, plus any remaining COLA bank up to the COLA cap.
Mortality Improvement:	Future mortality improvements are reflected by applying the SOA MP-2020 projection scale on a generational bases from the base year of 2010.

**MARIN LOCAL AGENCY FORMATION COMMISSION**

**Notes to the Basic Financial Statements**

**Year ended June 30, 2025**

**(Continued)**

**(7) LAFCo's Employees' Retirement Plan (Continued)**

A complete description of the methods and assumptions used to determine contribution rates for the year ended June 30, 2025, can be found in the June 30, 2024, actuarial report.

Discount Rate - The discount rate used to measure the total pension liability was 6.75% as of June 30, 2025. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions intended to fund benefits of current plan members and their beneficiaries are included.

Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2025.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	32.0%	4.85%
Fixed Income	23.0%	1.75%
International Equity	22.0%	4.95%
Public Real Assets	7.0%	3.70%
Private Equity	8.0%	6.00%
Real Estate	<u>8.0%</u>	3.25%
Total	<u>100.0%</u>	

**MARIN LOCAL AGENCY FORMATION COMMISSION**

**Notes to the Basic Financial Statements**

**Year ended June 30, 2025**

**(Continued)**

**(7) LAFCo's Employees' Retirement Plan (Continued)**

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents LAFCo's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what LAFCo's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Miscellaneous</u>
1% Decrease	5.75%
Net Pension Liability	\$76,266
Current Discount Rate	6.75%
Net Pension Liability	\$14,842
1% Increase	7.75%
Net Pension Liability (Asset)	\$(35,856)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MCERA financial reports.

**(8) Other Postemployment Benefit (OPEB)**

Plan Description

LAFCo provides a defined benefit healthcare plan (the "Retiree Health Plan"). The Retiree Health Plan provides lifetime healthcare insurance for eligible retirees through the CalPERS Health Benefit Program, which covers both active and retired members.

For retirees hired between October 1, 1993 and December 31, 2007 (Plan 3), LAFCo would pay a percentage of retirees' single-coverage premiums up to a dollar cap based on years of service at retirement, where the dollar cap is reviewed each year by the Board of Supervisors. Through January 1, 2007 the cap was increased to cover single Blue Cross Prudent Buyer Classic and Delta Dental premiums. The Board of Supervisors has implemented a policy to limit annual increases in the cap 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. The dollar cap is currently \$442.65 per year of service up to \$8,853 per year.

For retirees hired on or after January 1, 2008 (Plan 4), LAFCo would pay \$150 per year of service up to \$3,000 per year for the retiree's single health plan premiums only.

Funding Policy

LAFCo's Board of Commissioners will not be funding the plan in the current year but will follow a pay-as-you-go approach. The Board will review the funding requirements and policy annually.

**MARIN LOCAL AGENCY FORMATION COMMISSION**

**Notes to the Basic Financial Statements**

**Year ended June 30, 2025**

**(Continued)**

**(8) Other Postemployment Benefit (OPEB) (Continued)**

Membership of LAFCo as of the valuation date consisted of the following:

Active plan members	3
Inactive employees or beneficiaries currently receiving benefit payments	<u>1</u>
Total	<u><u>4</u></u>

Contribution

As of June 30, 2025, LAFCo has accumulated \$80,398 in an irrevocable trust toward this liability. With LAFCo's approval, the discount rate used in this valuation is 5.60% as of June 30, 2023; the long term expected return on trust assets.

Actuarial Methods and Assumptions

The total OPEB liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Funding method	Entry Age Normal Cost, level percent of pay
Asset valuation method	Market value of trust assets
Long term return on assets	6.20%
Discount rates	5.60%
Participants valued	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation.
Salary increase	3.00%
General inflation	2.50% per year
Mortality improvements	MacLeod Watts Scale 2022 applied generationally
Healthcare trend	5.6% in 2023, fluctuates until ultimate rate of 4% in 2076

**MARIN LOCAL AGENCY FORMATION COMMISSION**

**Notes to the Basic Financial Statements**

**Year ended June 30, 2025**

**(Continued)**

**(8) Other Postemployment Benefit (OPEB) (Continued)**

Change in the Net OPEB Liability (Asset)

	Increase (Decrease)		
	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability (Asset)</u>
Balance at June 30, 2023 (MD)	\$ 64,450	72,287	(7,837)
Service cost	2,555	-	2,555
Interest	3,685	4,034	(349)
Differences between actual and expected experience	-	-	-
Changes of assumptions	(5,381)	-	(5,381)
Benefit payments	-	-	-
Contributions - employer	-	2,156	(2,156)
Net investment income	-	1,945	(1,945)
Administrative expenses	-	(24)	24
Net Changes	<u>859</u>	<u>8,111</u>	<u>(7,252)</u>
Balance at June 30, 2024 (MD)	<u>\$ 65,309</u>	<u>80,398</u>	<u>(15,089)</u>

Sensitivity of Net OPEB Liability (Asset) to Changes in the Discount Rate and Medical Cost Inflation

The discount rate used for the fiscal year end June 30, 2024, is 5.60%. Medical Cost Inflation was assumed to start at 6.5% (increase effective January 1, 2025) and grade down to 3.9% for years 2075 and thereafter. The impact of a 1% increase or decrease in these assumptions is shown in the table below.

Discount Rate – 1%	Current Discount Rate	Discount Rate + 1%
<u>(4.60%)</u>	<u>(5.60%)</u>	<u>(6.60%)</u>
\$(9,916)	(15,089)	(19,856)

  

Medical Trend – 1%	Current Medical Trend	Medical Trend + 1%
\$(16,332)	(15,089)	(13,720)

**MARIN LOCAL AGENCY FORMATION COMMISSION**

**Notes to the Basic Financial Statements**

**Year ended June 30, 2025**

**(Continued)**

**(8) Other Postemployment Benefit (OPEB) (Continued)**

Deferred Resources and Expected Future Recognition

For the fiscal year ended June 30, 2025, LAFCo recognized OPEB expense of \$1,452. At June 30, 2025, LAFCo reported deferred resources from OPEB from the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,283	15,963
Net Difference between projected and actual earnings on investments	3,299	-
Changes in assumptions	623	2,193
Total Deferred Outflows/Inflows of Resources	\$ 6,205	18,156

In addition, future recognition of these deferred resources is shown below.

Fiscal Year Ending June 30	Deferred Outflows/(Inflows) of Resources
2026	\$ (817)
2027	1,018
2028	(1,979)
2029	(2,265)
2030	(1,876)
Thereafter	(6,032)

**(9) Risk Management**

LAFCo is exposed to various risks of loss related to torts, theft of, damage and destruction of assets; errors and omissions; injuries to employees; and natural disasters. LAFCo has purchased outside insurance coverage at the following amounts:

- General Liability coverage up to \$2,500,000 per occurrence
- Workers' Compensation coverage up to \$750,000 per occurrence
- Cyber coverage up to \$750,000 per occurrence
- Pollution Liability coverage up to \$2,000,000 per occurrence
- Personal Liability coverage for board members and directors up to \$500,000 per occurrence

**MARIN LOCAL AGENCY FORMATION COMMISSION**

**Notes to the Basic Financial Statements**

**Year ended June 30, 2025**

**(Continued)**

**(9) Risk Management (Continued)**

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years, and there were no reductions in LAFCo's insurance coverage during the year ending June 30, 2025. Liabilities are recorded when it is probable that a loss has been incurred, and the amount of the loss can be reasonably estimated net of the respective insurance coverage.

**(10) Restatement – Change in Accounting Principle**

The LAFCo implemented GASB Statement No.101, Compensated Absences, in fiscal year 2025. Management reviewed the LAFCo's liability for compensated absences with the provisions of GASB Statement No. 101, and based on this review, the Governmental Activities beginning net position as of July 1, 2024, was restated from \$396,140 to \$380,069 for a change of \$16,071 to reflect the application of the new guidance.

REQUIRED SUPPLEMENTARY INFORMATION

**MARIN LOCAL AGENCY FORMATION COMMISSION**  
**Schedule of Plan Proportionate Share of the Net Pension Liability**

**Last Ten Years**

Measurement Date	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Proportion of the collective net pension liability	0.0130%	0.0296%	0.0303%	0.0000%
Proportionate share of the net pension liability	\$ 14,842	85,491	94,745	-
Covered-employee payroll	\$ 352,530	309,366	313,897	280,726
Proportionate share of the net pension liability as a percentage of covered-employee payroll	4%	28%	30%	0%
Plan fiduciary net position as a percentage of the total pension liability	96.90%	91.60%	90.59%	0.00%
Measurement Date	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Proportion of the collective net pension liability	0.0070%	0.0000%	0.0104%	0.0088%
Proportionate share of the net pension liability	\$ 32,044	-	34,351	32,451
Covered-employee payroll	\$ 271,662	113,308	123,490	206,613
Proportionate share of the net pension liability as a percentage of covered-employee payroll	12%	0%	28%	16%
Plan fiduciary net position as a percentage of the total pension liability	85.15%	0.00%	88.34%	86.27%
Measurement Date	<u>June 30, 2016</u>	<u>June 30, 2015</u>		
Proportion of the collective net pension liability	0.0021%	0.0000%		
Proportionate share of the net pension liability	\$ 10,037	-		
Covered-employee payroll	\$ 232,415	173,394		
Proportionate share of the net pension liability as a percentage of covered-employee payroll	4%	0%		
Plan fiduciary net position as a percentage of the total pension liability	81.45%	84.31%		

**MARIN LOCAL AGENCY FORMATION COMMISSION**

**Schedule of Contributions**

**Last Ten Years**

Fiscal Year Ending June 30	2025	2024	2023	2022	2021
Actuarially determined contribution	\$ 53,358	41,588	35,749	44,081	37,025
Contributions in relation to the actuarially determined contributions	(53,358)	(41,588)	(35,749)	(44,081)	(37,025)
Contribution deficiency (excess)	-	-	-	-	-
Covered payroll during the fiscal year	\$ 375,161	352,530	309,366	313,897	280,726
Contributions as a percentage of covered payroll	14.22%	11.80%	11.56%	14.04%	13.19%
Fiscal Year Ending June 30	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 50,702	13,234	14,430	46,997	68,104
Contributions in relation to the actuarially determined contributions	(50,702)	(13,234)	(14,430)	(46,997)	(68,104)
Contribution deficiency (excess)	-	-	-	-	-
Covered payroll during the fiscal year	\$ 271,662	113,308	123,490	206,613	232,415
Contributions as a percentage of covered payroll	18.66%	11.68%	11.69%	22.75%	29.30%

Notes to Schedule

Valuation Date 6/30/23 (to determine FY2024-25 contributions)

Key Methods and Assumptions Used to Determine Contribution Rates (for FY2024-25)

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll with separate periods for Extraordinary Actuarial Gains or Loss (15 years remaining as of (6/30/2023), the remaining UAL as of June 20, 2013 (7 years as of 6/30/2023), and additional layers for unexpected changes in UAL after 6/30/2013 (24 years for gains and losses with a 5-year phase-in/out and 22 years for assumption changes with a 3-year phase-in/out).
Remaining Amortization period	7 years remaining as of June 30, 2023
Asset valuation method	Market value
Inflation	2.50%
Salary increases	3.00% plus merit component based on employee classification and years of service
Investment Rate of Return	3.48%, net of investment expenses
Retiree Mortality	Rates of mortality for retired members and their beneficiaries are based on the Public General 2010 Health Retiree Mortality Table, with generational improvements projected from 2010 using Projection Scale MP-2020, with no adjustments.
Disabled Mortality	Rates of mortality among disabled members are based on the Public General 2010 Disabled Retiree Mortality Table, with generational mortality improvements projected from 2010 using Projection Scale MP-2020, with no adjustments.

**MARIN LOCAL AGENCY FORMATION COMMISSION**

**Schedule of Change in the Net OPEB Liability (Asset) and Related Ratios**

**Last Ten Years\***

Measurement Date	2024	2023	2022	2021
Total OPEB liability:				
Service cost	\$ 2,555	3,258	3,078	2,226
Interest	3,685	3,788	3,987	3,505
Difference between expected and actual experience	-	(5,855)	(9,711)	3,595
Changes of assumptions	(513)	(1,121)	770	(1,360)
Benefit payments, including refunds of employee contributions	(4,868)	-	-	(898)
Total OPEB liability - beginning of year	64,450	64,380	66,256	59,188
Total OPEB liability - end of year	<u>\$ 65,309</u>	<u>64,450</u>	<u>64,380</u>	<u>66,256</u>
Plan Fiduciary Net Position				
Net investment income	\$ 4,034	2,487	(10,049)	13,132
Contributions				
Employer	2,156	-	-	898
Benefit payments, including refunds of employee contributions	-	-	-	(898)
Administrative expense	(24)	(20)	(20)	(24)
Change due to investment experience	1,945	-	-	-
Net change in plan fiduciary net position	8,111	2,467	(10,069)	13,108
Plan fiduciary net position - beginning of year	72,287	69,820	79,889	66,781
Plan fiduciary net position - end of year	<u>\$ 80,398</u>	<u>72,287</u>	<u>69,820</u>	<u>79,889</u>
Net OPEB liability(asset) - end of year	<u>\$ (15,089)</u>	<u>(7,837)</u>	<u>(5,440)</u>	<u>(13,633)</u>
Covered-employee payroll	\$ 352,530	\$ 313,029	323,489	280,829
Net OPEB liability as a percentage of covered-employee payroll	-4.28%	-2.50%	-1.68%	-4.85%
Measurement Date	2020	2019	2018	2017
Total OPEB liability:				
Service cost	\$ 2,161	-	-	-
Interest	3,365	3,309	3,413	3,529
Difference between expected and actual experience	-	372	-	-
Changes of assumptions	-	348	-	-
Benefit payments, including refunds of employee contributions	(5,400)	(5,013)	(5,456)	(5,615)
Total OPEB liability - beginning of year	59,062	60,046	62,089	64,175
Total OPEB liability - end of year	<u>\$ 59,188</u>	<u>59,062</u>	<u>60,046</u>	<u>62,089</u>
Plan Fiduciary Net Position				
Net investment income	\$ 3,431	5,013	2,544	1,894
Contributions				
Employer	5,400	4,208	21,071	25,102
Benefit payments, including refunds of employee contributions	(5,400)	(5,013)	(5,456)	(5,615)
Administrative expense	(31)	(13)	(76)	(15)
Net change in plan fiduciary net position	3,400	4,195	18,083	21,366
Plan fiduciary net position - beginning of year	63,381	59,186	41,103	19,737
Plan fiduciary net position - end of year	<u>\$ 66,781</u>	<u>63,381</u>	<u>59,186</u>	<u>41,103</u>
Net OPEB liability(asset) - end of year	<u>\$ (7,593)</u>	<u>(4,319)</u>	<u>860</u>	<u>20,986</u>
Covered-employee payroll	\$ 229,570	125,319	144,601	217,782
Net OPEB liability as a percentage of covered-employee payroll	-3.31%	-3.45%	0.59%	9.64%

\* Fiscal year 2018 was the first year of implementation, therefore only eight years are shown.

**MARIN LOCAL AGENCY FORMATION COMMISSION**

**Schedule of Contributions - OPEB**

**Last Ten Years\***

Fiscal year	2025	2024	2023	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 854	2,156	2,191	1,606	1,801	2,036	1,526	15,615
Contributions in relation to the actuarially determined contributions	-	2,156	-	-	-	898	4,552	21,071
Contribution deficiency (excess)	<u>\$ 854</u>	<u>-</u>	<u>2,191</u>	<u>1,606</u>	<u>1,801</u>	<u>1,138</u>	<u>(3,026)</u>	<u>(5,456)</u>
Covered employee payroll	\$ 378,883	\$ 352,530	313,029	323,489	280,829	229,570	125,319	144,601
Contributions as a percentage of covered employee payroll	0.00%	0.61%	0.00%	0.00%	0.00%	0.39%	3.63%	14.57%

Notes to Schedule:

Fiscal Year End: June 30, 2025  
 Valuation Date: June 30, 2023

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar basis, open 30 years
Amortization period	30 years remain
Asset valuation method	Market value
Inflation	2.5%
Healthcare cost trend rates	6.5% in 2025, fluctuates until ultimate rate of 3.9% by 2076
Salary increases	3.0%
Investment rate of return	5.50%
Retirement age	From 55 to 75
Mortality	2021 CalPERS Experience Study
Mortality improvement	MacLeod Watts Scale 2022

\* Fiscal year 2018 was the first year of implementation, therefore only eight years are shown.

**MARIN LOCAL AGENCY FORMATION COMMISSION**

**Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual - General Fund**

**Year ended June 30, 2025**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Intergovernmental	\$ 587,727	587,727	587,727	-
Charges for services	-	-	47,596	47,596
Investment income	-	-	24,036	24,036
Total revenues	<u>587,727</u>	<u>587,727</u>	<u>659,359</u>	<u>71,632</u>
Expenditures:				
General government:				
Salaries and benefits	478,500	478,500	472,108	6,392
Services and supplies	189,727	189,727	140,371	49,356
Debt service:				
Principal	-	-	32,936	(32,936)
Interest	-	-	3,952	(3,952)
Total expenditures	<u>668,227</u>	<u>668,227</u>	<u>649,367</u>	<u>18,860</u>
Net change in fund balances	(80,500)	(80,500)	9,992	90,492
Fund balances at beginning of year	<u>402,908</u>	<u>402,908</u>	<u>402,908</u>	<u>-</u>
Fund balances at end of year	<u>\$ 322,408</u>	<u>322,408</u>	<u>412,900</u>	<u>90,492</u>

See accompanying notes to the required supplementary information

**MARIN LOCAL AGENCY FORMATION COMMISSION**

**Notes to the Required Supplementary Information**

**Year ended June 30, 2025**

**(1) Budgetary Reporting**

The LAFCo established accounting control through formal adoption of an annual budget for the General Fund. The budget is prepared on a basis consistent with generally accepted accounting principles. The adopted budget can be amended by the LAFCo to change both appropriations and estimated revenues as unforeseen circumstances come to management's attention. Increases and decreases in revenue and appropriations and transfers between funds requires LAFCo approval. However, the Executive Officer may authorize changes within funds. Expenditures may not exceed total appropriations at the individual fund level.