



Lou Ann Texeira
Executive Officer

MEMBERS	
Federal Glover <i>County Member</i>	Dwight Meadows <i>Special District Member</i>
Michael R. McGill <i>Special District Member</i>	Rob Schroder <i>City Member</i>
Don Blubaugh <i>Public Member</i>	Don Tatzin <i>City Member</i>
Gayle B. Uilkema <i>County Member</i>	

ALTERNATE MEMBERS
Sharon Burke <i>Public Member</i>
Tom Butt <i>City Member</i>
George H. Schmidt <i>Special District Member</i>
Mary N. Piepho <i>County Member</i>

May 9, 2012 (Agenda)

May 9, 2012
Agenda Item 11

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

Financial Audit for Fiscal Year 2010-11

Dear Members of the Commission:

RECOMMENDATION

It is recommended that the Commission receive and file the audit report for the fiscal year ending June 30, 2011 (attached).

DISCUSSION

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 2010-11. The audit was conducted in accordance with the generally accepted auditing standards as specified in the report.

The report found no material weaknesses and does not propose any changes in how the Commission or staff account for or manage financial resources. The auditors identified no deficiencies in internal control that they would consider to be material weaknesses, and no current year observations.

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.

Please contact the LAFCO office if you have any questions.

Sincerely,

LOU ANN TEXEIRA
EXECUTIVE OFFICER

Enclosure – 2010-11 Financial Audit

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

CONTRA COSTA LOCAL AGENCY FORMATION COMMISSION

MANAGEMENT REPORT

**For the Year Ended
JUNE 30, 2011**

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R. J. RICCIARDI, INC.
CERTIFIED PUBLIC ACCOUNTANTS

Commissioners
Contra Costa Local Agency Formation Commission
Martinez, California

In planning and performing our audit of the basic financial statements of Contra Costa Local Agency Formation Commission (LAFCO) for the fiscal year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America we considered its internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements but not for the purpose of expressing an opinion on the effectiveness of its internal control. Accordingly, we do not express an opinion on the effectiveness of Contra Costa Local Agency Formation Commission's internal control.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affect the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, as defined above. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Commissioners, and officials of the federal and state grantor agencies and should not be used by anyone other than these specified parties.

We thank Contra Costa Local Agency Formation Commission's staff for its cooperation during our audit.

R.J. Ricciardi, Inc.

R.J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
March 26, 2012

Contra Costa Local Agency Formation Commission
MANAGEMENT REPORT
For the Year Ended June 30, 2011

We have audited the basic financial statements of LAFCO for the year ended June 30, 2011. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated January 5, 2012, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of LAFCO. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. 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 the year. We noted no transactions entered into by LAFCO during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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. We evaluated the key factors and assumptions used to develop the accounting estimates in determining that it is reasonable in relation to the financial statements taken as a whole. There were no sensitive estimates affecting the basic financial statements that came to our attention.

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 trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Of the accounting adjustments detected as a result of audit procedures and corrected by management none were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

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

Contra Costa Local Agency Formation Commission
MANAGEMENT REPORT
For the Year Ended June 30, 2011

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 10, 2012.

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.

Contra Costa Local Agency Formation Commission
MANAGEMENT REPORT
For the Year Ended June 30, 2011

Current Year Observations

There were no current year observations.

Prior Year Observations

There were no prior year observations.

CONTRA COSTA LOCAL AGENCY FORMATION COMMISSION

MARTINEZ, CALIFORNIA

BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

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INDEPENDENT AUDITORS' REPORT

Commissioners
Contra Costa Local Agency Formation Commission
Martinez, California

We have audited the accompanying basic financial statements of the governmental activities and the major fund of Contra Costa Local Agency Formation Commission as of June 30, 2011 and for the fiscal year then ended, as listed in the table of contents. These basic financial statements are the responsibility of Contra Costa Local Agency Formation Commission's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly in all material respects, the financial position of the governmental activities and the major fund of Contra Costa Local Agency Formation Commission as of June 30, 2011, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 2-5) and the required supplementary information (page 15), as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

R. J. Ricciardi, Inc.

R. J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
March 26, 2012

Contra Costa Local Agency Formation Commission
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011

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 organization for the fiscal year ended June 30, 2011. 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 Assets and Governmental Funds Balance Sheet; and the Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances.

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

The Basic Financial Statements

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

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

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

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

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

The Government-wide Financial Statements

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

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

Contra Costa Local Agency Formation Commission
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2011

Fund Financial Statements

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

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

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

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

Analyses of Major Funds

Governmental Funds

General Fund revenue decreased this fiscal year due primarily to decreases in boundary change applications. Actual revenues were greater than budgeted amounts by \$5,785 due to increased reimbursements.

General Fund expenditures were \$531,518, a decrease of \$50,412 from the prior year primarily due to a decrease in application related costs, such as GIS Mapping Services. Expenditures were \$99,174 less than budgeted due to the timing of Municipal Service Reviews and service contracts/payments.

Governmental Activities

Table 1
Governmental Net Assets

	2011 Governmental Activities	2010 Governmental Activities
Current assets	\$ 367,805	\$ 303,702
Total assets	367,805	303,702
Accounts payable	25,481	49,801
Due to other government agencies	37,325	12,746
Total liabilities	62,806	62,547
Net assets		
Unrestricted	304,999	241,155
Total net assets	\$ 304,999	\$ 241,155

Contra Costa Local Agency Formation Commission
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2011

LAFCO's governmental net assets amounted to \$304,999 as of June 30, 2011, an increase of \$63,842 from 2010. This increase is the Change in Net Assets reflected in the Statement of Activities shown in Table 2. LAFCO's net assets as of June 30, 2011 comprised the following:

- Cash and investments comprised \$364,594 of cash on deposit with the Contra Costa County Treasury.
- Accounts payable totaling \$25,481.
- Due to other government agencies totaling \$37,325.
- Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements or restrictions. LAFCO had \$304,999 of unrestricted net assets as of June 30, 2011.

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 Assets summarized below.

Table 2
Changes in Governmental Net Assets

	2011 Governmental Activities	2010 Governmental Activities
<u>Expenses</u>		
Services and supplies	\$ 531,518	\$ 581,930
Total expenses	531,518	581,930
<u>Revenues</u>		
Program revenues:		
Charges for services	39,605	42,893
Total program revenues	39,605	42,893
General revenues:		
Intergovernmental	555,755	560,759
Total general revenues	555,755	560,759
Total revenues	595,360	603,652
<u>Change in net assets</u>	\$ 63,842	\$ 21,722

As Table 2 above shows, \$39,605, or 7% of LAFCO's fiscal year 2011 governmental revenue, came from program revenues and \$555,755, or 93%, came from general revenues such as contributions from local agencies.

Program revenues were composed of Boundary Proposal and related fees of \$39,605.

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

Capital Assets

LAFCO has no capital assets.

Contra Costa Local Agency Formation Commission
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011

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 balance sheet 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, Martinez, California 94553.

Contra Costa Local Agency Formation Commission
STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUNDS BALANCE SHEET
 June 30, 2011

	General	Adjustments	Statement of Net Assets
<u>ASSETS</u>			
Cash and investments	\$ 364,594	\$ -	\$ 364,594
Accounts receivable	375	-	375
Prepaid items	2,836	-	2,836
Total assets	\$ 367,805	\$ -	\$ 367,805
 <u>LIABILITIES</u>			
Accounts payable	\$ 25,481	\$ -	\$ 25,481
Due to other governments	37,325	-	37,325
Total liabilities	62,806	-	62,806
 <u>FUND BALANCES/NET ASSETS</u>			
Fund balances:			
Unassigned fund balance	304,999	(304,999)	-
Total fund balances	304,999	(304,999)	-
Total liabilities and fund balances	\$ 367,805		
 Net assets:			
Unrestricted		304,999	304,999
Total net assets		\$ 304,999	\$ 304,999

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

Contra Costa Local Agency Formation Commission
STATEMENT OF ACTIVITIES AND
GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
For the period ended June 30, 2011

	General	Adjustments	Statement of Net Assets
Expenditures/expenses:			
Services and supplies	\$ 531,518	\$ -	\$ 531,518
Total expenditures/expenses	531,518	-	531,518
Program revenues:			
Charges for services	39,605	-	39,605
Net program expense			(491,913)
General revenues:			
Intergovernmental	555,755	-	555,755
Total general revenues and transfers	555,755	-	555,755
Excess (deficiency) of revenues and transfer in over (under) expenditures and transfers out	63,842	(63,842)	-
Changes in net assets	-	63,842	63,842
Fund balance/Net assets at beginning of period	241,157	-	241,157
Fund balance/Net assets at end of period	\$ 304,999	\$ -	\$ 304,999

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

Contra Costa Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

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 assets 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.

Contra Costa Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation (concluded)

Fund Financial Statements

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

Governmental Funds

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

B. Basis of Accounting

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

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

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

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

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

Contra Costa Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

B. Basis of Accounting (concluded)

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

C. LAFCO Budget

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

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

D. Property, Plant and Equipment

LAFCO currently has no fixed assets.

E. Compensated Absences

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

NOTE 3 - CASH AND INVESTMENTS

LAFCO's cash is maintained with the Contra Costa County Treasury in a non-interest-bearing account. LAFCO's cash on deposit with the Contra Costa County Treasury at June 30, 2011 was \$364,594.

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 27134. 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, 2011, LAFCO's cash with the Contra Costa County Treasurer was maintained in a non-interest-bearing account.

Contra Costa Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

NOTE 4 - USE OF ESTIMATES

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

NOTE 5 - CONTINGENCIES

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

NOTE 6 - FUND EQUITY

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

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

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

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

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

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

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

Contra Costa Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 6 - FUND EQUITY (concluded)

Net Assets

Net Assets is the excess of all LAFCO's assets over all its liabilities, regardless of fund. Net Assets are divided into three captions under GASB Statement No. 34. These captions apply only to Net Assets, 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 Assets 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 Assets 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 Assets that is not restricted to use.

All of LAFCO's Net Assets are unrestricted.

NOTE 7 - PENSION PLAN

A LAFCO employee is eligible to participate in pension plans offered by 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.

Contra Costa Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 7 - PENSION PLAN (concluded)

CCCERA uses the market related value method of valuing the Plan's assets. The December 2009 valuation included an assumed investment rate of return of 7.8%, including inflation at 3.5%. Annual salary increases are assumed to vary by duration of service. LAFCO's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period ends January 1, 2025.

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 POSTEMPLOYMENT BENEFIT (OPEB)

A. Plan Description

LAFCO employees are eligible to participate in the Contra Costa County (County) defined benefit healthcare plan. The County is the plan sponsor and administers a single-employer defined benefit healthcare plan. The plan provides postemployment medical and dental insurance benefits to eligible retired employees and their dependents (County of Contra Costa Post Retirement Health Benefit Plan). Benefit provisions are established and may be amended through negotiations between the County and the respective bargaining units.

The County contracts with Kaiser Permanente, Health Net, Contra Costa Health Plans, and the California Public Employees' Retirement System (CalPERS) to provide medical benefits and Delta Dental and PMI Deltacare for dental benefits.

B. Eligibility

LAFCO retirees are eligible for membership in the plans upon retirement from the County (drawing a pension from CCCERA or CalPERS). Members in deferred retirement status may maintain membership in County health plans at their own cost and become eligible for coverage as a retiree upon commencement of their pension.

C. Funding Policy

The contribution requirements of program members and the County are established and may be amended through negotiations between the County and the respective bargaining units with the subsequent approval of LAFCO Commissioners.

D. Annual OPEB Cost and Net OPEB Contribution

The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The County has determined that the future liability is an obligation of the general government. The County charges current costs of these benefits to LAFCO. The County records the accrued liability and expense in the general government classification of the Government-wide Statement of Net Assets and Statement of Activities. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Contra Costa Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

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

D. Annual OPEB Cost and Net OPEB Contribution (concluded)

For further information regarding the Contra Costa County defined benefit healthcare plan, please refer to the County of Contra Costa Comprehensive Annual Financial Report which can be obtained at Contra Costa County Auditor/Controller's Office, 625 Court Street, Martinez, CA, 94553.

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

Required Supplemental Information
 Budget and Actual
 General Fund (Unaudited)
 For the period ended June 30, 2011

	Original and Final Budget	Actual	Variance with Final Budget
Revenue:			
Intergovernmental	\$ 555,575	\$ 555,755	\$ 180
Charges for services	<u>34,000</u>	<u>39,605</u>	<u>5,605</u>
Total revenue	<u>589,575</u>	<u>595,360</u>	<u>5,785</u>
Expenditures:			
Salaries and benefits	318,116	314,425	3,691
Services and supplies	312,576	185,367	127,209
Other charges	<u>-</u>	<u>31,726</u>	<u>(31,726)</u>
Total expenditures	<u>630,692</u>	<u>531,518</u>	<u>99,174</u>
Excess (deficit) of revenue over expenditures	<u>\$ (41,117)</u>	63,842	<u>\$ 104,959</u>
Fund balance, beginning of period		<u>241,157</u>	
Fund balance, end of period		<u>\$ 304,999</u>	

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