



Lou Ann Teixeira
 Executive Officer

MEMBERS

| | |
|---|--|
| Candace Andersen <i>County Member</i> | Federal Glover <i>County Member</i> |
| Donald A. Blubaugh <i>Public Member</i> | Michael R. McGill <i>Special District Member</i> |
| Tom Butt <i>City Member</i> | Rob Schroder <i>City Member</i> |
| Igor Skaredoff <i>Special District Member</i> | |

ALTERNATE MEMBERS

| |
|---|
| Diane Burgis <i>County Member</i> |
| Stanley Caldwell <i>Special District Member</i> |
| Charles R. Lewis, IV <i>Public Member</i> |
| Sean Wright <i>City Member</i> |

December 11, 2019 (Agenda)

| |
|------------------------------------|
| December 11, 2019 Agenda Item 9 |
|------------------------------------|

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

Financial Audit for Fiscal Year 2017-18

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 2017-18 (see attachments). Per the Commission’s request, the auditing firm periodically rotates staff auditors assigned to the LAFCO audit, and a different auditor prepares the LAFCO audit each year.

The audit was conducted in accordance with the generally accepted auditing standards as specified in the report. The FY 2017-18 audit is attached and includes additional information in accordance with new legislation (GASB 75).

The auditors found LAFCO’s financial statements present fairly, in all material respects, the respective position of the governmental activities and major fund of Contra Costa LAFCO as of June 30, 2018. Further, that the economic condition of Contra Costa LAFCO, as it appears on the Statement of Net Position, reflects financial stability and the potential for organizational growth.

We extend special thanks to the County Auditor-Controller’s Office staff, including Linda Montenegro, Michelle Johnston, Analiza Pinlac, Carrie Zhang; CCCERA staff Henry Gudino; and LAFCO staff Kate Sibley and Lauren Talbott for their work on the FY 2017-18 annual audit.

Recommendation - It is recommended that the Commission receive and file the audit report for the fiscal year ending June 30, 2018.

Sincerely,

LOU ANN TEXEIRA
 EXECUTIVE OFFICER

Attachments

FY 2017-18 Financial Audit – Management Report
 FY 2017-18 Financial Audit – Audit Report

**CONTRA COSTA LOCAL AGENCY FORMATION COMMISSION
COMMISSIONERS & MANAGEMENT REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2018**

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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 for the fiscal year ended June 30, 2018, 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 results 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 and the Commissioners 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

Commissioners
Contra Costa Local Agency Formation Commission
Martinez, California

We have audited the basic financial statements of Contra Costa Local Agency Formation Commission (the Commission) for the year ended June 30, 2018. 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 June 20, 2018, 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 the Commission. 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 the Commission 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 the Commission 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 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 adjustments. The three audit adjustments that were detected as a result of audit procedures, either individually or in the aggregate, were material 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.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 1, 2019.

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 the Commission’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 the Commission’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management’s Discussion and Analysis and the Budgetary Comparison Schedule for the General Fund, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Contra Costa Local Agency Formation Commission
COMMISSIONERS & MANAGEMENT REPORT
For the Year Ended June 30, 2018

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, 2018

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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 (CCLAFCO), as of and for the year ended June 30, 2018, 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. 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, 2018, 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.

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 24) and other Required Supplementary Information (pages 25-28) 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

Contra Costa Local Agency Formation Commission
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

This section of Contra Costa Local Agency Formation Commission's (CCLAFCO's) basic financial statements presents management's overview and analysis of the financial activities of the agency for the fiscal year ended June 30, 2018. 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 CCLAFCO'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 CCLAFCO.

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

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 CCLAFCO.

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 CCLAFCO's financial activities and financial position.

The Government-wide Financial Statements provide a longer-term view of CCLAFCO's activities as a whole, and comprise the Statement of Net Position and the Statement of Activities. The Statement of Net Position provides information about the financial position of CCLAFCO 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 CCLAFCO's revenues and all of its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of CCLAFCO's programs. The Statement of Activities explains in detail the change in Net Position for the year.

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

The Fund Financial Statements report CCLAFCO's operations in more detail than the Government-wide statements and focus primarily on the short-term activities of CCLAFCO'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 CCLAFCO 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 CCLAFCO as a whole.

Contra Costa Local Agency Formation Commission
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

The Statement of Net Position and the Statement of Activities present information about the following: *Governmental Activities* – CCLAFCO'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 CCLAFCO'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 CCLAFCO for the year, and may change from year-to-year as a result of changes in the pattern of CCLAFCO's activities.

In CCLAFCO'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 \$56,855 due to an increase in the CCLAFCO budget and a corresponding increase in agency contributions. Actual revenues were greater than budgeted amounts by \$34,526 due primarily to an increase in application activity and corresponding applications fees.

General Fund actual expenditures were \$710,337, an increase of \$54,104 from the prior year primarily due to an increase in services and supplies purchases. Expenditures were \$84,873 less than budgeted due primarily to delayed relocation plans and reduced Municipal Service Review support costs.

Governmental Activities

Table 1
Governmental Net Position

| | 2018 | 2017 |
|--|----------------------------|----------------------------|
| | Governmental Activities | Governmental Activities |
| Current assets | \$ 530,241 | \$ 437,229 |
| Total assets | 530,241 | 437,229 |
| Deferred outflows of resources (Note 7B) | 142,080 | 171,194 |
| Current liabilities | 50,668 | 57,055 |
| Noncurrent liabilities | 562,135 | 439,089 |
| Total liabilities | 612,803 | 496,144 |
| Deferred inflows of resources (Note 7B) | 76,651 | 49,447 |
| Net position: | | |
| Unrestricted | (17,133) | 62,832 |
| Total net position | \$ (17,133) | \$ 62,832 |

Contra Costa Local Agency Formation Commission
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2018

CCLAFCO's governmental net position amounted to \$(17,133) as of June 30, 2018, a decrease of \$79,965 from 2017. This decrease is the Change in Net Position reflected in the Statement of Activities shown in Table 2. CCLAFCO's net position as of June 30, 2018 comprised the following:

- Cash and investments comprised \$523,851 of cash on deposit with the Contra Costa County Treasury.
- Prepaid items totaling \$6,390.
- Accounts payable totaling \$39,086.
- Due to other government agencies totaling \$11,582.
- Net pension liability of \$181,268 (Note 7B) and retiree health liability of \$380,867 (Note 8C).
- 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. CCLAFCO had \$(17,133) of unrestricted net position as of June 30, 2018.

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

Table 2
Changes in Governmental Net Position

| | 2018 Governmental Activities | 2017 Governmental Activities |
|-------------------------------|------------------------------------|------------------------------------|
| <u>Expenses</u> | | |
| Salaries and benefits | \$ 652,620 | \$ 406,581 |
| Services and supplies | <u>237,081</u> | <u>219,581</u> |
| Total expenses | <u>889,701</u> | <u>626,162</u> |
| <u>Revenues</u> | | |
| Program revenues: | | |
| Charges for services | <u>54,526</u> | <u>29,148</u> |
| Total program revenues | <u>54,526</u> | <u>29,148</u> |
| General revenues: | | |
| Intergovernmental | <u>755,210</u> | <u>723,733</u> |
| Total general revenues | <u>755,210</u> | <u>723,733</u> |
| Total revenues | <u>809,736</u> | <u>752,881</u> |
| <u>Change in net position</u> | <u>\$ (79,965)</u> | <u>\$ 126,719</u> |

As Table 2 above shows, \$54,526, or 6.73% of CCLAFCO's fiscal year 2018 governmental revenue, came from program revenues and \$755,210, or 93.27%, came from general revenues (i.e. contributions from local agencies). Furthermore, CCLAFCO had budgeted \$170,000 of its fund balance reserves to cover the budgeted excess expenditures over revenues.

Program revenues were composed of Boundary Proposal and related fees of \$54,526.

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.

Capital Assets

CCLAFCO has no capital assets.

Contra Costa Local Agency Formation Commission
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

Debt Administration

CCLAFCO 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 CCLAFCO.

The economic condition of CCLAFCO as it appears on the Statement of Net Position reflects financial stability and the potential for organizational growth. CCLAFCO 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 CCLAFCO's Financial Management

The basic financial statements are intended to provide citizens, taxpayers, and creditors with a general overview of CCLAFCO'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, 2018

| | General | Adjustments (Note 9) | Statement of Net Position |
|--|------------|-------------------------|------------------------------|
| <u>ASSETS</u> | | | |
| Cash and investments | \$ 523,851 | \$ - | \$ 523,851 |
| Prepaid items | 6,390 | - | 6,390 |
| Total assets | \$ 530,241 | - | 530,241 |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | | | |
| Deferred outflows of resources-pension (Notes 2F, 7 & 8) | | 142,080 | 142,080 |
| <u>LIABILITIES</u> | | | |
| Accounts payable | \$ 39,086 | \$ - | 39,086 |
| Due to other governments | 11,582 | - | 11,582 |
| Long-term liabilities: | | | |
| Other post-employment benefits liability (Note 8) | | 380,867 | 380,867 |
| Net pension liability (Note 7) | - | 181,268 | 181,268 |
| Total liabilities | 50,668 | 562,135 | 612,803 |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | |
| Deferred inflows of resources-pension (Notes 2F, 7 & 8) | | 76,651 | 76,651 |
| <u>FUND BALANCES/NET POSITION</u> | | | |
| Fund balances: | | | |
| Unassigned fund balance | 479,573 | (479,573) | - |
| Total fund balances | 479,573 | (479,573) | - |
| Total liabilities and fund balances | \$ 530,241 | | |
| Net position: | | | |
| Unrestricted | | (17,133) | (17,133) |
| Total net position | | \$ (17,133) | \$ (17,133) |

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, 2018

| | <u>General</u> | <u>Adjustments (Note 10)</u> | <u>Statement of Activities</u> |
|--|-------------------|----------------------------------|------------------------------------|
| Expenditures/expenses: | | | |
| Salaries and benefits | \$ 473,256 | \$ 179,364 | \$ 652,620 |
| Services and supplies | <u>237,081</u> | <u>-</u> | <u>237,081</u> |
| Total expenditures/expenses | <u>710,337</u> | <u>179,364</u> | <u>889,701</u> |
| Program revenues: | | | |
| Charges for services | <u>54,526</u> | <u>-</u> | <u>54,526</u> |
| Total program revenues | <u>54,526</u> | <u>-</u> | <u>54,526</u> |
| Net program expenses | | | <u>(835,175)</u> |
| General revenues: | | | |
| Intergovernmental | <u>755,210</u> | <u>-</u> | <u>755,210</u> |
| Total general revenues | <u>755,210</u> | <u>-</u> | <u>755,210</u> |
| Excess of revenues over (under) expenditures | 99,399 | (99,399) | - |
| Change in net position | <u>-</u> | <u>(79,965)</u> | <u>(79,965)</u> |
| Fund balance/Net position, beginning of period | <u>380,174</u> | <u>(317,342)</u> | <u>62,832</u> |
| Fund balance/Net position, end of period | <u>\$ 479,573</u> | <u>\$ (496,706)</u> | <u>\$ (17,133)</u> |

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

Contra Costa Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - REPORTING ENTITY

A. Organization of CCLAFCO

Contra Costa Local Agency Formation Commission (CCLAFCO) was formed in 1963. CCLAFCO 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. CCLAFCO's efforts are directed toward seeing that services are provided efficiently and economically while agricultural and open-space lands are protected. CCLAFCO also conducts service reviews to evaluate the provision of municipal services within its county.

B. Principles that Determine the Scope of Reporting Entity

CCLAFCO 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 CCLAFCO consist only of the funds of CCLAFCO. CCLAFCO has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by, or dependent on, CCLAFCO.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

CCLAFCO'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.

CCLAFCO 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

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

The statement of activities presents a comparison between direct expenses and program revenues for each segment of CCLAFCO'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, 2018

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. CCLAFCO'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 CCLAFCO 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 CCLAFCO. 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." CCLAFCO 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.

CCLAFCO 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. CCLAFCO'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, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

C. CCLAFCO Budget

Pursuant to Section 56381, et seq of the Government Code, CCLAFCO 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 CCLAFCO. Individual amendments were not material in relation to the original appropriations that were amended.

D. Property, Plant and Equipment

CCLAFCO 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.

NOTE 3 - CASH AND INVESTMENTS

CCLAFCO's cash is maintained with the Contra Costa County Treasury in a non-interest-bearing account. CCLAFCO's cash on deposit with the Contra Costa County Treasury at June 30, 2018 was \$523,851.

Credit Risk, Carrying Amount and Market Value of Investments

CCLAFCO 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, CCLAFCO 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, 2018, CCLAFCO'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, 2018

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

CCLAFCO may be involved from time to time in various claims and litigation arising in the ordinary course of business. CCLAFCO 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 CCLAFCO'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 CCLAFCO'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 CCLAFCO 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, CCLAFCO specifies that restricted revenues will be applied first. When expenditures are incurred for purposes for which committed, assigned or unassigned fund balances are available, CCLAFCO'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, 2018

NOTE 6 - FUND EQUITY (concluded)

Net Position

Net Position is the excess of all CCLAFCO'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 CCLAFCO'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 CCLAFCO cannot unilaterally alter. *Unrestricted* describes the portion of Net Position that is not restricted to use.

All of CCLAFCO's Net Position is unrestricted.

NOTE 7 - PENSION PLAN

A. General Information about the Pension Plan

Plan Description: CCLAFCO 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.

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, 2018, 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% |

Contra Costa Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

NOTE 7 - PENSION PLAN (continued)

A. General Information about the Pension Plan (concluded)

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 the Plan is 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. CCLAFCO is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2018, the contributions recognized as part of pension expense for the Plan were as follows:

| | |
|------------------------|--------------------------------|
| | <u>Miscellaneous Plans</u> |
| Employer Contributions | \$ 124,683 |

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

As of June 30, 2018, CCLAFCO reported net pension liabilities for its proportionate share of the net pension liability of the Plan as follows:

| | |
|-----------------------------|---|
| | <u>Proportionate Share of Net Pension Liability</u> |
| Miscellaneous Plan | \$ 181,268 |
| Total Net Pension Liability | <u>\$ 181,268</u> |

CCLAFCO's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of December 31, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017 using standard update procedures. CCLAFCO's proportion of the net pension liability was based on a projection of CCLAFCO's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. CCLAFCO's proportionate share of the net pension liability for the Plan as of June 30, 2017 was (0.026%) and 2018 (0.022%) which resulted in a decrease of (0.004%).

For the year ended June 30, 2018, CCLAFCO recognized pension expense of \$32,504. At June 30, 2018, CCLAFCO reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Contra Costa Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

NOTE 7 - PENSION PLAN (continued)

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Pension contributions subsequent to measurement date | \$ 124,683 | \$ - |
| Differences between actual and expected experience | - | 17,871 |
| Changes in assumptions | 5,466 | 2 |
| Net difference between projected and actual earnings on pension plan investments | - | 46,735 |
| Change in proportion and differences between employer contributions and proportionate share of contributions | 8,177 | 12,043 |
| Total | \$ 138,236 | \$ 76,651 |

The \$124,683 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, 2019.

The difference between projected and actual investment earnings on pension plan investments is amortized over 5 years on a straight-line basis. One-fifth was recognized in pension expense during the measurement period, and the remaining difference between projected and actual investment earnings on pension plan investments at December 31, 2017, is to be amortized over the remaining periods.

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 | | |
|--------------------|--|----------|
| 2019 | | \$ 9,347 |
| 2020 | | 9,347 |
| 2021 | | 9,347 |
| 2022 | | - |

Actuarial Assumptions - The total pension liabilities in the December 31, 2017 actuarial valuations were determined using the following actuarial assumptions:

| | Miscellaneous |
|---------------------------|---|
| Valuation Date | December 31, 2017 |
| Measurement Date | December 31, 2016 |
| Actuarial Cost Method | Entry-Age Actuarial Cost Method |
| Amortization Method | Level percent of payroll for total unfunded liability |
| Actuarial Assumptions: | |
| Discount Rate | 7.00% |
| Inflation Rate | 2.75% |
| Payroll Growth | 4.0% |
| Projected Salary Increase | 4.0%-13.25% |

Contra Costa Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

NOTE 7 - PENSION PLAN (continued)

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

A complete copy of the Actuarial Valuation Summary is available in separately issued financial statements of the plan which can be obtained from CCCERA located at 1355 Willow Way, Suite 221, Concord, CA 94520.

Discount Rate - The discount rate used to measure the total pension liability was 7.00% 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 both December 31, 2017 and 2016.

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 | 6.00% | 5.75% |
| Developed International Equity | 10.00% | 6.99% |
| Emerging Markets Equity | 14.00% | 8.95% |
| Short-Term Govt/Credit | 24.00% | 0.20% |
| U.S. Treasury | 2.00% | 0.30% |
| Real Estate | 7.00% | 4.45% |
| Cash & Equivalents | 1.00% | -0.46% |
| Risk Diversifying Strategies | 2.00% | 4.30% |
| Private Credit | 17.00% | 6.30% |
| Private Equity | 17.00% | 8.10% |
| Total | <u>100.00%</u> | |

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents CCLAFCO's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what CCLAFCO'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:

Contra Costa Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

NOTE 7 - PENSION PLAN (concluded)

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

| | Miscellaneous |
|-----------------------|---------------|
| 1% Decrease | 6.00% |
| Net Pension Liability | \$413,291 |
| Current Discount Rate | 7.00% |
| Net Pension Liability | \$181,268 |
| 1% Increase | 8.00% |
| Net Pension Liability | \$(68,157) |

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

NOTE 8 - OTHER POST-EMPLOYMENT BENEFIT (OPEB)

A. Plan Description

CCLAFCO administers a single-employer defined benefit healthcare plan. CCLAFCO currently provides retiree health benefits to retirees and their dependents through Contra Costa County. All retired employees are eligible to receive health and dental benefits for life, with costs shared by CCLAFCO and the retirees.

At July 1, 2017, plan membership consisted of the following:

| | |
|---|---|
| Inactive plan members or beneficiaries currently receiving benefit payments | 3 |
| Active plan members | 2 |

B. Funding Policy

CCLAFCO currently pays a portion of retiree healthcare benefits on a pay-as-you-go basis.

C. Net OPEB Liability

CCLAFCO's Net OPEB Liability was measured as of June 30, 2017 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of July 1, 2017 (June 30, 2017). Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

Contra Costa Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

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

D. Actuarial Assumptions

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|--|---|
| Salary increases | 3.00% |
| Investment rate of return | 4.00%, net of OPEB plan investment expense |
| Medical cost trend rate | 6.00% for 2017; 5.00% for 2018; 5.00% for 2019; and 5.00% for 2020 and later years |
| Dental, vision and other cost trend rate | 4.00% |
| Employer cap adjustment | 6.00% for 2017; 5.00% for 2018; 5.00% for 2019; and 5.00% for 2020 and later years |
| Age adjustment factor | 3.00% |
| Percent married | 100% (future retirees) |

E. Discount Rate

The discount rate reflects:

- (a) The long-term expected rate of return on OPEB plan investments – to the extent that the OPEB plan’s fiduciary net position (if any) is projected to be enough to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return.
- (b) A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher – to the extent that the conditions in (a) are not met.

The discount rate used to measure CCLAFCO’s Total OPEB liability is based on these requirements and the following information:

| <u>Reporting date</u> | <u>Measurement date</u> | <u>Long-term expected return of plan investments (if any)</u> | <u>Municipal bond 20-year high grade rate index</u> | <u>Discount rate</u> |
|-----------------------|-------------------------|---|---|----------------------|
| June 30, 2018 | June 30, 2017 | 4.00% | 3.13% | 4.00% |

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.00%) or 1-percentage-point higher (5.00%) than the current discount rate:

| | <u>1.00% Decrease (3.00%)</u> | <u>Discount rate (4.00%)</u> | <u>1.00% Increase (5.00%)</u> |
|----------------------------|-------------------------------|------------------------------|-------------------------------|
| Net OPEB liability (asset) | \$ 437,892 | \$ 380,867 | \$ 333,227 |

Contra Costa Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

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

E. Discount Rate (concluded)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.00% decreasing to 4.00%) or 1-percentage-point higher (7.00% decreasing to 6.00%) than the current healthcare cost trend rates:

| | 1.00% Decrease (5.00% decreasing to 4.00%) | Trend Rate (6.00% decreasing to 5.00%) | 1.00% Increase (7.00% decreasing to 6.00%) |
|----------------------------|--|--|--|
| Net OPEB liability (asset) | \$ 330,709 | \$ 380,867 | \$ 440,353 |

F. Components of the Net OPEB Liability

| | |
|-----------------------------|------------|
| Total OPEB liability | \$ 513,413 |
| Plan fiduciary net position | 132,546 |
| Net OPEB liability (assets) | \$ 380,867 |

| | |
|------------------|---------------|
| Measurement date | June 30, 2017 |
| Reporting date | June 30, 2018 |

| | Actives | Retirees | Total |
|---|------------|------------|------------|
| Employer present value of future benefits | \$ 450,849 | \$ 168,356 | \$ 619,205 |
| Employer Total OPEB liability | 345,057 | 168,356 | 513,413 |
| Employer normal cost | 29,086 | - | 29,086 |

G. Schedule of Changes in Net OPEB Liability

| | |
|--------------------------------------|-----------|
| Total OPEB liability | 2018 |
| Service costs | \$ 29,368 |
| Interest | 19,004 |
| Benefit payment | (19,910) |
| Net change in total OPEB liability | 28,462 |
| Total OPEB liability - beginning (a) | 484,951 |
| Total OPEB liability - ending (b) | 513,413 |

| | |
|---|----------|
| Plan fiduciary net position | |
| Contributions - employer | 19,910 |
| Net investment income | 594 |
| Benefit payments | (19,910) |
| Trustee fees | (9) |
| Net change in plan fiduciary net position | 585 |
| Plan fiduciary net position - beginning (c) | 131,961 |
| Plan fiduciary net position - ending (d) | 132,546 |

| | |
|--|------------|
| Net OPEB liability - beginning (c) - (a) | 352,990 |
| Net OPEB liability - ending (d) - (b) | \$ 380,867 |

Contra Costa Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

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

H. Statement of Fiduciary Net Position

| | <u>2018</u> |
|---|-------------------|
| Assets | |
| Cash, deposits, and cash equivalents | \$ - |
| Receivables: | |
| Accrued income | - |
| Total receivables | - |
| Investments: | |
| Managed account | 132,546 |
| Total investment | 132,546 |
| Total assets | 132,546 |
| Liabilities | |
| Payables | - |
| Total liabilities | - |
| Net position restricted for postemployment benefits other than pensions | \$ <u>132,546</u> |
| Measurement date | June 30, 2017 |
| Reporting date | June 30, 2018 |

I. Statement of Change in Fiduciary Net Position:

| | <u>2018</u> |
|---|-------------------|
| Additions | |
| Employer contributions | \$ 19,910 |
| Investment income: | |
| Net increase in fair value of investment | 594 |
| Total additions | 20,504 |
| Deductions | |
| Trustee fees | 9 |
| Administrative expense | - |
| Benefit payments | 19,910 |
| Total deductions | 19,919 |
| Net increase in net position | 585 |
| Net position restricted for postemployment benefits other than pensions | |
| Beginning of year | 131,961 |
| End of year | \$ <u>132,546</u> |

J. Investments

Rate of Return - For the year ended on the measurement date, the annual money-weighted rate of return on investments, net of investment expense, was 0.44%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

Contra Costa Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

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

K. Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the reporting year ended June 30, 2018, CCLAFCO's deferred outflows of resources and deferred inflows of resources to OPEB from the following sources are:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Difference between expected and actual experience | \$ - | \$ - |
| Changes in assumptions or other inputs | - | - |
| Difference between projected and actual return investment | 3,754 | - |
| Total | \$ 3,754 | \$ - |

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

| <u>Year ended June 30:</u> | Deferred Outflows of Resources | Deferred Inflows of Resources |
|----------------------------|-----------------------------------|----------------------------------|
| 2019 | \$ 939 | \$ - |
| 2020 | 939 | - |
| 2021 | 939 | - |
| 2022 | 937 | - |
| 2023 | - | - |

L. Net OPEB Expense

CCLAFCO's Net OPEB expense for the year ended June 30, 2018 was \$44,033.

| | |
|--|------------|
| Net OPEB liability - beginning (a) | \$ 352,990 |
| Net OPEB liability - ending (b) | 380,867 |
| Change in net OPEB liability [(b)-(a)] | 27,877 |
| Change in deferred outflows | (3,754) |
| Change in deferred inflows | - |
| Employer contributions | 19,910 |
| OPEB expense | \$ 44,033 |

CCLAFCO's Net OPEB expense reconciliation:

| | |
|--|-----------|
| Service cost | \$ 29,368 |
| Interest cost | 19,004 |
| Expected return on assets | (5,278) |
| Change in benefit terms | - |
| Reconciliation of deferred outflows and inflows: | |
| Difference between expected and actual experience | - |
| Change in assumptions | - |
| Difference between projected and actual investment | 939 |
| Total | 939 |
| Net OPEB expense | \$ 44,033 |

Contra Costa Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

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

Reconciling adjustments are as follows:

| | | |
|---|----|-----------|
| Fund balances - total government funds | \$ | 479,573 |
| Deferred inflows related to pension | | (76,651) |
| Deferred outflows related to pension | | 138,326 |
| Deferred outflows related to OPEB | | 3,754 |
| OPEB liability | | (380,867) |
| Net pension liability | | (181,268) |
| Net position of governmental activities | \$ | (17,133) |

NOTE 10 - RECONCILIATION OF THE 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 | \$ | 99,399 |
| 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 | | (297,353) |
| 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. | | |
| | | 117,989 |
| Change in net position of governmental activities | \$ | (79,965) |

Contra Costa Local Agency Formation Commission

AUDITORS' INFORMATION

June 30, 2018

Audit Firm: R.J. Ricciardi, Inc.

Lead Auditor's Name: Michael O'Connor, CPA

Audit Firm's Address: 1101 Fifth Avenue, Suite 360
San Rafael, CA 94901

Telephone number: (415) 457-1215

Date of Independent Auditors' Report: **DATE**

REQUIRED SUPPLEMENTARY INFORMATION

Contra Costa Local Agency Formation Commission
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 Budget and Actual
 General Fund (Unaudited)
 For the Period Ended June 30, 2018

| | Original Budget | Final Budget | Actual (Budgetary Basis) | Variance with Final Budget |
|--|--------------------|-----------------|--------------------------------|----------------------------------|
| Revenues: | | | | |
| Intergovernmental | \$ 755,210 | \$ 755,210 | \$ 755,210 | \$ - |
| Charges for services | 20,000 | 20,000 | 54,526 | 34,526 |
| Total revenues | <u>775,210</u> | <u>775,210</u> | <u>809,736</u> | <u>34,526</u> |
| Expenditures: | | | | |
| Salaries and benefits | 404,370 | 404,370 | 473,256 | (68,886) |
| Services and supplies | 390,840 | 390,840 | 237,081 | 153,759 |
| Total expenditures | <u>795,210</u> | <u>795,210</u> | <u>710,337</u> | <u>84,873</u> |
| Excess of revenues over (under) expenditures | <u>(20,000)</u> | <u>(20,000)</u> | 99,399 | <u>\$ 119,399</u> |
| Fund balance, beginning of period | | | <u>380,174</u> | |
| Fund balance, end of period | | | <u>\$ 479,573</u> | |
| Contingency reserve | (80,000) | (80,000) | | |
| OPEB trust | (40,000) | (40,000) | | |
| CCCERA pre-fund | (30,000) | (30,000) | | |
| Fund balance reserves | <u>170,000</u> | <u>170,000</u> | | |
| Total | <u>\$ -</u> | <u>\$ -</u> | | |

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

Contra Costa Local Agency Formation Commission
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
 Last 10 Years*

| | 2018 | 2017 | 2016 | 2015 |
|---|------------|------------|------------|------------|
| Proportion of net pension liability | 0.022% | 0.026% | 0.027% | 0.030% |
| Proportionate share of the net pension liability | \$ 181,268 | \$ 359,329 | \$ 400,173 | \$ 364,601 |
| Covered-employee payroll | \$ 218,320 | \$ 211,319 | \$ 208,810 | \$ 202,859 |
| Proportionate Share of the net pension liability as a percentage of covered employee payroll | 83.03% | 170.04% | 191.64% | 179.73% |
| Plan fiduciary net position as a percentage of the total pension liability | 91.18% | 84.16% | 77.84% | 79.57% |

Notes to Schedule:

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.

* Fiscal year 2015 was the first year of implementation, therefore only the first four years were available.

Contra Costa Local Agency Formation Commission
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - PENSION
 Last 10 Years*

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|------------------|-----------------|------------------|-----------------|
| Actuarially determined contribution | \$ 124,683 | \$ 93,060 | \$ 103,349 | \$ 97,935 |
| Contributions in relation to the actuarially determined contributions | <u>(124,683)</u> | <u>(93,060)</u> | <u>(103,349)</u> | <u>(97,935)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| | | | | |
| Covered-employee payroll | \$ 218,320 | \$ 211,319 | \$ 208,810 | \$ 202,859 |
| | | | | |
| Contributions as a percentage of covered-employee payroll | 57.11% | 44.04% | 48.28% | 48.28% |

Notes to Schedule:

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.

* Fiscal year 2015 was the first year of implementation, therefore only the first four years were available.

Contra Costa Local Agency Formation Commission
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - OPEB
For the Year Ended June 30, 2018

| | 2018 |
|--|------------|
| Actuarially determined contribution | \$ 43,396 |
| Contributions in relation to the actuarially determined contribution | 44,033 |
| Contribution deficiency (excess) | \$ (637) |
| | |
| Covered payroll | \$ 218,320 |
| | |
| Contributions as a percentage of covered payroll | 20.17% |

Notes to Schedule:

The schedules present information to illustrate changes in Contra Costa LAFCO's contributions over a ten year period when the information is available.

GASB 75 requires this information for plans funding with OPEB trusts to be reported in the employer's Required Supplemental Information for 10 years or as many years as are available upon implementation. The plan was not funded with an OPEB trust prior to June 30, 2018. The District adopted GASB 75 for the fiscal year ending June 30, 2018.

Contra Costa Local Agency Formation Commission
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGE IN THE NET OPEB LIABILITY AND RELATED RATIOS
For the Period Ended June 30, 2018

| Total OPEB Liability | <u>2018</u> |
|--|--------------------------|
| Service cost | \$ 29,368 |
| Interest | 19,004 |
| Benefit payments, included refunds of employee contributions | (19,910) |
| Implicit rate subsidy fulfilled | <u>-</u> |
| Net change in total OPEB liability | 28,462 |
| Total OPEB liability - beginning of year | <u>484,951</u> |
| Total OPEB liability - end of year | <u><u>\$ 513,413</u></u> |
| | |
| Plan Fiduciary Net Position | |
| Net investment income | \$ 594 |
| Contributions | |
| Employer - explicit subsidy | 19,910 |
| Employer - implicit subsidy | - |
| Benefit payments, included refunds of employee contributions | (19,910) |
| Trustee fees | (9) |
| Administrative expense | <u>-</u> |
| Net change in plan fiduciary net position | 585 |
| Plan fiduciary net position - beginning of year | <u>131,961</u> |
| Plan fiduciary net position - end of year | <u>132,546</u> |
| | |
| District's net OPEB liability - end of year | <u><u>\$ 380,867</u></u> |
| | |
| Plan fiduciary net position as a percentage of the total OPEB liability | 34.80% |
| | |
| Covered-employee payroll | \$ 218,320 |
| | |
| Net OPEB liability as a percentage of covered-employee payroll | 174.45% |

Notes to Schedule:

The schedules present information to illustrate changes in Contra Costa Local Agency Formation Commission's changes in the net OPEB liability over a ten year period when the information is available. CCLAFCO adopted GASB 75 for the fiscal year ending June 30, 2018.