

MARIN LOCAL AGENCY FORMATION COMMISSION
Basic Financial Statements
Year ended June 30, 2020
(With Independent Auditor's Report Thereon)

MARIN LOCAL AGENCY FORMATION COMMISSION

Basic Financial Statements

Year ended June 30, 2020

TABLE OF CONTENTS

Independent Auditor’s Report	1
Management’s Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	6
Statement of Activities	7
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	8
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	9
Statement of Revenues, Expenditures and Changes in Fund Balances	10
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	11
Notes to the Basic Financial Statements	12
Required Supplementary Information:	
Schedule of Plan Proportionate Share of Net Pension Liability	28
Schedule of Contributions	29
Schedule of Change in the Net OPEB Liability and Related Ratios	30
Schedule of Contributions – OPEB	31
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual–General Fund	32
Notes to the Required Supplementary Information	33

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Marin Local Agency Formation Commission, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 the Marin Local Agency Formation Commission, as of June 30, 2020, 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.

Emphasis of Matter

The financial statements for the year ended June 30, 2020 reflect certain prior period adjustments as described further in note 11 to the financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis, budgetary comparison information for the General Fund, Schedule of Plan Proportionate Share of Net Pension Liability, Schedule of Contributions, Schedule of Change in the Net OPEB Liability and Related Ratios, and Schedule of Contributions - OPEB* be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2021 on our consideration of the Commission'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 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 Commission's internal control over financial reporting and compliance.

DavisFarr LLP

Irvine, California
September 24, 2021

Marin Local Agency Formation Commission
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

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, 2020. 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, 2020 with a net position of \$434,060. This amount represents an overall change of \$48,348 from the prior fiscal year total of \$385,712. The net position includes all pension and post-employment liabilities.
- LAFCo finished the fiscal year ending June 30, 2020 with an operating net of \$41,306.

Fund Level

- LAFCo finished June 30, 2020 with a total fund balance of \$393,377 – the entire fund balance is unassigned.

The Basic Financial Statements

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

The Government-wide Financial Statements provide a longer-term view of LAFCo's activities as a whole, and comprise the Statement of Net Position and 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.

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.

Marin Local Agency Formation Commission
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

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		
	2020	2019	\$ Change
Current assets	\$ 447,928	\$ 366,723	\$ 81,205
Net OPEB Asset	\$ 4,319	\$ -	\$ 4,319
Capital assets, net of accumulated depreciation	-	-	-
Total Assets	<u>452,247</u>	<u>366,723</u>	<u>85,524</u>
Deferred outflows of resources	<u>84,618</u>	<u>80,797</u>	<u>3,821</u>
Current liabilities	56,603	14,652	41,951
Non-current liabilities	17,781	41,180	(23,399)
Total Liabilities	<u>74,384</u>	<u>55,832</u>	<u>18,552</u>
Deferred inflows of resources	<u>28,421</u>	<u>5,976</u>	<u>22,445</u>
Net position:			
Net investment in capital assets	-	-	-
Unrestricted	<u>434,060</u>	<u>385,712</u>	<u>48,348</u>
Total net position	<u>\$ 434,060</u>	<u>\$ 385,712</u>	<u>\$ 48,348</u>

The Statement of Activities presents program revenues and expenses and general revenues in detail. All of these are elements in the Changes in Governmental Net Position summarized below. The decreased change in net position this year is largely due to the filling of staff positions that were unfilled in years prior.

Marin Local Agency Formation Commission
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

Table 2
Changes in Governmental Net Position

	<u>Governmental Activities</u>		
	<u>2020</u>	<u>2019</u>	<u>\$ Change</u>
<u>Revenues</u>			
Program revenues:			
Charges for Services	\$ 6,890	\$ 31,068	\$ (24,178)
General revenues:			
Intergovernmental	559,523	559,875	(352)
Interest Income	9,599	6,856	2,743
Total revenues	<u>576,012</u>	<u>597,799</u>	<u>(21,787)</u>
<u>Program Expenses</u>			
General government	<u>527,664</u>	<u>461,393</u>	<u>66,271</u>
Total expenses	<u>527,664</u>	<u>461,393</u>	<u>66,271</u>
Change in Net Position	<u>\$ 48,348</u>	<u>\$ 136,406</u>	<u>\$ (88,058)</u>

Capital Assets

LAFCo has no capital assets.

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 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, 2020

	<u>2020</u>
Assets:	
Cash and investments (note 3)	\$ 447,928
Net OPEB asset (note 9)	<u>4,319</u>
Total assets	<u>452,247</u>
Deferred outflow of resources:	
Deferred outflow-pension (note 8)	83,093
Deferred outflow-OPEB (note 9)	<u>1,525</u>
Total deferred outflow of resources	<u>84,618</u>
Liabilities:	
Accounts payable	39,966
Accrued liabilities	14,585
Compensated absences, due within one year (note 7)	2,052
Long-term liabilities:	
Compensated absences (note 7)	<u>17,781</u>
Total liabilities	<u>74,384</u>
Deferred inflow of resources:	
Deferred inflow-Pension actuarial (note 8)	27,858
Deferred inflow-OPEB actuarial (note 9)	<u>563</u>
Total deferred inflow of resources	<u>28,421</u>
Net position:	
Unrestricted	<u>434,060</u>
Total net position	<u>\$ 434,060</u>

See accompanying notes to the basic financial statements

MARIN LOCAL AGENCY FORMATION COMMISSION

Statement of Activities

Year ended June 30, 2020

<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>	
Governmental activities:					
General government	\$ 527,664	6,890	-	-	(520,774)
 Total governmental activities	<u>\$ 527,664</u>	<u>6,890</u>	<u>-</u>	<u>-</u>	<u>(520,774)</u>
		General revenues:			
		Intergovernmental			559,523
		Interest income			<u>9,599</u>
		Total general revenues			<u>569,122</u>
		Change in net position			48,348
		Net position, beginning of year, as restated (note 11)			<u>385,712</u>
		Net position, end of year			<u>\$ 434,060</u>

See accompanying notes to the basic financial statements

MARIN LOCAL AGENCY FORMATION COMMISSION

Balance Sheet - Governmental Fund

June 30, 2020

	<u>Assets</u>	<u>General Fund</u>
Cash and investments		\$ 447,928
Total assets		<u>\$ 447,928</u>
	<u>Liabilities and Fund Balance</u>	
Liabilities:		
Accounts payable		\$ 39,966
Accrued liabilities		<u>14,585</u>
Total liabilities		<u>54,551</u>
Fund balance:		
Unassigned		<u>393,377</u>
Total fund balance		<u>393,377</u>
Total liabilities and fund balance		<u>\$ 447,928</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, 2020

Fund balances of governmental fund	\$ 393,377
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Non-current asset that have not been included in the governmental fund OPEB asset	4,319
<u>Long-Term Liability Transactions</u>	
Long-term liabilities applicable to the Commission'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	(19,833)
<u>Deferred Outflows and Inflows of Resources</u>	
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	83,093
Deferred outflows - OPEB related	1,525
Deferred inflows - pension related	(27,858)
Deferred inflows - OPEB related	<u>(563)</u>
Net position of governmental activities	<u>\$ 434,060</u>

See accompanying notes to the basic financial statements

MARIN LOCAL AGENCY FORMATION COMMISSION

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

Year ended June 30, 2020

	<u>General Fund</u>
Revenues:	
Intergovernmental	\$ 559,523
Charges for services	6,890
Interest income	<u>9,599</u>
Total revenues	<u>576,012</u>
Expenditures:	
Current:	
General government:	
Salaries and benefits	371,307
Services and supplies	<u>163,399</u>
Total expenditures	<u>534,706</u>
Net change in fund balances	41,306
Fund balances at beginning of year	<u>352,071</u>
Fund balances at end of year	<u>\$ 393,377</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 to the Statement of Activities**

Year ended June 30, 2020

Net changes in fund balances - total governmental funds \$ 41,306

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

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 Commission 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	19,411
Net change in OPEB related items	1,495
Net change in compensated absences	<u>(13,864)</u>
Change in net position of governmental activities	<u>\$ 48,348</u>

See accompanying notes to the basic financial statements

MARIN LOCAL AGENCY FORMATION COMMISSION

Notes to the Basic Financial Statements

Year ended June 30, 2020

(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, 2020

(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, 2020

(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.

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

(e) Compensated Absences

It is LAFCo's policy to permit employees to accumulate earned but unused vacation. The balance of unpaid vacation time at June 30, 2020 is recorded as a noncurrent liability. Vacation is accrued as earned.

(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 position by the government that is applicable to a future reporting period. There are pension and OPEB related items that meet this definition.

MARIN LOCAL AGENCY FORMATION COMMISSION

Notes to the Basic Financial Statements

Year ended June 30, 2020

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

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 position by LAFCo that is applicable to a future reporting period. There are pension and OPEB related items that meet this definition.

(3) Cash and Investments

LAFCo's cash is maintained with the Marin County Treasury in an interest-bearing account. LAFCo's cash on deposit with Marin County Treasury and Bank of Marin at June 30, 2020 was \$447,928.

Credit Risk, Carrying Amount and Market Value of Investments

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

Marin County's investment policy authorizes Marin County to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, certificates of deposit, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, and the State Treasurer's investment pool. At June 30, 2020, LAFCo's cash with the Marin County Treasurer was maintained in an interest-bearing account.

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 Local Agency Investment Fund and County Treasurer's Pool are valued using Level 1 inputs as are the certificates of deposit, local government bonds and money market funds.

(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.

MARIN LOCAL AGENCY FORMATION COMMISSION

Notes to the Basic Financial Statements

Year ended June 30, 2020

(Continued)

(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) Fund Balance

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

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

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

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

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

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

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

Net Position

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

MARIN LOCAL AGENCY FORMATION COMMISSION

Notes to the Basic Financial Statements

Year ended June 30, 2020

(Continued)

(6) Fund Balance (Continued)

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.

(7) Compensated Absences

Unpaid vacation is recorded as a liability as the employees accrue vested benefits. Total accumulated accrued vacation payable at June 30, 2020 was as follows:

	Balance			Balance	Due within
	<u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2020</u>	<u>one year</u>
Compensated Absences	\$ 5,969	15,917	2,052	19,834	2,052

(8) 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 employer 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, 2020

(Continued)

(8) 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.

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.

Vesting

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

B. Benefit Provisions

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

MARIN LOCAL AGENCY FORMATION COMMISSION

Notes to the Basic Financial Statements

Year ended June 30, 2020

(Continued)

(8) LAFCo's Employees' Retirement Plan (Continued)

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.

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, 2020, LAFCo's reported net pension liabilities for its proportionate shares of the net pension liability of the Miscellaneous Plan as follows:

	Proportionate Share of Net Pension Liability
Balance at 6/30/2018	\$ 34,351
Balance at 6/30/2019	-
Net change during 2019	<u>\$ 34,351</u>

MARIN LOCAL AGENCY FORMATION COMMISSION

Notes to the Basic Financial Statements

Year ended June 30, 2020

(Continued)

(8) 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, 2019, 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, 2018, updated to June 30, 2019. 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, 2018 and 2019 was as follows:

<u>LAFCo Miscellaneous Plan</u>	
Proportion - June 30, 2018	.0104%
Proportion - June 30, 2019	<u>.0000%</u>
Change - Increase (Decrease)	<u>(.0104%)</u>

For the year ended June 30, 2020, LAFCo recognized pension expense of \$31,207. At June 30, 2020, LAFCo reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Pension contributions subsequent to measurement date	\$ 50,702	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	<u>32,391</u>	<u>27,858</u>
Total	<u>\$ 83,093</u>	<u>27,858</u>

\$50,702 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, 2021.

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

<u>Fiscal Year ended June 30</u>	Deferred Outflows/(Inflows) of Resources
2021	\$ 13,443
2022	(2,933)
2023	(5,977)
2024	-
2025	-
Thereafter	-

MARIN LOCAL AGENCY FORMATION COMMISSION

Notes to the Basic Financial Statements

Year ended June 30, 2020

(Continued)

(8) LAFCo's Employees' Retirement Plan (Continued)

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

Actuarial Assumptions - The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date:	June 30, 2018
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:	Closed 17 year period (13 years remaining as of 6/30/17)
Discount Rate:	7.00%
Price Inflation:	2.75%
Salary Increases:	3.00% plus merit component based on employee classification and years of service
Administrative Expenses:	Administrative expenses in the actuarial valuation are assumed to be \$5.065 million for FY 2018-19, to be split between employees and employers based on their share of the overall contributions. Administrative expenses shown in this report are based on the actual FY 2018-19 amounts.
Postretirement COLA:	Post retirement COLAs are assumed at the rate of 2.7% for members with a 4% COLA cap, 2.6% for members with a 3% COLA cap, and 1.9% for members with a 2% COLA cap.
Mortality Rates for Healthy Members and Inactives:	Rates of mortality for active Members are specified by CalPERS 2017 Pre-Retirement Non-Industrial Death rates (plus Duty-Related Death rates for Safety Members), with the 20- year static projection used by CalPERS replaced by generational improvements from a base year of 2014 using Scale MP-2017.

A complete description of the methods and assumptions used to determine contribution rates for the year ended June 30, 2019 can be found in the June 30, 2018 actuarial report.

Discount Rate - The discount rate used to measure the total pension liability was 7.00% as of June 30, 2019. 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.

MARIN LOCAL AGENCY FORMATION COMMISSION

Notes to the Basic Financial Statements

Year ended June 30, 2020

(Continued)

(8) LAFCo's Employees' Retirement Plan (Continued)

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, 2019.

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%	4.90%
Fixed Income	23.0%	1.50%
International Equity	22.0%	5.00%
Public Real Assets	7.0%	3.65%
Private Equity	8.0%	6.25%
Real Estate	<u>8.0%</u>	4.00%
Total	<u>100.0%</u>	

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	6.00%
Net Pension Liability	\$0
Current Discount Rate	7.00%
Net Pension Liability	\$0
1% Increase	8.00%
Net Pension Liability	\$0

Pension Plan Fiduciary Net Position

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

MARIN LOCAL AGENCY FORMATION COMMISSION

Notes to the Basic Financial Statements

Year ended June 30, 2020

(Continued)

(9) 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.

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

Active plan members	2
Inactive employees or beneficiaries currently receiving benefit payments	<u>1</u>
Total	<u><u>3</u></u>

Contribution

As of June 30, 2019, LAFCo has accumulated \$63,420 in an irrevocable trust toward this liability. With LAFCo's approval, the discount rate used in this valuation is 5.75% as of June 30, 2019; the long term expected return on trust assets.

Actuarial Methods and Assumptions

The total OPEB liability in the June 30, 2019 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	5.75%
Discount rates	5.75%

MARIN LOCAL AGENCY FORMATION COMMISSION

Notes to the Basic Financial Statements

Year ended June 30, 2020

(Continued)

(9) Other Postemployment Benefit (OPEB)

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 2018 applied generationally
Healthcare trend	5.4% in 2021, fluctuates until ultimate rate of 4% in 2076

Change in the Net OPEB Liability (Asset)

	Increase (Decrease)		
	Total OPEB <u>Liability</u>	Plan Fiduciary <u>Net Position</u>	Net Position Liability <u>(Asset)</u>
Balance at June 30, 2019 (MD)	\$ 60,046	59,186	860
Service Cost	-	-	-
Interest	3,309	-	3,309
Changes of benefit terms	-	-	-
Differences between expected and actual experience	372	-	372
Changes of assumptions	348	-	348
Benefit payments	(5,013)	(5,013)	-
Contributions – employers	-	5,013	(5,013)
Net investment income	-	4,208	(4,208)
Administrative expenses	-	(13)	13
Other expenses	-	-	-
Net changes	(984)	4,195	(5,179)
Balance at June 30, 2020 (MD)	\$ 59,062	63,381	(4,319)

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, 2019 is 5.75%. Medical Cost Inflation was assumed to start at 7.50% and grade down to 5.00% for years 2024 and thereafter. The impact of a 1% increase or decrease in these assumptions is shown in the table below.

Plan's Net OPEB Liability/(Asset)		
Discount Rate – 1%	Current Discount Rate	Discount Rate + 1%
(4.75%)	(5.75%)	(6.75%)
\$426	(4,319)	(8,484)

MARIN LOCAL AGENCY FORMATION COMMISSION

Notes to the Basic Financial Statements

Year ended June 30, 2020

(Continued)

(9) Other Postemployment Benefit (OPEB) (Continued)

Plan's Net OPEB Liability/(Asset)		
Medical Trend – 1%	Current Medical Trend	Medical Trend + 1%
<u>(6.50%)</u>	<u>(7.50%)</u>	<u>(8.50%)</u>
\$ (4,374)	(4,319)	(4,270)

Deferred Resources and Expected Future Recognition

For the fiscal year ended June 30, 2020, LAFCo recognized OPEB expense of \$1,809. At June 30, 2020, LAFCo reported deferred resources from OPEB from the following:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Pension contributions subsequent to measurement date	\$ 898	-
Differences between actual and expected experience	324	-
Changes of assumptions	303	-
Net differences between projected and actual earnings on plan investments	-	<u>563</u>
Total	<u>\$ 1,525</u>	<u>563</u>

\$898 reported as deferred outflows of resources related to contributions subsequent to measurement date will be recognized as increase of the net OPEB liability in the fiscal year ended June 30, 2021.

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

<u>Fiscal Year ended June 30</u>	Deferred Outflows/(Inflows) <u>of Resources</u>
2021	\$ (55)
2022	(54)
2023	(14)
2024	(68)
2025	93
Thereafter	162

(10) Operating Lease Commitments

LAFCo has an operating lease for office space expiring in May during the fiscal year ending June 30, 2023. The total expense for office rent was \$32,653 for the fiscal year ended June 30, 2020. The minimum future rental payments under non-cancelable operating leases for each of the next five years and in the aggregate are:

MARIN LOCAL AGENCY FORMATION COMMISSION

Notes to the Basic Financial Statements

Year ended June 30, 2020

(Continued)

(10) Operating Lease Commitments (Continued)

Year ended <u>June 30</u>	<u>Amount</u>
2021	\$ 33,589
2022	34,559
2023	<u>32,514</u>
Total	<u>\$ 100,662</u>

(11) Prior Period Adjustment

During the year ended June 30, 2020, LAFCo made the following adjustment to beginning net position:

	<u>Governmental Activities</u>
Beginning net position	\$ 363,206
Pension adjustment	<u>22,506</u>
Beginning net position, as restated	<u>\$ 385,712</u>

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, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Proportion of the collective net pension liability	0.0000%	0.0104%	0.0088%
Proportionate share of the net pension liability	\$ -	34,351	32,451
Covered-employee payroll	113,308	123,490	206,613
Proportionate share of the net pension liability as a percentage of covered-employee payroll	0%	28%	16%
Plan fiduciary net position as a percentage of the total pension liability	0%	88.34%	86.27%
Measurement Date	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Proportion of the collective net pension liability	0.0021%	0.0000%	0.0750%
Proportionate share of the net pension liability	10,037	-	185,355
Covered-employee payroll	232,415	173,394	192,619
Proportionate share of the net pension liability as a percentage of covered-employee payroll	4%	0%	96%
Plan fiduciary net position as a percentage of the total pension liability	81.45%	84.31%	89.04%

* Fiscal year 2015 was the first year of implementation, therefore only six years are shown.

MARIN LOCAL AGENCY FORMATION COMMISSION

Schedule of Contributions

Last Ten Years*

Fiscal Year Ending June 30	2020	2019	2018
Actuarially determined contribution	\$ 50,702	13,234	14,430
Contributions in relation to the actuarially determined contributions	\$ (50,702)	(13,234)	(14,430)
Contribution deficiency (excess)	-	-	-
Covered payroll during the fiscal year	\$ 271,662	\$ 113,308	123,490
Contributions as a percentage of covered payroll	18.66%	11.68%	11.69%
Fiscal Year Ending June 30	2017	2016	2015
Actuarially determined contribution	46,997	68,104	48,485
Contributions in relation to the actuarially determined contributions	(46,997)	(68,104)	(48,485)
Contribution deficiency (excess)	-	-	-
Covered payroll during the fiscal year	206,613	232,415	173,394
Contributions as a percentage of covered payroll	22.75%	29.30%	27.96%

* Fiscal year 2015 was the first year of implementation, therefore only six years are shown.

Notes to Schedule

Valuation Date 6/30/18 (to determine FY2019-20 contributions)

Key Methods and Assumptions Used to Determine Contribution Rates (for FY 2019-20):

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll with separate periods for Extraordinary Actuarial Gains or Losses (20 years remaining as of 6/30/18), the remaining UAL as of June 30, 2013 (12 years as of 6/30/18), and additional layers for unexpected changes in UAL after 6/30/13 (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	12 years remaining as of June 30, 2018
Asset valuation method	Market value
Inflation	2.75%
Salary increases	3.00% plus merit component based on employee classification and years of service
Investment Rate of Return	7.00%
Retiree Mortality	Rates of mortality for retired Members and their beneficiaries are given by California Public Employees Retirement System (CalPERS) 2017 PostRetirement Healthy Mortality rates, adjusted by 90% for Males (General and Safety), with the 20-year static projection used by CalPERS replaced by generational improvements from a base year of 2014 using Scale MP2017.
Disabled Mortality	Rates of mortality among disabled Members are given by CalPERS 2017 Disability Mortality rates (Non-Industrial rates for General members and Industrial Disability rates for Safety members), adjusted by 90% for Males (General and Safety) and 90% for General Females, with the 20-year static projection used by CalPERS replaced by generational improvements from a base year of 2014 using Scale MP-2017.

MARIN LOCAL AGENCY FORMATION COMMISSION

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

Last Ten Years*

Measurement Date	2019	2018	2017
Total OPEB liability:			
Service cost	\$ -	-	-
Interest	3,309	3,413	3,529
Change of benefit terms	-	-	-
Difference between expected and actual experience	372	-	-
Changes of assumptions	348	-	-
Benefit payments, including refunds of employee contributions	<u>(5,013)</u>	<u>(5,456)</u>	<u>(5,615)</u>
Total OPEB liability - beginning of year	<u>60,046</u>	<u>62,089</u>	<u>64,175</u>
Total OPEB liability - end of year	<u><u>59,062</u></u>	<u><u>60,046</u></u>	<u><u>62,089</u></u>
Plan Fiduciary Net Position			
Net investment income	5,013	2,544	1,894
Contributions			
Employer	4,208	21,071	25,102
Benefit payments, including refunds of employee contributions	(5,013)	(5,456)	(5,615)
Administrative expense	<u>(13)</u>	<u>(76)</u>	<u>(15)</u>
Net change in plan fiduciary net position	4,195	18,083	21,366
Plan fiduciary net position - beginning of year	<u>59,186</u>	<u>41,103</u>	<u>19,737</u>
Plan fiduciary net position - end of year	<u><u>\$ 63,381</u></u>	<u><u>59,186</u></u>	<u><u>41,103</u></u>
Net OPEB liability(asset) - end of year	<u><u>\$ (4,319)</u></u>	<u><u>860</u></u>	<u><u>20,986</u></u>
Covered-employee payroll	\$ 125,319	144,601	217,782
Net OPEB liability as a percentage of covered-employee payroll	-3.45%	0.59%	9.64%

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

MARIN LOCAL AGENCY FORMATION COMMISSION

Schedule of Contributions - OPEB

Last Ten Years*

Fiscal year	2020	2019	2018
Actuarially determined contribution	\$ 2,036	1,526	15,615
Contributions in relation to the actuarially determined contributions	898	4,552	21,071
Contribution deficiency (excess)	<u>\$ 1,138</u>	<u>(3,026)</u>	<u>(5,456)</u>
Covered employee payroll	\$ 283,840	125,319	144,601
Contributions as a percentage of covered employee payroll	0.32%	3.63%	14.57%

Notes to Schedule:

Fiscal Year End: June 30, 2020

Valuation Date: June 30, 2019

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	2.50%
Healthcare cost trend rates	5.4% in 2021, fluctuates until ultimate rate of 4% in 2076
Salary increases	3.00%
Investment rate of return	5.75%
Retirement age	From 55 to 75
Mortality	2017 CalPERS Experience Study
Mortality improvement	Projected with MW Scale 2018

* Fiscal year 2018 was the first year of implementation, therefore only three 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, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for services	\$ -	-	6,890	6,890
Intergovernmental	559,523	559,523	559,523	-
Investment income	<u>-</u>	<u>-</u>	<u>9,599</u>	<u>9,599</u>
Total revenues	<u>559,523</u>	<u>559,523</u>	<u>576,012</u>	<u>16,489</u>
Expenditures:				
Current:				
General government:				
Salaries and benefits	439,575	439,575	371,307	68,268
Services and supplies	<u>208,353</u>	<u>208,353</u>	<u>163,399</u>	<u>44,954</u>
Total expenditures	<u>647,928</u>	<u>647,928</u>	<u>534,706</u>	<u>113,222</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(88,405)</u>	<u>(88,405)</u>	<u>41,306</u>	<u>129,711</u>
Net change in fund balances	(88,405)	(88,405)	41,306	129,711
Fund balances at beginning of year	<u>364,035</u>	<u>364,035</u>	<u>352,071</u>	<u>11,964</u>
Fund balances at end of year	<u>\$ 275,630</u>	<u>275,630</u>	<u>393,377</u>	<u>141,675</u>

See accompanying notes to the required supplementary information

MARIN LOCAL AGENCY FORMATION COMMISSION

Notes to the Required Supplementary Information

Year ended June 30, 2020

(1) Budgetary Reporting

The Commission 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 Commission 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 require Commission's approval. However, the Executive Officer may authorize changes within funds. Expenditures may not exceed total appropriations at the individual fund level.

Board of Commissioners
Marin Local Agency Formation Commission

We have audited the financial statements of the governmental activities and each major fund of Marin Local Agency Formation Commission (LAFCo) for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 24, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by LAFCo are described in Note 2 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2020. We noted no transactions entered into by LAFCo during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the LAFCo's financial statements were:

Management's estimate of the net pension liability, net OPEB asset and related deferred inflows and outflows is based on information provided by actuarial reports. We evaluated the key factors and assumptions used to develop the net pension liability and related deferred inflows and outflows in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

The following material misstatements detected as a result of audit procedures were corrected by management:

- prior period adjustment for pension related obligations
- adjustment to record total OPEB obligations
- adjustment to correct current year pension obligations
- adjustment to correct compensated absences

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 24, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to LAFCo's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as LAFCo's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to *management's discussion and analysis, schedule of proportionate share of net pension liability, schedule of contributions, schedule of change in the net OPEB liability and related ratios, schedule of contributions – OPEB, schedule of revenues, expenditures and changes in fund balance – budget and actual–general fund*, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of Board of Commissioners and management of LAFCo and is not intended to be, and should not be, used by anyone other than these specified parties.

DavisFarrLLP

Irvine, California

September 24, 2021

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

Independent Auditor's Report

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, and each major fund of Marin Local Agency Formation Commission (LAFCo), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise LAFCo's basic financial statements, and have issued our report thereon dated September 24, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered LAFCo's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LAFCo's internal control. Accordingly, we do not express an opinion on the effectiveness of LAFCo's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in internal control to be a significant deficiency:

(1) Adjustments Detected During the Audit

During the audit, we detected and recorded five journal entries to correct errors. We noted material adjustments related to OPEB, pension, and compensated absences. A prior period adjustment relating to pension was also recorded to properly reflect the correct valuation report.

Recommendation

We recommend LAFCo enhance its annual closing process to ensure the balances of the related accounts are adjusted prior to the audit.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether LAFCo's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DavisFarrLLP

Irvine, California
September 24, 2021