

JAMES MARTA & COMPANY LLP

**LOCAL AGENCY FORMATION COMMISSION  
OF SOLANO COUNTY**

**FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITOR'S REPORT**

**FOR THE FISCAL YEARS ENDED  
JUNE 30, 2018 AND 2017**

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**JUNE 30, 2018 AND 2017**

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**COMMISSION MEMBERS**

Harry Price  
Mayor of Fairfield

James Spering  
Solano County Supervisor

John Vasquez  
Solano County Supervisor

Pete Sanchez  
Mayor of Suisun City

Nancy Shopay  
Public Member

**ALTERNATE COMMISSION MEMBERS**

Shawn Smith  
Public Member

Len Augustine  
Mayor of Vacaville

Skip Thomson  
Solano County Supervisor

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**INDEPENDENT AUDITOR'S REPORT**

To the Commissioners of  
Local Agency Formation Commission of Solano County  
Fairfield, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the general fund information of the Local Agency Formation Commission of Solano County (the "Commission"), as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express 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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 opinion.

**Opinion**

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 general fund information of the Local Agency Formation Commission of Solano County as of June 30, 2018 and 2017, and the respective changes in financial positions for the years then ended in conformity 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 districts.

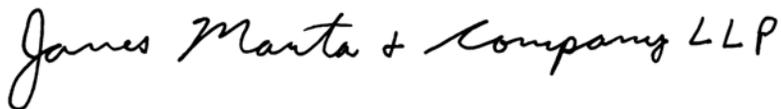
**Other Matters**

*Required Supplementary Information*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2018 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.



James Marta & Company LLP  
Certified Public Accountants  
Sacramento, California  
November 30, 2018

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2018 and 2017

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As management of the Local Agency Formation Commission of Solano County, California (Commission), we offer readers of the Commission's financial statements this narrative overview and analysis of the financial activities of the Commission for the fiscal years (FY) ended June 30, 2018 and 2017. We encourage readers to consider the information presented here in conjunction with additional information in our financial statements.

**Financial Highlights**

- The Commission's net position totaled \$236,895 at June 30, 2018 and \$172,360 at June 30, 2017. These amounts may be used to meet the Commission's ongoing obligations to citizens and creditors.
- The Commission's total net position increased by \$64, 535 as a result of the current year's operations and increased by \$2,404 as a result of fiscal year 2016/17 operations.
- The Commission's governmental funds reported an ending fund balance of \$254,819 at June 30, 2018 and \$169,820 at June 30, 2017, all of which is available for spending at the Commission's discretion (unassigned fund balance).

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. The Commission's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Commission's finances, in a manner similar to a private-sector business.

The statement of net position presents information on the Commission's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The statement of activities presents information showing how the Commission's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 8-9 of this report.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2018 and 2017

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**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a Commission's near-term financing requirements.

Since the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Commission's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The basic governmental fund financial statements can be found on pages 10-13 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14-27 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Commission's budgetary comparison schedule for the General Fund and the schedule of funding progress for the retirement program. Required supplementary information can be found on pages 28-32 of this report.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a Commission's financial position. In the case of the Commission, the net position was \$236,895 and \$172,360 at June 30, 2018 and 2017, respectively. The Commission's net position is entirely categorized as unrestricted net position which may be used to meet the Commission's ongoing obligations to citizens and creditors.

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2018 and 2017

SUMMARY OF NET POSITION

	As of June 30:		
	2018	2017	2016
Current Assets	\$ 381,642	\$ 305,957	\$ 261,574
Total Assets	<u>381,642</u>	<u>305,957</u>	<u>261,574</u>
Deferred outflows of resources related to pensions	<u>56,375</u>	<u>63,034</u>	<u>36,213</u>
Current Liabilities	126,823	136,137	71,537
Long-Term Liabilities	<u>69,287</u>	<u>49,902</u>	<u>42,206</u>
Total Liabilities	<u>196,110</u>	<u>186,039</u>	<u>113,743</u>
Deferred intflows of resources related to pensions	<u>5,012</u>	<u>10,592</u>	<u>14,088</u>
Net Position	<u>\$ 236,895</u>	<u>\$ 172,360</u>	<u>\$ 169,956</u>

The key elements in the significant changes in current assets and liabilities are as follows:

Current assets: Current assets increased by \$75,685 or 25% from FY 2017 to 2018. This is mainly due to increased intergovernmental revenue and project application fees.

Liabilities: Current liabilities decreased by \$9,314 from FY 2017 to 2018. The primary reason for the decrease is the reduction in outstanding warrants. Current liabilities increased from FY 2016 to FY 2017 by \$64,600 due to an increase in unearned revenue from project contracts that had yet to be completed. Long term liabilities have increased by \$19,385 primarily due to an increase in compensated absences.

Governmental activities increased the Commission's net position by \$64,535 during FY 2018. Governmental activities increased the Commission’s net position by \$2,404 during FY 2017. The key elements in the significant changes in net position are as follows:

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2018 and 2017

SUMMARY CHANGES IN NET POSITION

	For the Year Ended June 30:		
	2018	2017	2016
Revenues	\$ 482,866	\$ 377,967	\$ 348,179
Expenditures	(418,331)	(375,563)	(318,341)
Excess (Deficiency)	\$ 64,535	\$ 2,404	\$ 29,838

	As of June 30:		
	2018	2017	2016
Fund Balances	\$ 254,819	\$ 169,820	\$ 190,037
Net Position	\$ 236,895	\$ 172,360	\$ 169,956

Program expenses: Program expenses increased \$42,768 in FY 2018 and \$57,222 in FY 2017 due to Employee Services increase of \$184,714 primarily due to the hiring of a fill-time/benefitted Executive Officer and a concurrent reduction in the professional service account for the elimination of a consulting/contracted hourly interim Executive Office. In FY 2017, an interim contracted Executive Office was hired to augment staff.

Program revenues: Program revenues were stable from fiscal year 2017 to 2018. However, general revenues increased in FY 2018 by \$91,703 primarily in intergovernmental revenue to pay for the increase in employee services created by the fulltime/benefitted Executive Officer.

**Financial Analysis of the Commission's Governmental Funds**

As noted earlier, the Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The General Fund is a governmental fund type used to account for general government functions of the Commission. The focus of the Commission's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Commission's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2018 and 2017, the Commission's governmental fund reported an ending fund balance of \$254,819 and \$169,820, respectively. The ending fund balance resulted in an increase of \$84,999 for the fiscal year ended June 30, 2018 and a decrease of \$20,218 for the fiscal year ended June 30, 2017.

Governmental revenues totaled \$482,866 in FY 2018 and \$377,967 in FY 2017. This represents a 28% increase from FY 2017 to 2018 and a 9% increase from fiscal year 2016 to 2017. The increases are due to the increase in operating costs billed to the County and cities.

Expenditures totaled \$397,867 in FY 2018 and \$398,185 in FY 2017. This represents a 0.07% decrease from FY 2017 to 2018 and an 18% increase from fiscal year 2016 to 2017. The increase for fiscal year 2017 is primarily due to an increase in professional services

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2018 and 2017

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**Budgetary Highlights**

The General Fund budget (Adopted and Final versions) is reflected in the Schedule of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual, as presented on pages 28-29 in the Required Supplementary Information (RSI) section of this report.

There were no changes between the adopted budget and the final budget of the General Fund in FY 2018. Revenues and expenses recognized were more than and less than budgeted by \$23,547 and \$122,908, respectively. Expenses were notably less due to the delay in hiring a full time benefitted Executive Officer.

There were no changes between the adopted budget and the final budget of the General Fund in FY 2017. Revenues were more than and expenses were less than budgeted by \$7,992 and \$6,388, respectively.

**Debt Administration**

*Long-term debt.* At June 30, 2018 and 2017 the Commission had \$69,287 and \$49,902, respectively. The balances consisted of \$32,185 of compensated absences and \$37,102 of pension liability at June 30, 2018 and \$16,159 in compensated absences and \$33,743 in pension liability at June 30, 2017. This amount is entirely backed by the full faith and credit of the Commission. For more information see Note 3 on page 20 of this report.

**Economic Factors and Next Year's Operating Activities**

The Commission's management anticipates activity to remain the same in the coming year.

**Requests for Information**

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest with the Commission's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Solano Local Agency Formation Commission, 675 Texas Street, Suite 6700, Fairfield, CA 94533.

**BASIC FINANCIAL STATEMENTS**

## STATEMENT OF NET POSITION

JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Cash and investments	\$ 381,599	\$ 305,836
Deposits with others	12	121
Due from other agencies	<u>31</u>	<u>-</u>
Total Assets	<u>381,642</u>	<u>305,957</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows of resources related to pensions (note 5)	<u>56,375</u>	<u>63,034</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	25,248	20,231
Outstanding Warrants	6,897	37,786
Due to other agencies	7,294	6,883
Advances from projects	5,000	-
Unearned revenue	82,384	71,237
Compensated absences	32,185	16,159
Net pension liability	<u>37,102</u>	<u>33,743</u>
Total Liabilities	<u>196,110</u>	<u>186,039</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows of resources related to pensions (note 5)	<u>5,012</u>	<u>10,592</u>
<b>NET POSITION</b>		
Unrestricted	<u>236,895</u>	<u>172,360</u>
Total Net Position	<u>\$ 236,895</u>	<u>\$ 172,360</u>

See accompanying notes to the basic financial statements.

## STATEMENT OF NET ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b>EXPENSES:</b>		
Employee Services	\$ 293,690	\$ 108,976
Professional Services	73,633	210,935
Rent expense	21,638	22,797
Non Capitalized expense	2,622	-
Supplies	2,848	2,515
Insurance	-	7,215
Memberships	1,299	8,308
Communication	4,192	3,113
Travel	13,092	8,808
Miscellaneous	5,317	2,896
	<u>418,331</u>	<u>375,563</u>
Total expenditures/expenses		
Program revenues:		
Charges for services	<u>29,661</u>	<u>15,835</u>
Net program expenses	<u>388,670</u>	<u>359,728</u>
General revenues		
Intergovernmental revenue	447,319	358,464
Interest income	5,886	3,157
Other income	-	511
	<u>453,205</u>	<u>362,132</u>
Total general revenues		
Change in net position	<u>64,535</u>	<u>2,404</u>
Net position beginning	<u>172,360</u>	<u>169,956</u>
Net position - ending	<u>\$ 236,895</u>	<u>\$ 172,360</u>

**GOVERNMENTAL FUND BALANCE SHEET**

**JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Cash and investments	\$ 381,599	\$ 305,836
Deposits with others	12	121
Due from other agencies	<u>31</u>	<u>-</u>
Total Assets	<u>381,642</u>	<u>305,957</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	25,248	20,231
Outstanding Warrants	6,897	37,786
Advances from Projects	5,000	-
Due to other agencies	7,294	6,883
Unearned revenue	<u>82,384</u>	<u>71,237</u>
Total Liabilities	<u>126,823</u>	<u>136,137</u>
<b>FUND BALANCE</b>		
Unassigned	<u>254,819</u>	<u>169,820</u>
Total fund balance	<u>254,819</u>	<u>169,820</u>
Total Liabilities and Fund Balances	<u>\$ 381,642</u>	<u>\$ 305,957</u>

Agenda Item 6E  
Attachment A

**LOCAL AGENCY FORMATION COMMISSION OF SOLANO COUNTY**  
**RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUND**  
**TO THE STATEMENT OF NET POSITION**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

	<b>2018</b>	<b>2017</b>
Total fund balances - governmental funds	\$ 254,819	\$ 169,820
<p>Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:</p> <p>Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:</p>		
Net pension liability	(37,102)	(33,743)
Compensated absences payable	(32,185)	(16,159)
<p>Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are:</p>		
Deferred outflows of resources related to pensions	56,375	63,034
Deferred inflows of resources related to pensions	(5,012)	(10,592)
Total net position, governmental activities:	\$ 236,895	\$ 172,360

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE**

**GOVERNMENTAL FUNDS**

**FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>REVENUES:</b>		
Intergovernmental contributions	\$ 447,319	\$ 358,464
Charges for services	29,661	15,835
Interest income	5,886	3,157
Other Income	-	511
Total revenues	<u>482,866</u>	<u>377,967</u>
<b>EXPENSES:</b>		
Employee Services	273,226	131,598
Professional Services	73,633	210,935
Rent expense	21,638	22,797
Non Capitalized expense	2,622	-
Supplies	2,848	2,515
Insurance	-	7,215
Memberships	1,299	8,308
Communication	4,192	3,113
Travel	13,092	8,808
Miscellaneous	5,317	2,896
Total expenditures/expenses	<u>397,867</u>	<u>398,185</u>
Excess/ (deficiency) of revenues over/ (under) expenditures	84,999	(20,218)
<b>FUND BALANCES:</b>		
Beginning of the Year	<u>169,820</u>	<u>190,038</u>
Ending of the Year	<u>\$ 254,819</u>	<u>\$ 169,820</u>

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE  
STATEMENT OF ACTIVITIES**

**FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Total net change in fund balances - governmental funds	\$ 84,999	\$ (20,218)
<p>Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:</p>		
<p>Compensated absences in governmental funds are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:</p>		
Compensated absences payable	(16,026)	(1,944)
<p>Pensions: In government funds, pension costs are recognized when employer contributions are made in the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:</p>		
	(4,438)	24,566
Total change in net position - governmental activities	<u>\$ 64,535</u>	<u>\$ 2,404</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

**1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. ORGANIZATION**

The Local Agency Formation Commission of Solano County (the “Commission”) was established in 1963 to administer a complex series of statutory laws and enabling acts that serve to encourage the orderly development and reorganization of Local Government Agencies, essential to the social, fiscal and economic wellbeing of the State. The Commission operates under the authority of Government Code Section 56000 and the Cortese-Knox Hertzber Local Government Reorganization Act of 2000.

The Commission is composed of five members who typically include two county supervisors, two city council representatives and one member representing the public at large. Commission members serve a four-year term.

**B. BASIS OF PRESENTATION**

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the Commission. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities.

The government-wide statement of net position presents information on all of the Commission’s assets, deferred outflows, liabilities and deferred inflows with the difference between the two presented as net position. Net position is reported as one of three categories: net investment in capital assets, restricted or unrestricted. Restricted net position is further classified as either net position restricted by enabling legislation or net position that are otherwise restricted. The Commission currently has no capital assets and no restricted net position.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Commission’s governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are, therefore, clearly identifiable to a particular function. The Commission does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Commission.

The Commission reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function.

Fund Financial Statements

Fund financial statements report detailed information about the Commission. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. The Commission has only one operating fund.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Assessments and service charges are recognized as revenues in the year for which they are levied. Expenses are recorded when liabilities are incurred.

Governmental Fund Financial Statement

Governmental fund financial statements (i.e., balance sheet and statement of revenues, expenditures and changes in fund balances) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Commission, "available" means collectible within the current period or within 60 days after year-end.

Non-exchange transactions, in which the Commission receives value without directly giving equal value in return, include assessments and interest income. Under the accrual basis, revenue from assessments is recognized in the fiscal year for which the assessments are levied. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**D. FUND ACCOUNTING**

The accounts of the Commission are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund 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. The Commission resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The Commission has one governmental fund.

Governmental Fund:

*The General Fund* is the general operating fund of the Commission. It is used to account for all transactions except those required or permitted by law to be accounted for in another fund.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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**E. BUDGETS**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the Commission must adopt a final budget no later than June 15th. A public hearing must be conducted to receive comments prior to adoption. The Commissioners' satisfied these requirements.

**F. CASH AND CASH EQUIVALENTS**

For purposes of the statement of net position, the Commission considers all short-term highly liquid investments, including restricted assets, amounts held with fiscal agent and amounts held in the County's investment pool, to be cash and cash equivalents. Amounts held in the County's investment pool are available on demand to the Commission.

**G. CASH AND INVESTMENTS**

As described in Note 2, the Commission's cash and investments are held with the Solano County Treasury, as part of the cash and investment pool with other County Funds. In accordance with GASB Statement No. 31, investments are stated at fair value. However, the value of the pool shares in the County Treasurer's investment pool that may be withdrawn is determined on an amortized cost basis, which is different from the fair value of the Commission's position in the pool. The County Treasurer's investment pool is subject to regulatory oversight by the Treasury Oversight Committee, as required by Section 27134 of the California Government Code. Statutes authorize the County to invest in the following:

1. Obligations of the County or any local agency and instrumentality in or of the State of California;
2. Obligations of the U.S. Treasury, agencies and instrumentalities;
3. Bankers' acceptances eligible for purchase by Federal Reserve System;
4. Commercial paper;
5. Repurchase agreements or reverse repurchase agreements;
6. Medium-term notes with a five-year maximum maturity of corporations operating within the United States and rated in the top three rating categories;
7. Guaranteed investment contracts

**H. CAPITAL ASSETS**

Capital assets, which may include land, structures and improvements, machinery and equipment, and infrastructure assets, are reported in the government-wide financial statements. Capital assets are defined as assets with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital outlay is recorded as expenditures of the General Fund and as assets in the government-wide financial statements to the extent the Commission's capitalization threshold is met. Amortization of assets acquired under capital lease is included in depreciation and amortization. Currently, the Commission has no items meeting the capital asset criteria.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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**I. COMPENSATED ABSENCES**

It is the Commission's policy to permit permanent employees to accumulate earned but unused vacation and sick leave benefits. Accrued vacation is paid at the time of the employee's separation based on established Commission limitations. When an employee terminates employment for reasons of regular or disability retirement or death, accrued sick leave is contributed to a Retirement Health Savings Account to assist in payment of retiree medical expenses in accordance with Commission policy. Termination of an employee's continuous services, except by reason of temporary layoff for lack of work or funds, shall cancel all sick leave accrued to the time of such termination, regardless of whether or not such person subsequently re-enters employment. Compensated absences leave is accrued when incurred in the government-wide financial statements. A liability is reported in the governmental fund only if unused vacation and sick leave after limitations are expected to be liquidated (paid out due to an employee separating from service with the Commission) with expendable available financial resources.

**J. REVENUES**

Operating revenues, which include service charges, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Revenues classified as non-operating revenues, such as assessments and investment earnings, result from non-exchange transactions or ancillary activities.

**K. INCOME TAXES**

The Commission is not subject to income tax under Section 115(1) of the Internal Revenue Code and Section 23701d of the California and Taxation Code. Accordingly, no provision for federal or state income taxes has been made in the accompanying financial statements.

**L. USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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**M. FUND BALANCE**

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*", the Commission is required to report fund balances in the following categories: Nonspendable, Restricted, Committed, Assigned and/or Unassigned.

*Nonspendable Fund Balance* reflects assets not in spendable form, either because they will never convert to cash (e.g. prepaid expense) or must remain intact pursuant to legal or contractual requirements.

*Restricted Fund Balance* reflects amounts that can be spent only for the *specific purposes* stipulated by constitution, external resource providers, or through enabling legislation.

*Committed Fund Balance* reflects amounts that can be used only for the *specific purposes* determined by a formal action of the government's highest level of decision-making authority: the Board of Commissioners. Commitments may be established, modified, or rescinded only through resolutions approved by the Board of Commissioners.

*Assigned Fund Balance* reflects amounts intended to be used by the government for *specific purposes* but do not meet the criteria to be classified as restricted or committed. In accordance with adopted policy, only the Board of Commissioners is authorized to assign amounts for specific purposes.

*Unassigned Fund Balance* represents the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

When expenditures are incurred for purposes of which restricted, committed, assigned and unassigned fund balances are available, the Commission considers restricted funds to have been spent first, followed by committed, assigned and unassigned, respectively.

**N. DEFERRED INFLOWS AND OUTFLOWS**

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

**2. CASH AND INVESTMENTS**

Cash and investments as of June 30, 2018 and 2017 consisted of Cash in County Treasury of \$381,599 and \$305,836, respectively.

The Commission maintains specific cash deposits and investments with the County of Solano and involuntarily participates in the external investment pool of the County. Its share of the investment pool is separately accounted for and interest earned, net of related expenses, is apportioned quarterly and based upon the relationship of its daily cash balance to the total of the pooled account. The weighted average maturity of the pool as of June 30, 2018 is 441 days and was 365 days as of June 30, 2017. The pool does not have a credit rating.

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments' fair value measurements at June 30, 2018 are as follows:

Description	Level 1	Level 2	Level 3	Total
<b>US Agency, Treasury &amp; Municipal Notes (USATM):</b>				
<b>US Agency Notes:</b>				
Notes/Discount Notes FFCB	\$ 7,411	\$ -	\$ -	\$ 7,411
Notes/Discount Notes FHLB	60,599	-	-	60,599
Notes/Discount Notes FNMA	31,673	-	-	31,673
Notes/Discount Notes FHLMC	39,892	-	-	39,892
<b>US Treasury Notes:</b>	105,528	-	-	105,528
<b>Municipal Notes:</b>	32,941	-	-	32,941
<b>Supranationals</b>	3,304	-	-	3,304
<b>Corporate Stocks</b>	44,442	-	-	44,442
<b>Commercial Paper</b>	-	3,347	-	3,347
<b>LAIF</b>	6,187	3,989	-	10,176
<b>CALTrust Short Term</b>	6,060	651	-	6,711
<b>CALTrust Medium Term</b>	2,997	322	-	3,319
<b>Money Market Accounts</b>	-	13,591	-	13,591
<b>Cash Held in Bank</b>	18,665	-	-	18,665
<b>Total</b>	<u>\$ 359,699</u>	<u>\$ 21,900</u>	<u>\$ -</u>	<u>\$ 381,599</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Investments' fair value measurements at June 30, 2017 are as follows:

Description	Level 1	Level 2	Level 3	Total
<b>US Agency, Treasury &amp; Municipal Notes (USATM):</b>				
<b>US Agency Notes:</b>				
Notes/Discount Notes FFCB	\$ 4,667	\$ -	\$ -	\$ 4,667
Notes/Discount Notes FHLB	29,971	-	-	29,971
Notes/Discount Notes FNMA	33,803	-	-	33,803
Notes/Discount Notes FHLMC	50,140	-	-	50,140
<b>US Treasury Notes:</b>	91,527	-	-	91,527
<b>Municipal Notes:</b>	21,269	-	-	21,269
<b>Supranationals</b>	309	-	-	309
<b>Corporate Bonds</b>	11,634	-	-	11,634
<b>Corporate Stocks</b>	15,565	-	-	15,565
<b>Commercial Paper</b>	-	2,320	-	2,320
<b>Certificates of Deposit</b>	-	1,126	-	1,126
<b>LAIF</b>	6,656	4,291	-	10,947
<b>CALTrust Short Term</b>	4,087	439	-	4,526
<b>CALTrust Medium Term</b>	2,048	220	-	2,268
<b>Money Market Accounts</b>	-	15,597	-	15,597
<b>Cash Held in Bank</b>	10,166	-	-	10,166
<b>Total</b>	<u>\$ 281,842</u>	<u>\$ 23,994</u>	<u>\$ -</u>	<u>\$ 305,836</u>

**3. LONG-TERM OBLIGATIONS**

The commission has long-term liabilities for compensated absences and net pension liabilities. The summaries for June 30, 2018 and 2017 are as follows:

	<b>Balance June 30, 2017</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2018</b>	<b>Balance Due In One Year</b>
Net pension liability	\$ 33,743	\$ 3,359	\$ -	\$ 37,102	\$ -
Compensated Absences	16,159	16,026	-	32,185	-
<b>Totals</b>	<u>\$ 40,917</u>	<u>\$ 5,462</u>	<u>\$ 4,173</u>	<u>\$ 42,206</u>	<u>\$ -</u>

	<b>Balance June 30, 2016</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2017</b>	<b>Balance Due In One Year</b>
Net pension liability	\$ 27,991	\$ 5,752	\$ -	\$ 33,743	\$ -
Compensated Absences	14,215	1,944	-	16,159	-
<b>Totals</b>	<u>\$ 45,273</u>	<u>\$ 918</u>	<u>\$ 5,274</u>	<u>\$ 40,917</u>	<u>\$ -</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

**4. OPERATING LEASES**

The Commission is under a current lease for building space at 675 Texas St., Suite 6700, Solano, California. The lease was originally for a five year term, to expire on December 31, 2019. The rent is \$1,280 per month set to increase 2% on the first of January every year. As of June 30, 2018, future minimum lease payments are as follows:

Fiscal Year Ended June 30,	Minimum Payment
2019	\$ 16,463
2020	8,313
Total	<u>\$ 24,776</u>

Total rent expense for the years ended June 30, 2018 and 2017 was \$16,140 and \$18,124, respectively.

**5. EMPLOYEE RETIREMENT PLAN**

**Plan Description**

All qualified permanent and probationary employees are eligible to participate in Local Agency Formation Commission of Solano County’s cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plan is established by State statute and Local Agency Formation Commission of Solano County resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the plan are applied as specified by the Public Employees’ Retirement Law.

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

**5. EMPLOYEE RETIREMENT PLAN (continued)**

The Plans' provisions and benefits in effect as of June 30, 2018 and 2017, respectively, are summarized as follows:

	June 30, 2018		June 30, 2017	
	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Hire date				
Benefit formula	2.7% @ 55	2% @ 62	2.7% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life	Monthly for life
Retirement age	50 - 55	52 - 67	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	7.000%	6.250%	7.000%	6.250%
Required employer contribution rates	12.470%	12.470%	12.429%	12.429%

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 are determined annually on an actuarial basis as of June 30 by CalPERS. 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. The Commission is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the years ended June 30, 2018 and 2017, the contributions recognized as part of pension expense for the Plan were as follows:

	Miscellaneous	
	June 30, 2018	June 30, 2017
Contributions -employer	\$ 19,497	\$ 16,483
Contributions - employee (paid by employer)	-	-

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

As of June 30, 2018 and 2017, the Local Agency Formation Commission of Solano County reported net pension liabilities for its proportionate share of the net pension liability of:

	Proportionate Share of Net Pension Liability	
	June 30, 2018	June 30, 2017
Miscellaneous	\$ 37,102	\$ 33,743

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

**5. EMPLOYEE RETIREMENT PLAN (continued)**

Local Agency Formation Commission of Solano County’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2016 using standard update procedures. Local Agency Formation Commission of Solano County’s proportion of the net pension liability was based on a projection of the Commission’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Commission’s proportionate share of the net pension liability for the Plan as of June 30, 2018 and 2017 was as follows:

Proportion - June 30, 2017	0.000971%
Proportion - June 30, 2018	<u>0.000941%</u>
Change - Increase/(Decrease)	<u><u>-0.000030%</u></u>

Local Agency Formation Commission of Solano County’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2015 using standard update procedures. Local Agency Formation Commission of Solano County’s proportion of the net pension liability was based on a projection of the Commission’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Commission’s proportionate share of the net pension liability for the Plan as of June 30, 2017 and 2016 was as follows:

Proportion - June 30, 2016	0.001020%
Proportion - June 30, 2017	<u>0.000971%</u>
Change - Increase/(Decrease)	<u><u>-0.000049%</u></u>

For the years ended June 30, 2018 and 2017, the Commission recognized pension expense of \$4,438 and \$24,566, respectively. The Commission’s reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2018		June 30, 2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 9,156	\$ 698	\$ -	\$ 4,013
Differences between Expected and Actual Experience	74	1,057	424	97
Differences between Projected and Actual Investment Earnings	2,071	-	20,887	-
Differences between Employer’s Contributions and Proportionate Share of Contributions	11,901	-	9,430	-
Change in Employer’s Proportion	13,676	3,257	15,810	6,481
Pension Contributions Made Subsequent to Measurement Date	19,497	-	16,483	-
	<u>\$ 56,375</u>	<u>\$ 5,012</u>	<u>\$ 63,034</u>	<u>\$ 10,592</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

5. EMPLOYEE RETIREMENT PLAN (continued)

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

Year Ended June 30	June 30, 2018	June 30, 2017
	Deferred Outflows/(Inflows) of Resources	Deferred Outflows/(Inflows) of Resources
2018		\$ 11,153
2019	\$ 16,160	10,445
2020	9,808	8,951
2021	7,127	5,410
2022	(1,229)	-
2023	-	-
Thereafter	-	-
	<u>\$ 31,866</u>	<u>\$ 35,959</u>

**Actuarial Assumptions** – The total pension liabilities in the June 30, 2017 and 2016 actuarial valuations were determined using the following actuarial assumptions:

	June 30, 2018	June 30, 2017
Valuation Date	June 30, 2016	June 30, 2015
Measurement Date	June 30, 2017	June 30, 2016
Actuarial Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions		
Discount Rate	7.15%	7.65%
Inflation	2.75%	2.75%
Payroll Growth	3.00%	3.00%
Projected Salary Increase	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment Rate of Return <sup>(1)</sup>	7.00%	7.50%
Mortality	Derived using CalPERS' Membership Data for All Funds	' Membership Data for All Funds

<sup>(1)</sup> Compounded annually, net of administrative and investment expenses

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2017 valuation were based on the CalPERS Experience Study for the period from 1997 to 2007. Further details of the Experience Study can be found on the CalPERS website.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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**5. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)**Discount Rate

The discount rate used to measure the total pension liability was 7.15% (7.65% for 2017) for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 (7.65% for 2017) percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.15 (7.65% for 2017) percent is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.00 (7.5% for 2017) percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.15 (7.65% for 2017) percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

**5. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)**

The tables below reflect the long-term expected real rate of return by asset class as of June 30, 2018 and 2017, respectively. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	June 30, 2018		
	Assumed Asset Allocation	Real Return Years 1-10 <sup>(1)</sup>	Real Return Years 11+ <sup>(2)</sup>
Global Equity	47.00%	4.90%	5.38%
Fixed Income	19.00%	0.80%	2.27%
Inflation Assets	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%
Total	100.00%		

<sup>(1)</sup> An expected inflation of 2.50% used for this period.

<sup>(2)</sup> An expected inflation of 3.00% used for this period.

Asset Class	June 30, 2017		
	Assumed Asset Allocation	Real Return Years 1-10 <sup>(1)</sup>	Real Return Years 11+ <sup>(2)</sup>
Global Equity	51.00%	5.25%	5.71%
Global Debt Securities	20.00%	0.99%	2.43%
Inflation Assets	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%
Total	100.00%		

<sup>(1)</sup> An expected inflation of 2.50% used for this period.

<sup>(2)</sup> An expected inflation of 3.00% used for this period.

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

**5. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)**

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Commission’s proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the Commission’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:

	June 30, 2018		
	Discount Rate - 1%	Current Discount Rate	Discount Rate +1%
	6.15%	7.15%	8.15%
Plan's Net Pension Liability	\$ 67,283	\$ 37,102	\$ 12,105

	June 30, 2017		
	Discount Rate - 1%	Current Discount Rate	Discount Rate +1%
	6.65%	7.65%	8.65%
Plan's Net Pension Liability	\$ 56,228	\$ 33,743	\$ 15,160

Pension Plan Fiduciary Net Position

Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan

The Commission had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

**6. SUBSEQUENT EVENTS**

Management has reviewed its financial statements and evaluated subsequent events for the period of time from its year ended June 30, 2018 through November 30, 2018, the date the financial statements were issued. Management is not aware of any subsequent events that would require recognition or disclosure in the accompanying financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE – BUDGET (NON-GAAP) AND ACTUAL**

**GENERAL FUND**

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

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	Original and Final Budget	Actual	Budget Variance Favorable (Unfavorable)
<b>REVENUES:</b>			
Intergovernmental contributions	\$ 447,319	\$ 447,319	\$ -
Charges for services	10,000	29,661	19,661
Interest income	2,000	5,886	3,886
Total Revenues	<u>459,319</u>	<u>482,866</u>	<u>23,547</u>
<b>EXPENSES:</b>			
Planning services	<u>459,319</u>	<u>397,867</u>	<u>61,452</u>
Excess/ (deficiency) of revenues over/ (under) expenditures	-	84,999	84,999
Beginning fund balance	169,820	169,820	-
Ending fund balance	<u>\$ 169,820</u>	<u>\$ 254,819</u>	<u>\$ 84,999</u>

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE – BUDGET (NON-GAAP) AND ACTUAL**

**GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2017**

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	Original and Final Budget	Actual	Budget Variance Favorable (Unfavorable)
<b>REVENUES:</b>			
Intergovernmental contributions	\$ 358,464	\$ 358,464	\$ -
Charges for services	10,000	15,835	5,835
Interest income	1,000	3,157	2,157
Miscellaneous income	-	511	511
Total Revenues	<u>369,464</u>	<u>377,967</u>	<u>7,992</u>
<b>EXPENSES:</b>			
Planning services	<u>419,514</u>	<u>398,185</u>	<u>21,329</u>
Excess/ (deficiency) of revenues over/ (under) expenditures	(50,050)	(20,218)	29,832
Beginning fund balance	190,038	190,038	-
Ending fund balance	<u>\$ 139,988</u>	<u>\$ 169,820</u>	<u>\$ 29,832</u>

**SCHEDULE OF COMMISSIONS PROPORTIONATE SHARE  
OF NET PENSION LIABILITY**

**FOR THE YEAR ENDING JUNE 30, 2018 AND 2017**

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	<b>June 30, 2014</b> <sup>(1)</sup>	<b>June 30, 2015</b> <sup>(1)</sup>	<b>June 30, 2016</b> <sup>(1)</sup>	<b>June 30, 2017</b> <sup>(1)</sup>
Proportion of the net pension liability	0.00091%	0.00102%	0.00097%	0.00094%
Proportionate share of the net pension liability	\$ 22,529	\$ 27,991	\$ 33,743	\$ 37,102
Covered-employee payroll <sup>(2)</sup>	\$ 144,690	\$ 82,358	\$ 91,786	\$ 219,919
Proportionate Share of the net pension liability as percentage of covered-employee payroll	15.57%	33.99%	36.76%	16.87%
Plan's fiduciary net position as a percentage of the total pension liability	81.15%	79.89%	75.87%	75.39%
Proportionate share of aggregate employer contributions <sup>(3)</sup>	\$ 16,554	\$ 9,757	\$ 16,483	\$ 19,497

(1) Historical information is required only for measurement period for which GASB 68 is applicable.

(2) Covered employee payroll represented above is based on pensionable earning provided by the employer.

(3) The plans proportionate share of aggregate contributions may not match the actual contributions made by the employer during the measurement period. The plan's proportionate share of aggregate contributions is based on the plan's proportion of fiduciary net position shown on line 5 of the table above as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

SOLANO LOCAL AGENCY FORMATION COMMISSION ORGANIZATION

SCHEDULE OF CONTRIBUTIONS

FOR THE YEAR ENDING JUNE 30, 2018 AND 2017

	Fiscal Year <sup>(1)</sup>			
	2013-14	2014-15	2015-16	2016-17
Actuarially Determined Contribution <sup>(2)</sup>	\$ 16,554	\$ 9,757	\$ 16,483	\$ 19,497
Contributions in relation to the actuarially determined contributions	(16,554)	(9,757)	(16,483)	(19,497)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll <sup>(3)(4)</sup>	\$ 144,690	\$ 82,358	\$ 91,786	\$ 219,919
Contributions as a percentage of covered-employee payroll <sup>(3)</sup>	11.441%	11.847%	17.958%	8.866%

- (1) Historical information is required only for measurement periods for which GASB 68 is applicable.
- (2) Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contributions). However, some employers may choose to make additional contributions towards their site fund or their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions. CalPERS has determined that employer obligations referred to as "side funds" do not conform to the circumstances described in paragraph 120 of GASB, therefore are not considered separately financed specific liabilities.
- (3) Covered-employee payroll represented above is based on pensionable earnings provided by the employer.
- (4) Payroll from prior year was assumed to increase by the 3.00 percent payroll growth assumption

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDING JUNE 30, 2018 AND 2017

**PURPOSE OF SCHEDULES**

A - Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget (Non-GAAP) and Actual - General Fund

The Commission employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Trustees to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

B - Schedule of Proportionate Share of the Net Pension Liability

Changes in assumptions, in 2018 and 2017, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

C - Schedule of Pension Contributions

If an employer's contributions to the plan are actuarially determined or based on statutory or contractual requirements, the employer's actuarially determined contribution to the pension plan (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll.

	June 30, 2018	June 30, 2017
Valuation Date	June 30, 2016	June 30, 2015
Measurement Date	June 30, 2017	June 30, 2016
Actuarial Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions		
Discount Rate	7.15%	7.65%
Inflation	2.75%	2.75%
Payroll Growth	3.00%	3.00%
Projected Salary Increase	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment Rate of Return <sup>(1)</sup>	7.00%	7.50%
Mortality	Derived using CalPERS' Membership Data for All Funds 's' Membership Data for All Funds	

<sup>(1)</sup> Compounded annually, net of administrative and investment expenses

**OTHER REPORTS**



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

**INDEPENDENT AUDITOR'S REPORT**

To the Commissioners of  
Solano Local Agency Formation Commission Organization  
675 Texas Street, Suite 6700  
Fairfield, California 94533

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the governmental activities and major fund of Local Agency Formation Commission of Solano County, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Local Agency Formation Commission of Solano County's basic financial statements, and have issued our report thereon dated November 30, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Local Agency Formation Commission of Solano County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Local Agency Formation Commission of Solano County's internal control. Accordingly, we do not express an opinion on the effectiveness of Local Agency Formation Commission of Solano County's internal control.

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

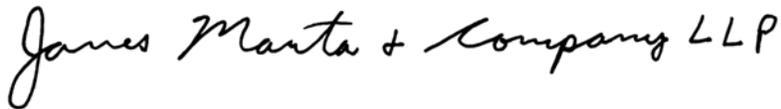
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP  
Certified Public Accountants  
Sacramento, California  
November 30, 2018