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Executive Officer

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July 13, 2016
Agenda Item 11

July 13, 2016 (Agenda)

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

Financial Audit for Fiscal Year 2014-15

Dear Members of the Commission:

Each year, LAFCO conducts an audit of the LAFCO finances. The independent auditing firm of R.J. Ricciardi, Inc. prepared the LAFCO financial audit for FY 2014-15. Per the Commission’s request, the auditing firm agreed to periodically rotate staff auditors assigned to the LAFCO audit, and a different auditor prepared the FY 2014-15 financial audit.

The audit was conducted in accordance with the generally accepted auditing standards as specified in the report. The auditors found LAFCO’s financial statements fairly represent LAFCO’s financial position in all material respects; are in conformance with generally accepted accounting principles; and are free of misstatements.

The FY 2014-15 audit includes new information in accordance with Governmental Accounting Standards Board (GASB) requirements relating to pension liabilities.

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

Recommendation- It is recommended that the Commission receive and file the audit report for the fiscal year ending June 30, 2015 (attached).

Sincerely,

LOU ANN TEXEIRA
EXECUTIVE OFFICER

Enclosure – FY 2014-15 Financial Audit

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

R. J. RICCIARDI, INC.
CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2016

Commissioners
Contra Costa Local Agency Formation Commission
Martinez, California

We have audited the financial statements of the governmental activities and the major fund of Contra Costa Local Agency Formation Commission (LAFCO) for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, 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 July 6, 2015. Professional standards also require that we communicate to you the following information related to our audit.

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 2015. 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. We evaluated the key factors and assumptions used to develop the accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. 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 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.

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 June 30, 2016.

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

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Commissioners and management of Contra Costa Local Agency Formation Commission and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

R.J. Ricciardi, Inc.

R.J. Ricciardi, Inc.
Certified Public Accountants

CONTRA COSTA LOCAL AGENCY FORMATION COMMISSION

MARTINEZ, CALIFORNIA

BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

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INDEPENDENT AUDITORS' REPORT

Commissioners
Contra Costa Local Agency Formation Commission
Martinez, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Contra Costa Local Agency Formation Commission (LAFCO), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Contra Costa Local Agency Formation Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Contra Costa Local Agency Formation Commission as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special Commissions.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3-6), budgetary comparison information (page 22) and other Required Supplementary Information (pages 23-24) related tables be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

R. J. Ricciardi, Inc.

R. J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
June 30, 2016

Contra Costa Local Agency Formation Commission
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

This section of Contra Costa Local Agency Formation Commission's (LAFCO's) basic financial statements presents management's overview and analysis of the financial activities of the agency for the fiscal year ended June 30, 2015. We encourage the reader to consider the information presented here in conjunction with the basic financial statements as a whole.

Introduction to the Basic Financial Statements

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

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

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

The Basic Financial Statements

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

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

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

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

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

The Government-wide Financial Statements

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

Contra Costa Local Agency Formation Commission
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2015

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

Fund Financial Statements

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

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

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

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

Analyses of Major Funds

Governmental Funds

General Fund actual revenues increased this fiscal year compared to the prior year by \$7,185 due to an increase in the LAFCO budget and a corresponding increase in agency contributions. Actual revenues were less than budgeted amounts by \$9,337 due primarily to a reduction in application activity and corresponding applications fees.

General Fund actual expenditures were \$606,270, an increase of \$5,554 from the prior year primarily due to cost of living adjustments. Expenditures were \$85,882 less than budgeted due primarily to fewer legal expenses and less Municipal Service Review activity.

Governmental Activities

Table 1
Governmental Net Position

	2015 Governmental Activities	2014 Governmental Activities
Current assets	\$ 368,379	\$ 355,547
Total assets	368,379	355,547
Deferred outflows of resources (Note 7B)	109,299	
Current liabilities	61,262	64,975
Noncurrent liabilities	455,639	-
Total liabilities	516,901	64,975
Deferred inflows of resources (Note 7B)	47,092	
Net position:		
Unrestricted	(86,315)	290,572
Total net position	\$ (86,315)	\$ 290,572

Contra Costa Local Agency Formation Commission
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2015

LAFCO's governmental net position amounted to \$(86,315) as of June 30, 2015, a decrease of \$277,084 from 2014. This decrease is the Change in Net Position reflected in the Statement of Revenues, Expenses, and Changes in Net Position shown in Table 2 and the prior period adjustment related to GASB 68 implementation. LAFCO's net position as of June 30, 2015 comprised the following:

- Cash and investments comprised \$362,214 of cash on deposit with the Contra Costa County Treasury.
- Prepaid items totaling \$3,611.
- Accounts payable totaling \$24,996.
- Due to other government agencies totaling \$36,266.
- Net pension liability of \$364,601 and retiree health liability of \$91,038.
- Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements or restrictions. LAFCO had \$(86,315) of unrestricted net position as of June 30, 2015.

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

Table 2
Changes in Governmental Net Position

	2015 Governmental Activities	2014 Governmental Activities
<u>Expenses</u>		
Salaries and benefits	\$ 365,540	\$ 457,376
Services and supplies	183,610	243,143
Total expenses	549,150	700,519
<u>Revenues</u>		
Program revenues:		
Charges for services	12,663	33,614
Total program revenues	12,663	33,614
General revenues:		
Intergovernmental	610,152	582,016
Total general revenues	610,152	582,016
Total revenues	622,815	615,630
<u>Change in net position</u>	\$ 73,665	\$ (84,889)

As Table 2 above shows, \$12,663, or 5.5% of LAFCO's fiscal year 2015 governmental revenue, came from program revenues and \$610,152, or 94.5%, came from general revenues (i.e. contributions from local agencies). Furthermore, LAFCO had budgeted \$150,000 of its fund balance reserves to cover the budgeted excess expenditures over revenues.

Program revenues were composed of Boundary Proposal and related fees of \$12,663.

General revenues are not allocable to programs. General revenues are used to pay for the net cost of governmental programs. Application fees do not fully cover their costs.

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

Contra Costa Local Agency Formation Commission
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

Capital Assets

LAFCO has no capital assets.

Debt Administration

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

Economic Outlook and Major Initiatives

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

The economic condition of LAFCO as it appears on the Statement of Net Position reflects financial stability and the potential for organizational growth. LAFCO will continue to maintain a watchful eye over expenditures and remain committed to sound fiscal management practices to deliver the highest quality service to the community.

Contacting LAFCO's Financial Management

The basic financial statements are intended to provide citizens, taxpayers, and creditors with a general overview of LAFCO's finances. Questions about this report should be directed to Contra Costa Local Agency Formation Commission, 651 Pine Street 6th Floor, Martinez, California 94553.

Contra Costa Local Agency Formation Commission
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
 June 30, 2015

	General	Adjustments (Note 9)	Statement of Net Position
<u>ASSETS</u>			
Cash and investments	\$ 362,214	\$ -	\$ 362,214
Due from other governments	2,554	-	2,554
Prepaid items	3,611	-	3,611
Total assets	\$ 368,379	\$ -	368,379
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows of resources- pension (Notes 2F and 7)		109,299	109,299
 <u>LIABILITIES</u>			
Accounts payable	\$ 24,996	\$ -	24,996
Due to other governments	36,266	-	36,266
Long-term liabilities:			
Other post employment benefits liability (Note 8)		91,038	91,038
Net pension liability (Note 7)		364,601	364,601
Total liabilities	61,262	455,639	516,901
 <u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred inflows of resources- pension (Notes 2F and 7)		47,092	47,092
 <u>FUND BALANCES/NET POSITION</u>			
Fund balances:			
Unassigned fund balance	307,117	(307,117)	-
Total fund balances	307,117	(307,117)	-
Total liabilities and fund balances	\$ 368,379		
Net position:			
Unrestricted		(86,315)	(86,315)
Total net position		\$ (86,315)	\$ (86,315)

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

Contra Costa Local Agency Formation Commission
STATEMENT OF ACTIVITIES
AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Period Ended June 30, 2015

	General	Adjustments (Note 10)	Statement of Activities
Expenditures/expenses:			
Salaries and benefits	\$ 422,660	\$ (57,120)	\$ 365,540
Services and supplies	183,610	-	183,610
Total expenditures/expenses	606,270	(57,120)	549,150
Program revenues:			
Charges for services	12,663	-	12,663
Total program revenues	12,663	-	12,663
Net program expenses			(536,487)
General revenues:			
Intergovernmental	610,152	-	610,152
Total general revenues	610,152	-	610,152
Excess of revenues over (under) expenditures	16,545	(16,545)	-
Change in net position	-	73,665	73,665
Fund balance/Net position, beginning of period	290,572	-	190,769
Prior period adjustment (Note 2G)		(350,749)	(350,749)
Fund balance/Net position, beginning of period restated		(350,749)	(159,980)
Fund balance/Net position, end of period	\$ 307,117	\$ (644,378)	\$ (86,315)

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

Contra Costa Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - REPORTING ENTITY

A. Organization of LAFCO

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

B. Principles that Determine the Scope of Reporting Entity

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

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

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

Government-wide Financial Statements

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

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

Contra Costa Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation (concluded)

Fund Financial Statements

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

Governmental Funds

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

B. Basis of Accounting

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

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

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

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

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

Contra Costa Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

C. LAFCO Budget

Pursuant to Section 56381, et seq of the Government Code, LAFCO adopts a preliminary budget by May 1 and a final budget by June 15 of each year. Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Budget/actual comparisons in this report use this budgetary basis. These budgeted amounts are as originally adopted or as amended by LAFCO. Individual amendments were not material in relation to the original appropriations that were amended.

D. Property, Plant and Equipment

LAFCO currently has no fixed assets.

E. Compensated Absences

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

F. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position or balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until that time.

In addition to liabilities, the statement of net position or balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

G. Prior Period Adjustment

Management adopted the provisions of the following GASB Statements, which became effective during the fiscal year ended June 30, 2015:

GASB Statement No. 68 – In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The intention of this Statement is to improve the decision-usefulness of information in employer and governmental non-employer contributing entity financial reports and enhance its value for assessing accountability and inter-period equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense.

GASB Statement No. 71 – In 2014, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The intention of this Statement is to eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement No. 68 in the accrual-basis financial statements of employers and non-employer contributing entities.

The implementation of the above Statements required LAFCO to make a prior period adjustment on the government-wide statements for \$350,749.

Contra Costa Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

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, 2015 was \$362,214.

Credit Risk, Carrying Amount and Market Value of Investments

LAFCO maintains specific cash deposits with Contra Costa County. Contra Costa County is restricted by state code in the types of investments it can make. Furthermore, the Contra Costa County Treasurer has a written investment policy, approved by the Board of Supervisors, which is more restrictive than state code as to terms of maturity and type of investment. Also, Contra Costa County has an investment committee, which performs regulatory oversight for its pool as required by California Government Code Section 27130. In addition, LAFCO has its own investment policy as well.

Contra Costa County's investment policy authorizes Contra Costa County to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, certificates of deposit, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, and the State Treasurer's investment pool. At June 30, 2015, LAFCO's cash with the Contra Costa County Treasurer was maintained in a non-interest-bearing account.

NOTE 4 - USE OF ESTIMATES

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

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.

Contra Costa Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 6 - FUND EQUITY (concluded)

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

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

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

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

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

All of LAFCO's Net Position is unrestricted.

NOTE 7 - PENSION PLANS

A. General Information about the Pension Plans

Plan Description: LAFCO participates in the Contra Costa County Employees' Retirement Association (CCCERA), a cost-sharing multiple employer defined benefit pension plan. CCCERA is governed by the Board of Retirement (Board) under the County Employee's Retirement Law of 1937, as amended on July 1, 1945. It provides benefits upon retirement, death or disability of members, and covers substantially all of the employees of the County of Contra Costa and eighteen other member agencies.

Contra Costa Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2015

NOTE 7 - PENSION PLANS (continued)

A. General Information about the Pension Plans (concluded)

Benefits Provided: Benefits are based on years of credited service, equal to one year of full time employment. Members may elect service retirement at age of 50 with 10 years of service credit, age 70 regardless of service, or with thirty years of service, regardless of age.

Benefits are administered by the Board under the provision of the 1937 Act. Annual cost-of-living adjustments (COLA) to retirement benefits may be granted by the Board as provided by State statutes. Services retirements are based on age, length of service and final average salary. Employees may withdraw contributions, plus interest credited, or leave them on deposit for a deferred retirement when they terminate or transfer to a reciprocal retirement system.

The Plan provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous Plans	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2% @ 55	2.5% @ 67
Benefit vesting schedule	10 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	52
Monthly benefits, as a % of eligible compensations	0% - 100%	0% - 100%
Required employee contribution rates	6.85% - 8.87%	7.75%
Required employer contribution rates	33.53%-34.39%	28.28%

Contributions: Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CCCERA. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. LAFCO is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2015, the contributions recognized as part of pension expense for each Plan were as follows:

	Miscellaneous Plans
Employer Contributions	\$ 54,401

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

As of June 30, 2015, LAFCO reported net pension liabilities for its proportionate share of the net pension liability of each Plan as follows:

Contra Costa Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2015

NOTE 7 - PENSION PLANS (continued)

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

	Proportionate Share of Net Pension Liability
Miscellaneous Plans	\$ 364,601
Total Net Pension Liability	\$ 364,601

LAFCO's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of December 31, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013 rolled forward to December 31, 2014 using standard update procedures. LAFCO's proportion of the net pension liability was based on a projection of LAFCO's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. LAFCO's proportionate share of the net pension liability for each Plan as of June 30, 2014 and 2015 was as follows:

Reporting Date for Employer under GASB 68 as of June 30	Proportionate of the Net Pension Liability	Proportionate share of Net Pension Liability	Covered- Employee Payroll (1)	Proportionate share of the Net Pension Liability as a percentage of its covered- employee payroll	Plan Fiduciary Net Position as a percentage of the Total Pension Liability
2014	0.030%	\$ 448,684	\$ 202,880	221.16%	74.40%
2015	0.030%	\$ 364,601	\$ 202,859	179.73%	79.57%

(1) Covered employee payroll represents compensation earnable and pensionable compensation. Only compensation earnable and pensionable compensation that would possibly go into the determination of retirement benefits are included.

For the year ended June 30, 2015, LAFCO recognized pension expense of \$54,401. At June 30, 2015, LAFCO reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 102,756	\$ 43,815
Differences between actual and expected experience	-	18
Changes in assumptions	-	-
Change in proportion and differences between employer contributions and proportionate share of contributions	6,543	-
Net difference between projected and actual earnings on pension plan investments	-	3,259
Total	\$ 109,299	\$ 47,092

Contra Costa Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2015

NOTE 7 - PENSION PLANS (continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

The \$102,756, 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 year ended June 30, 2016.

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

Year Ended June 30	Deferred Outflows of Resources	Deferred Inflows of Resources
2016	\$ 1,636	\$ (12,810)
2017	1,636	(12,810)
2018	1,636	(12,810)
2019	1,635	(8,662)

Actuarial Assumptions - The total pension liabilities in the December 31, 2013 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	December 31, 2013
Measurement Date	December 31, 2014
Actuarial Cost Method	Entry-Age Actuarial Cost Method
Amortization Method	Level percent of payroll for total unfunded liability
Actuarial Assumptions:	
Discount Rate	7.25% (2)
Inflation Rate	3.25%
Payroll Growth	4.0%
Projected Salary Increase	4.75%-13.50% (1)
Cost of Living Adjustments	3.00%
Mortality	RP-2000 Combined Healthy Mortality Table

(1) Vary by service, including inflation

(2) Net of pension plan investment expenses, including inflation

Discount Rate - The discount rate used to measure the total pension liability was 7.50% for the Plan. 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 employee and employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for 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 December 31, 2014.

Contra Costa Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2015

NOTE 7 - PENSION PLANS (concluded)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (concluded)

The long-term expected rate of return on pension plan investments was determined in 2013 using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap U.S. Equity	13.60%	6.09%
Small Cap U.S. Equity	5.80%	6.79%
Developed International Equity	17.60%	6.66%
Emerging Markets Equity	5.60%	8.02%
U.S. Core Fixed Income	16.10%	0.83%
International Bonds	3.30%	0.69%
High Yield Bonds	5.00%	3.32%
Inflation-Indexed Bonds	1.66%	0.73%
Long Duration Fixed Income	5.00%	1.45%
Real Estate	12.50%	4.83%
Commodities	1.67%	4.71%
Private Equity	10.00%	8.95%
Alternative Investment (Timber)	1.67%	4.20%
Cash & Equivalents	0.50%	0.25%
Total	<u>100%</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 each Plan, calculated using the discount rate for each 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	6.25%
Net Pension Liability	\$596,430
Current Discount Rate	7.25%
Net Pension Liability	\$364,601
1% Increase	8.25%
Net Pension Liability	\$172,217

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued CCERA financial reports.

Contra Costa Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2015

NOTE 8 - OTHER POST-EMPLOYMENT BENEFIT (OPEB)

A. Plan Description

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

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

B. Funding Policy

There is no statutory requirement for LAFCO to prefund its OPEB obligation. LAFCO currently pays a portion of retiree healthcare benefits on a pay-as-you-go basis. For the fiscal year ending June 30, 2015, LAFCO paid approximately \$59,263 for retiree healthcare plan benefits. As of July 1, 2013, the plan membership consisted of 2 active participants and 3 retirees and beneficiaries currently receiving benefits.

LAFCO is required to contribute or accrue the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

The following table shows the components of LAFCO's Annual OPEB Cost for the fiscal year ended June 30, 2015, the amount actually contributed to the plan (including implicit subsidy, if any), and changes in LAFCO's Net OPEB Obligation/(Asset):

	2015
Annual Required Contribution	\$ 52,278
Interest on OPEB obligation	3,992
Adjustment to annual required contribution	(5,772)
Annual OPEB Cost (expense)	50,498
Contributions made	(59,263)
Increase (decrease) in net OPEB obligation	(8,765)
Net OPEB Obligation/ (Asset) - Beginning of year	99,803
Net OPEB Obligation/ (Asset) - End of year	\$ 91,038

Contra Costa Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2015

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

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

LAFCO's Annual OPEB Cost, the percentage of Annual OPEB Cost contributed to the plan, and the Net OPEB Obligation/(Asset) for the fiscal year ended June 30, 2015, is as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation/ (Asset)
6/30/15	\$ 50,498	\$ 59,263	117%	\$ 91,038

D. Funded Status and Funding Progress

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

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

E. Actuarial Methods and Assumptions

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

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

Contra Costa Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2015

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

Reconciling adjustments are as follows:

Deferred inflows related to pension	\$ (47,092)
Deferred outflows related to pension	109,299
Other post-employment benefits liability	(91,038)
Net pension liability	(364,601)
Total fund balances – governmental funds	<u>307,117</u>
Net position of governmental activities	<u>\$ (86,315)</u>

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

Reconciling adjustments are as follows:

Net change in fund balance – total governmental funds	\$ 16,545
The amounts below included in the statement of activities do not provide (require) the use of current financial resources and, therefore, are not reported as revenues or expenditures in governmental funds (net change):	
Other post-employment benefits liability	8,765
Net pension liability transactions	
Governmental funds record pension expense as it is paid. However, in the statement of activities those costs are reversed as deferred outflows/ (inflows) and an increase/(decrease) in net pension liability.	<u>48,355</u>
Change in net position of governmental activities	<u>\$ 73,665</u>

Contra Costa Local Agency Formation Commission
AUDITORS' INFORMATION
June 30, 2015

Audit Firm:	R.J. Ricciardi, Inc.
Lead Auditor's Name:	Michael O'Connor, CPA
Audit Firm's Address:	1000 Fourth Street, Suite 400 San Rafael, CA 94901
Telephone number:	(415) 457-1215
Date of Independent Auditors' Report:	June 30, 2016

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, 2015

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget
Revenues:				
Intergovernmental	\$ 610,152	\$ 610,152	\$ 610,152	\$ -
Charges for services	22,000	22,000	12,663	(9,337)
Total revenues	632,152	632,152	622,815	(9,337)
Expenditures:				
Salaries and benefits	390,778	390,778	422,660	(31,882)
Services and supplies	301,374	301,374	183,610	117,764
Total expenditures	692,152	692,152	606,270	85,882
Excess of revenues over (under) expenditures			16,545	
Fund balance, beginning of period			290,572	
Fund balance, end of period			\$ 307,117	
Contingency reserve	(80,000)	(80,000)		
OPEB trust	(10,000)	(10,000)		
Fund balance reserves	150,000	150,000		
Total	\$ 60,000	\$ 60,000		

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

Contra Costa Local Agency Formation Commission
 Cost-Sharing Multiple Employer Defined Benefit Retirement Plan
 As of fiscal year ending June 30, 2015
 Last 10 Years*

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

Total Pension Liability	2015
Service cost	\$ 58,625
Interest on the Total Pension Liability	171,130
Expensed portion of current-period changes in proportion and difference between employer's contributions and proportionate share of contributions	1,817
Expensed portion of current-period benefit changes	-
Expensed portion of current-period difference between expected and actual experience in the Total Pension Liability	(12,171)
Expensed portion of current-period changes of assumptions or other inputs	(5)
Member contributions	(23,863)
Projected earnings on plan investments	(142,445)
Expensed portion of current-period differences between actual and projected earnings on plan investments	(815)
Administrative expense	2,128
Other	-
Recognition of beginning of year deferred outflows of resources as pension expense	-
Recognition of beginning of year deferred inflows of resources as pension expense	-
Net Amortization of deferred amounts from changes in proportion and differences between employer's contributions and proportionate share of contributions	-
Net change in total pension liability	\$ 54,401
 Reconciliation of Net Pension Liability	
Beginning Net Pension Liability	\$ 448,684
Pension expense	54,401
Employer contributions	(97,935)
New net deferred inflows	(47,092)
New net deferred outflows to change in proportion	6,543
Net pension liability - ending	\$ 364,601
Plan fiduciary net position as a percentage of the total pension liability	79.57%
Covered - employee payroll	\$ 202,859
Net Pension liability as a percentage of covered-employee payroll	179.73%

Notes to Schedule:

Changes in assumptions - In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

*Fiscal year 2015 was the 1st year of implementation, therefore, only one year is shown.

Contra Costa Local Agency Formation Commission
 Cost-Sharing Multiple Employer Defined Benefit Retirement Plan
 As of fiscal year ending June 30, 2015
 Last 10 Years*
SCHEDULE OF CONTRIBUTIONS

	2015
Actuarially determined contribution	\$ 97,935
Contributions in relation to the actuarially determined contributions	(97,935)
Contribution deficiency (excess)	\$ -
Covered-employee payroll	\$ 202,859
Contributions as a percentage of covered-employee payroll	48.28%

Notes to Schedule

Valuation date: 12/31/2013

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	9 years **
Asset valuation method	5-year semi-annually
Inflation	3.25%
Salary increases	4.74%-13.50%
Investment rate of return	7.25%, net of pension plan investment expense, including inflation
Retirement age	50 years Classic, 52 years PEPRA
Mortality	RP-2000 Combined Healthy Mortality Table with setbacks and forwards

*Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

**Remaining balance of December 31, 2007 UAAL is amortized over a fixed (decreasing or closed) period with 9 years remaining as of December 31, 2013. Any changes in UAAL after December 31, 2007 will be separately amortized over a fixed 18-year period effective with that valuation. Any changes in UAAL due to plan amendments will be amortized over a 10-year fixed period effective with that valuation.