



Lou Ann Teixeira
Executive Officer

MEMBERS
 Donald A. Blubaugh
Public Member
 Federal Glover
County Member
 Michael R. McGill
Special District Member
 Mary N. Piepho
County Member
 Rob Schroder
City Member
 Igor Skaredoff
Special District Member
 Don Tatzin
City Member

ALTERNATE MEMBERS
 Candace Andersen
County Member
 Sharon Burke
Public Member
 Tom Butt
City Member
 George H. Schmidt
Special District Member

June 10, 2015 (Agenda)

June 10, 2015
 Agenda Item 14

Contra Costa Local Agency Formation Commission
 651 Pine Street, Sixth Floor
 Martinez, CA 94553

Financial Audit for Fiscal Year 2013-14

Dear Members of the Commission:

Each year, LAFCO conducts a financial audit of the LAFCO finances. The independent auditing firm of R.J. Ricciardi, Inc. prepared the LAFCO financial audit for FY 2013-14. Per the Commission’s request, the auditing firm agreed to periodically rotate staff auditors assigned to the LAFCO audit, and a different auditor prepared the FY 2013-14 financial audit.

The audit was conducted in accordance with the generally accepted auditing standards as specified in the report. The report found no material weaknesses. The auditors identified no deficiencies in internal control that they would consider to be material weaknesses, and no current year observations.

The FY 2013-14 audit reflects one notable addition. In accordance with GASB Statement No. 45, the audit now reflects LAFCO’s other post-employment benefit (OPEB) liability.

Special thanks are extended to the County Auditor-Controller’s Office staff, especially Laura Garvey, and LAFCO Executive Assistant Kate Sibley for their work on the annual audit.

Recommendation- It is recommended that the Commission receive and file the audit report for the fiscal year ending June 30, 2014 (attached).

Sincerely,

LOU ANN TEXEIRA
 EXECUTIVE OFFICER

Enclosure – FY 2013-14 Financial Audit

c: R.J. Ricciardi, Inc. CPAs
 Bob Campbell, County Auditor’s Office

**CONTRA COSTA LOCAL AGENCY FORMATION COMMISSION
MARTINEZ, CALIFORNIA**

BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-6
Basic Financial Statements:	
Statement of Net Position and Governmental Funds Balance Sheet	7
Statement of Revenues, Expenses, and Changes in Net Position and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances	8
Notes to Basic Financial Statements	9-15
Auditors' Information	16
Required Supplemental Information:	
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	Schedule 1 17

INDEPENDENT AUDITORS' REPORT

Commissioners
Contra Costa Local Agency Formation Commission
Martinez, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Contra Costa Local Agency Formation Commission (LAFCO), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Contra Costa 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 an opinion 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 Commissions. 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 the auditor's 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, the auditor considers internal control relevant to the entity'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 entity'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 Contra Costa Local Agency Formation Commission as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special Commissions.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (page 3-6) and budgetary comparison information (page 16) 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, which 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 1, 2015

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

This section of Contra Costa Local Agency Formation Commission's (LAFCO's) basic financial statements presents management's overview and analysis of the financial activities of the agency 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 Revenues, Expenses, and Changes in Net Position and Governmental Funds Statement of 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 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 Revenues, Expenses, and Changes in Net Position. 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 Revenues, Expenses, and Changes in Net Position 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 Revenues, Expenses, and Changes in Net Position 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.

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

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position 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.

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 actual revenue decreased this fiscal year compared to the prior year by \$15,471 due primarily to decreased application activity. Actual revenues were more than budgeted amounts by \$614 due primarily to application processing reimbursements.

General Fund actual expenditures were \$600,716, an increase of \$13,817 from the prior year primarily due to cost of living adjustments. Expenditures were \$74,300 less than budgeted due primarily to fewer legal expenses and less Municipal Service Review activity.

Governmental Activities

Table 1
Governmental Net Position

	2014 Governmental Activities	2013 Governmental Activities
Current assets	\$ 355,547	\$ 326,367
Total assets	355,547	326,367
Accounts payable	23,719	25,311
Due to other governments	41,256	25,398
Total liabilities	64,975	50,709
Net position:		
Unrestricted	290,572	275,658
Total net position	\$ 290,572	\$ 275,658

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

LAFCO's governmental net position amounted to \$290,572 as of June 30, 2014, an increase of \$14,914 from 2013. This increase is the Change in Net Position reflected in the Statement of Revenues, Expenses, and Changes in Net Position shown in Table 2. LAFCO's net position as of June 30, 2014 comprised the following:

- Cash and investments comprised \$352,072 of cash on deposit with the Contra Costa County Treasury.
- Prepaid items totaling \$3,475.
- Accounts payable totaling \$23,719.
- Due to other government agencies totaling \$41,256.
- 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 \$290,572 of unrestricted net position as of June 30, 2014.

The Statement of Revenues, Expenses, and Changes in Net Position 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	2013
	<u>Governmental Activities</u>	<u>Governmental Activities</u>
<u>Expenses</u>		
Salaries and benefits	\$ 457,376	\$ 346,931
Services and supplies	243,143	239,968
Total expenses	700,519	586,899
<u>Revenues</u>		
Program revenues:		
Charges for services	33,614	37,417
Total program revenues	33,614	37,417
General revenues:		
Intergovernmental	582,016	593,684
Total general revenues	582,016	593,684
Total revenues	615,630	631,101
<u>Change in net position</u>	\$ (84,899)	\$ 44,202

As Table 2 above shows, \$33,614, or 5.5% of LAFCO's fiscal year 2014 governmental revenue, came from program revenues and \$582,016, or 94.5%, came from general revenues (i.e. contributions from local agencies). Furthermore, LAFCO had budgeted \$150,000 of its fund balance reserves to cover the budgeted excess expenditures over revenues.

Program revenues were composed of Boundary Proposal and related fees of \$33,614.

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

Salaries and benefits costs include adjustments for other post-employment benefits as discussed in Note 8.

Capital Assets

LAFCO has no capital assets.

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

Debt Administration

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

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 Statement of Net Position reflects financial stability and the potential for organizational growth. 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 Contra Costa Local Agency Formation Commission, 651 Pine Street 6th Floor, Martinez, California 94553.

Contra Costa Local Agency Formation Commission
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
 June 30, 2014

	General	Adjustments	Statement of Net Position
<u>ASSETS</u>			
Cash and investments	\$ 352,072	\$ -	\$ 352,072
Prepaid items	3,475	-	3,475
Total assets	\$ 355,547	\$ -	\$ 355,547
 <u>LIABILITIES</u>			
Accounts payable	\$ 23,719	\$ -	23,719
Due to other governments	41,256	-	41,256
Long-term liabilities:			
Due in more than one year (Note 8)		99,803	99,803
Total liabilities	64,975	99,803	164,778
 <u>FUND BALANCES/NET POSITION</u>			
Fund balances:			
Assigned fund balance	30,000	(30,000)	-
Unassigned fund balance	260,572	(260,572)	-
Total fund balances	290,572	(290,572)	-
Total liabilities and fund balances	\$ 290,572		
 Net position:			
Unrestricted		190,769	190,769
Total net position		\$ 190,769	\$ 190,769

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

Contra Costa Local Agency Formation Commission
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Period Ended June 30, 2014

	<u>General</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Expenditures/expenses:			
Salaries and benefits (Note 8)	\$ 357,573	\$ 99,803	\$ 457,376
Services and supplies	<u>243,143</u>	<u>-</u>	<u>243,143</u>
Total expenditures/expenses	<u>600,716</u>	<u>99,803</u>	<u>700,519</u>
Program revenues:			
Charges for services	<u>33,614</u>	<u>-</u>	<u>33,614</u>
Total program revenues	<u>33,614</u>	<u>-</u>	<u>33,614</u>
Net program expenses			<u>(666,905)</u>
General revenues:			
Intergovernmental	<u>582,016</u>	<u>-</u>	<u>582,016</u>
Total general revenues	<u>582,016</u>	<u>-</u>	<u>582,016</u>
Excess of revenues over (under) expenditures	14,914	(14,914)	-
Change in net position	-	(84,889)	(84,889)
Fund balance/Net position, beginning of period	<u>275,658</u>	<u>-</u>	<u>275,658</u>
Fund balance/Net position, end of period	<u>\$ 290,572</u>	<u>\$ (99,803)</u>	<u>\$ 190,769</u>

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

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

NOTE 1 - REPORTING ENTITY

A. Organization of LAFCO

Contra Costa 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 revenues, expenses, and changes in net position 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 revenues, expenses, and changes in net position 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.

Contra Costa 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.

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.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

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 Contra Costa County Treasury in a non-interest-bearing account. LAFCO's cash on deposit with the Contra Costa County Treasury at June 30, 2014 was \$352,072.

Credit Risk, Carrying Amount and Market Value of Investments

LAFCO maintains specific cash deposits with Contra Costa County. Contra Costa County is restricted by state code in the types of investments it can make. Furthermore, the Contra Costa 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, Contra Costa County has an investment committee, which performs regulatory oversight for its pool as required by California Government Code Section 27130. In addition, LAFCO has its own investment policy as well.

Contra Costa County's investment policy authorizes Contra Costa 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 Contra Costa County Treasurer was maintained in a non-interest-bearing account.

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.

Contra Costa Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

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.

As of June 30, 2014, the assigned fund balance was \$30,000 designated for the Other Post-employment Benefits (OPEB). Beginning in fiscal year 11/12, LAFCO began designating \$10,000 annually for OPEB.

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.

Contra Costa 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 the Contra Costa County Employee Retirement Association (CCCERA), 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. CCCERA provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefit provisions under the Plan are established by State statute and County resolution. 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 December 31 by CCCERA; 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, 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.

CCCERA 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.

CCCERA uses the market related value method of valuing the Plan's assets. The December 31, 2012 valuation included an assumed investment rate of return of 7.75%, including inflation at 3.25%. Salary increases are based on performance. LAFCO's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period ends January 1, 2025.

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

NOTE 7 - PENSION PLAN (concluded)

CCCERA financial statements can be obtained at the Contra Costa County Employee Retirement Association, 1355 Willow Way, Suite 221, Concord, California 94520.

NOTE 8 - OTHER POST-EMPLOYMENT BENEFIT (OPEB)

A. Plan Description

The Commission provides health care for employees and dependents (and also for retirees and their dependents) through Contra Costa County. Employees may choose from the following medical options: Contra Costa Health Plan, Kaiser Permanente, Health Net HMO, and Health Net CA & National PPO.

All retired employees of the Commission are eligible to receive health and dental benefits for life, with costs shared by the Commission and the retirees.

B. Funding Policy

There is no statutory requirement for the Commission to prefund its OPEB obligation. The Commission currently pays a portion of retiree healthcare benefits on a pay-as-you-go basis. For the fiscal year ending June 30, 2014, the Commission paid approximately \$19,263 for retiree healthcare plan benefits. As of July 1, 2013, the plan membership consisted of 2 active participants and 3 retirees and beneficiaries currently receiving benefits.

The Commission is required to contribute or accrue the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters 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 amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

C. Annual OPEB Cost and Net OPEB Obligation/(Asset)

The following table shows the components of the Commission's Annual OPEB Cost for the fiscal year ended June 30, 2014, the amount actually contributed to the plan (including implicit subsidy, if any), and changes in the Commission's Net OPEB Obligation/(Asset):

	2014
Annual Required Contribution	\$ 52,278
Interest on Net OPEB Obligation on Annual Required Contribution	2,720
Amortization Adjustment	(3,932)
Annual OPEB cost (expense)	51,066
Employer Contributions	(19,263)
Increase in Net OPEB Obligation / (Asset)	(31,803)
Net OPEB Obligation/ (Asset) - Beginning of year	68,000
Net OPEB Obligation/ (Asset) - End of year	\$ 99,803

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

NOTE 8 - OTHER POST-EMPLOYMENT BENEFIT (OPEB) (concluded)

C. Annual OPEB Cost and Net OPEB Obligation/(Asset) (concluded)

The Commission's Annual OPEB Cost, the percentage of Annual OPEB Cost contributed to the plan, and the Net OPEB Obligation/(Asset) for the fiscal year ended June 30, 2014, is as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation/ (Asset)
6/30/14	\$ 51,066	\$19,263	138%	\$ 99,803

D. Funded Status and Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Projected Unit Credit Actuarial Accrued Liability	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2013	\$ -	\$ 516,522	\$ 516,522	0%	\$ 195,072	264.7%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the Annual Required Contributions of the Commission are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The plan's most recent actuarial valuation was performed as of July 1, 2013. In that valuation, the Alternate Measurement Method (AMM) was used. The actuarial assumptions included a 5.0% investment rate of return (net of administrative expenses) and an annual medical trend rate of 8.0% initially, reduced by decrements to an ultimate rate of 5% after 3 years. The dental trend rate is 4% for all future years. These assumptions reflect an implicit 3% general inflation assumption. The Commission's Unfunded Actuarial Accrued Liability is being amortized as a level dollar amount on an open basis over 30 years.

Contra Costa Local Agency Formation Commission
AUDITORS' INFORMATION
June 30, 2014

Audit Firm:	R.J. Ricciardi, Inc.
Lead Auditor's Name:	Michael O'Connor, CPA
Audit Firm's Address:	1000 Fourth Street, Suite 400 San Rafael, CA 94901
Telephone number:	(415) 457-1215
Date of Independent Auditors' Report:	June 1, 2015

Contra Costa Local Agency Formation Commission
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

Schedule 1

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget
Revenues:				
Intergovernmental	\$ 585,016	\$ 585,016	\$ 582,016	\$ (3,000)
Charges for services	<u>30,000</u>	<u>30,000</u>	<u>33,614</u>	<u>3,614</u>
Total revenues	<u>615,016</u>	<u>615,016</u>	<u>615,630</u>	<u>614</u>
Expenditures:				
Salaries and benefits	351,936	351,936	357,573	(5,637)
Services and supplies	<u>323,080</u>	<u>323,080</u>	<u>243,143</u>	<u>79,937</u>
Total expenditures	<u>675,016</u>	<u>675,016</u>	<u>600,716</u>	<u>74,300</u>
<hr/>				
Excess of revenues over (under) expenditures	(60,000)	(60,000)	14,914	<u>\$ (73,686)</u>
Fund balance, beginning of period			<u>275,658</u>	
Fund balance, end of period			<u>\$ 290,572</u>	
Contingency reserve	(80,000)	(80,000)		
OPEB trust	(10,000)	(10,000)		
Fund balance reserves	<u>150,000</u>	<u>150,000</u>		
Total	<u>\$ -</u>	<u>\$ -</u>		

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

