MARIN LOCAL AGENCY FORMATION COMMISSION

Basic Financial Statements

Year ended June 30, 2022

(With Independent Auditor's Report Thereon)

MARIN LOCAL AGENCY FORMATION COMMISSION

Basic Financial Statements

Year ended June 30, 2022

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the major fund of the Marin Local Agency Formation Commission (LAFCo), as of and for the year June 30, 2022, and the related notes to the financial statements, which collectively comprise Marin LAFCo's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Marin LAFCo, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Marin LAFCo and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As described further in Note 6 to the financial statements, during the year ended June 30, 2022, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Lease Accounting. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Marin LAFCo's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Marin LAFCo's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Marin LAFCo's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Marin LAFCo's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis*, *budgetary comparison information* and *pension and other post employment benefit schedules* be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Report on Summarized Comparative Information

We have previously audited Marin LAFCo's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 6, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated on March 10, 2023 our consideration of Marin LAFCo's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Marin LAFCo's internal control over financial reporting and compliance.

DavisFarr LLP

Irvine, California
March 10, 2023

The Management's Discussion and Analysis (MD&A) provides an overview of the financial activities of the Marin Local Agency Formation Commission (LAFCo) for the fiscal year ended June 30, 2022. The required financial statements include the Statement of Net Position and Governmental Funds Balance Sheet; and the Statement of Activities and Statement of Revenues, Expenditures, and Changes in Fund Balances.

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

Financial Highlights

- LAFCo finished June 30, 2022 with a net position of $459,563. This amount represents an overall change of ($1,380) from the prior fiscal year's total of $460,943. The net position includes all pension and post-employment liabilities.

Fund Level

- LAFCo finished June 30, 2022 with a total fund balance of $414,219. $3,464 of the fund balance is assigned as prepaid items.

The Basic Financial Statements

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

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

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

The Government-wide Financial Statements

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

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

Fund Financial Statements

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

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

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

Governmental Activities

Table 1
Governmental Net Position

	Governmental Activities		
	2022	2021	$ Change
Current assets	$ 620,797	$ 455,375	$ 165,422
Prepaid Items	3,464	-	3,464
Net OPEB Asset	13,633	7,593	6,040
Capital assets, net of accumulated depreciation	31,129	-	31,129
Total Assets	669,023	462,968	206,055
Deferred outflows of resources	106,412	105,268	1,144
Current liabilites	251,043	33,248	217,795
Non-current liabilities	26,908	55,168	(28,260)
Total Liabilities	277,951	88,416	189,535
Deferred inflows of resources	37,921	18,877	19,044
Net position:			
Net investment in capital assets	(903)	-	(903)
Urestricted	460,466	460,943	(477)
Total net position	$ 459,563	$ 460,943	$ (1,380)

Table 2 summarizes program revenues, expenses and general revenues; All of these are elements in the Changes in Governmental Net Position summarized below. The change in net position is $28,263 less this year than last year, due to several factors that do not impact LAFCo's long-term economic outlook: 1) LAFCo's salaries and benefits increased due to promotions and cost of living adjustments, 2) LAFCo digitized all applications dating back to 1963 for a total cost of $14,271, and 3) LAFCo did not raise member agency contributions in alignment with anticipated increases in expenditures. LAFCo has the discretion to raise fees as necessary but chose to use prior years' unassigned fund balance to cover the shortfall this year.

Table 2

Changes in Governmental Net Position

	Governmental Activities		
	2022	2021	$ Change
Revenues			
Program revenues:			
Charges for Services	$ 22,487	$ 22,184	$ 303
General revenues:			
Intergovernmental	506,548	503,570	2,978
Interest Income	334	3,763	(3,429)
Total revenues	529,369	529,517	(148)
Program Expenses			
General government	529,247	502,634	26,613
Interest	1,502	-	1,502
Total expenses	530,749	502,634	28,115
Change in Net Position	(1,380)	26,883	(28,263)
Net position, beginning of year	460,943	434,060	26,883
Net Position, end of year	$ 459,563	$ 460,943	$ (1,380)

Capital Assets

LAFCo's capital assets consist solely of a right-to-use lease (for office space) implemented during this year as a result of the implementation of GASB 87.

Debt Administration

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

Economic Outlook

LAFCo is responsible under statute to annually review its organizational needs and adopt an operating budget accordingly with mandatory funding drawn from local agencies. State law also specifies the operating budget shall be equal to the budget adopted for the previous fiscal year unless LAFCo formally finds any reduced costs will allow the Commission to nonetheless meet its prescribed regulatory and planning duties. These statutory provisions provide LAFCo full discretion in setting and collecting local agency apportionments to meet budgeted expenses with the latter aligned to support annual workplans.

The economic condition of LAFCo as it appears on the balance sheet reflects financial stability. LAFCo will continue to maintain a watchful eye over expenditures and remain committed to sound fiscal management practices to deliver the highest quality service to the citizens of the area.

Contacting LAFCo's Financial Management

This financial report is intended to provide our citizens, taxpayers, and creditors with a general overview of LAFCo's finances. Questions about this report should be directed to 1401 Los Gamos Drive, Suite 220, San Rafael, CA 94903.

MARIN LOCAL AGENCY FORMATION COMMISSION

Statement of Net Position

June 30, 2022

(With prior year comparative information)

	Governmental Activities	
	2022	2021
Assets:		
Cash and investments (note 3)	$ 620,797	455,375
Prepaid items	3,464	-
Capital assets, net (note 4)	31,129	-
Net OPEB asset (note 8)	13,633	7,593
Total assets	669,023	462,968
Deferred outflow of resources:		
Deferred outflow-pension (note 7)	102,725	104,734
Deferred outflow-OPEB (note 8)	3,687	534
Total deferred outflow of resources	106,412	105,268
Liabilities:		
Accounts payable	6,027	8,583
Unearned revenue	178,101	-
Accrued liabilities	25,914	16,957
Noncurrent liabilities:		
Due within one year:		
Compensated absences (note 6)	8,969	7,708
Lease liability (note 6)	32,032	-
Long-term liabilities:		
Compensated absences (note 6)	26,908	23,124
Net pension liability (note 7)	-	32,044
Total liabilities	277,951	88,416
Deferred inflow of resources:		
Deferred inflow-pension actuarial (note 7)	29,118	18,632
Deferred inflow-OPEB actuarial (note 8)	8,803	245
Total deferred inflow of resources	37,921	18,877
Net position:		
Net investment in capital assets	(903)	-
Unrestricted	460,466	460,943
Total net position	$ 459,563	460,943

See accompanying notes to the basic financial statements

MARIN LOCAL AGENCY FORMATION COMMISSION

Statement of Activities

Year ended June 30, 2022

(With prior year comparative information)

		Program Revenues			Net (Expense) Revenue and Changes in Net Position	
					Governmental Activities	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2022	2021
Governmental activities:						
General government	$ 529,247	22,487	-	-	(506,760)	(480,450)
Interest	1,502	-	-	-	(1,502)	-
Total governmental activities	$ 530,749	22,487	-	-	(508,262)	(480,450)
General revenues:						
Assessments					506,548	503,570
Interest income					334	3,763
Total general revenues					506,882	507,333
Change in net position					(1,380)	26,883
Net position, beginning of year					460,943	434,060
Net position, end of year					$ 459,563	460,943

See accompanying notes to the basic financial statements

MARIN LOCAL AGENCY FORMATION COMMISSION

Balance Sheet - Governmental Fund

June 30, 2022

(With prior year comparative information)

	General Fund	
	2022	2021
Assets		
Cash and investments	$ 620,797	455,375
Prepaid items	3,464	-
Total assets	$ 624,261	455,375
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	$ 6,027	8,583
Unearned revenue	178,101	-
Accrued liabilities	25,914	16,957
Total liabilities	210,042	25,540
Fund balance:		
Nonspendable:		
Prepaid items	3,464	-
Unassigned	410,755	429,835
Total fund balance	414,219	429,835
Total liabilities and fund balance	$ 624,261	455,375

See accompanying notes to the basic financial statements

MARIN LOCAL AGENCY FORMATION COMMISSION

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

June 30, 2022

Fund balances of governmental fund	$ 414,219
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Non-current asset that have not been included in the governmental fund	
Capital assets	65,089
Accumulated amortization	(33,960)
Net OPEB asset	13,633
Long-Term Liability Transactions	
Long-term liabilities applicable to the LAFCo's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the Statement of Net Position.	
Compensated absences	(35,877)
Lease liability	(32,032)
Deferred Outflows and Inflows of Resources	
Certain deferred outflows and inflows of resources are not due and payable in the current period and are not current assets or financial resources, therefore these items are not reported in the governmental fund.	
Deferred outflows - pension related	102,725
Deferred outflows - OPEB related	3,687
Deferred inflows - pension related	(29,118)
Deferred inflows - OPEB related	(8,803)
Net position of governmental activities	$ 459,563

See accompanying notes to the basic financial statements

MARIN LOCAL AGENCY FORMATION COMMISSION

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

Year ended June 30, 2022

(With prior year comparative information)

	General Fund	
	2022	2021
Revenues:		
Intergovernmental	$ 506,548	503,570
Charges for services	22,487	22,184
Interest income	334	3,763
Total revenues	529,369	529,517
Expenditures:		
Current:		
General government:		
Salaries and benefits	397,359	351,137
Services and supplies	113,067	141,922
Debt service:		
Principal	33,057	-
Interest	1,502	-
Total expenditures	544,985	493,059
Net change in fund balances	(15,616)	36,458
Fund balances at beginning of year	429,835	393,377
Fund balances at end of year	$ 414,219	429,835

See accompanying notes to the basic financial statements

MARIN LOCAL AGENCY FORMATION COMMISSION

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities

Year ended June 30, 2022

Net changes in fund balances - total governmental funds	$	(15,616)

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

Capital Related Items

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as amortization expense. This is the amount of amortization expense in the current period. There were no capital outlays in the current period.

Amortization expense		(33,960)

Long-Term Liability Transactions

Some expenses reported in the Statement of Activities do not require the use of current financial resources. Therefore, these expenses are not reported as expenditures in governmental funds. Repayment of debt service is reported as an expenditure in governmental funds and, thus, has the effect of reducing fund balances because current financial resources have been used. For the LAFCo as a whole, however, the principal payments reduce the liabilities in the Statement of Net Position and do not result in an expense in the Statement of Activities.

Net change in pension related items		19,549
Net change in OPEB related items		635
Net change in lease liability		33,057
Net change in compensated absences		(5,045)
Change in net position of governmental activities	$	(1,380)

See accompanying notes to the basic financial statements

(1) Reporting Entity

(a) Organization of LAFCo

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

(b) Principles that Determine the Scope of Reporting Entity

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

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

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

Government-wide Financial Statements

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

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

(2) Summary of Significant Accounting Policies (Continued)

Fund Financial Statements

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

Governmental Funds

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

(b) Basis of Accounting

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

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

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

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

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

(2) Summary of Significant Accounting Policies (Continued)

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

(c) LAFCo Budget

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

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

(d) Capital Assets and Leases

Physical assets acquired through purchase or contribution with an acquisition value in excess of $1,500 are capitalized on the financial statements and accounted for at their historical costs.

LAFCo is a lessee for right to use assets as detailed in Footnote 6. LAFCo recorded a lease payable in the financial statements. At the commencement of the lease, LAFCo initially measures the lease payable at the present value of payments expected to be paid during the lease term. Subsequently, the lease payable is reduced by the principal portion of lease payments made. LAFCo used the estimated borrowing rate as the discount rate for leases and the lease term includes the noncancellable period of the lease.

Capital assets of LAFCo are depreciated using the straight-line method over the following estimated useful lives:

Furniture and fixtures	10 years
General office equipment	5 years
Computer hardware	5 years
Computer software	3 years
Right-to-use assets	Life of lease

(e) Compensated Absences

It is LAFCo's policy to permit employees to accumulate earned but unused vacation. The balance of unpaid vacation time at June 30, 2022 is recorded as a noncurrent liability. Vacation is accrued as earned.

(2) Summary of Significant Accounting Policies (Continued)

(f) Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net assets by the government that is applicable to a future reporting period. There are pension and OPEB related items that meet this definition.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net assets by LAFCo that is applicable to a future reporting period. There are pension and OPEB related items that meet this definition.

(g) Fund Balance

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

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

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

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

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

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

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

(2) Summary of Significant Accounting Policies (Continued)

Net Position

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

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

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

Unrestricted describes the portion of net position that is not restricted to use.

(h) 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.

(i) Comparative Financial Statements

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the LAFCo's prior year financial statements, from which selected financial data was derived. The LAFCo's has reclassified certain prior year information to conform with current year presentations.

(j) Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the LAFCo's Marin County Employee's Retirement Association (MCERA) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS.

For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

(2) Summary of Significant Accounting Policies (Continued)

The following timeframes are used for pension reporting:

Valuation Date (VD)	June 30, 2020
Measurement Date (MD)	June 30, 2021
Measurement Period (MP)	June 30, 2020 to June 30, 2021

(k) Other Post-Employment Benefits (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, and information about the plan (OPEB Plan), have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require that the reported results must pertain to the liability information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2021
Measurement Date (MD)	June 30, 2021
Measurement Period (MP)	July 1, 2020 to June 30, 2021

(3) Cash and Investments

LAFCo's cash is maintained with the Marin County Treasury in an interest-bearing account. LAFCo's cash on deposit with Marin County Treasury and Bank of Marin at June 30, 2022 was $620,797.

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

Marin County's investment policy authorizes Marin County to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, certificates of deposit, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, and the State Treasurer's investment pool.

(3) Cash and Investments (Continued)

Fair Value Measurements – LAFCo categorizes its fair value measurements within the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs, and Level 3 inputs are other significant unobservable inputs. LAFCo's investments in the County Treasurer's Pool was $507,291 as of June 30, 2022 and are valued using Level 1 inputs as are the certificates of deposit, local government bonds and money market funds.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party. Deposits may be covered by federal deposit insurance. The California Government Code and the LAFCo's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure LAFCo's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Any deposits in excess of depository insurance limits at the end of the year are collateralized by securities held at the depository financial institution's trust department.

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as Marin Investment Pool).

(4) Capital Assets

A summary of changes in capital assets is as follows:

	Balance at July 1, 2021*	Additions	Deletions	Balance at June 30, 2022
Capital assets being amortized:				
Right-to-use lease assets	$ 65,089	-	-	65,089
Total capital assets being amortized	65,089	-	-	65,089
Less accumulated amortization:				
Right-to-use lease assets	-	(33,960)	-	(33,960)
Total accumulated amortization	-	(33,960)	-	(33,960)
Total capital assets being amortized, net	$ 65,089	(33,960)	-	31,129

* Balance at July 1, 2021 was restated to include right-to-use lease assets added due to the implementation of GASB 87.

(5) Contingencies

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

(6) Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2022:

	Balance at July 1, 2021*	Additions	Reductions	Balance at June 30, 2022	Due Within One Year
Compensated absences	$ 30,832	15,634	(10,589)	35,877	8,969
Lease payable - Office	65,089	-	(33,057)	32,032	32,032
Total	$ 95,921	15,634	(43,646)	67,909	41,001

*Balance at July 1, 2021 has been restated to include leases payable due to the implementation of GASB 87.

(6) Long-Term Liabilities (Continued)

Office Lease

During the fiscal year, LAFCo implemented Governmental Accounting Standards Board Statement No. 87 on lease accounting.

On January 5, 2016, LAFCo entered into a seven year lease agreement for the use of an office space. The total lease liability is $65,089 at 3% interest. As of June 30, 2022, the value of the lease liability is $32,032. LAFCo is required to make monthly principal and interest payments of $2,873. The value of the right-to-use asset is $65,089 and had an accumulated amortization of $33,960 as of June 30, 2022.

The future principal and interest payments as of June 30, 2022, are as follows:

Year Ending June 30	Principal	Interest	Total
2023	$ 32,032	482	32,514

(7) LAFCo's Employees' Retirement Plan

A. Plan Description

LAFCo's retirement plan is administered by the Marin County Employees' Retirement Association (MCERA), a retirement system established in July 1950 and governed by the California Constitution; the County Employees Retirement Law of 1937 (CERL or 1937 Act, California government Code Section 31450 et seq.); the Public Employees' Pension Reform Act of 2013 (PEPRA, Government Code Section 7522); the provisions of California Government Code Section 7500 et seq; and the bylaws, procedures, and policies adopted by MCERA's Board of Retirement. The Marin County Board of Supervisors may also adopt resolutions, as permitted by the CERL and PEPRA, which may affect the benefits of MCERA members.

MCERA operates as a cost-sharing multiple employers defined benefit plan for the County and eight other participating employers: City of San Rafael, Local Agency Formation Commission (LAFCo), Marin City Community Services District, Marin County Superior Court, Marin/Sonoma Mosquito and Vector Control District, Novato Fire Protection District, Southern Marin Fire Protection District, and Tamalpais Community Services District. Separate actuarial valuations are performed for these other agencies and districts, and the responsibility for funding their plans rest with those entities. Post-retirement benefits are administered by MCERA to qualified retirees.

Copies of MCERA's annual financial reports, which include required supplementary information (RSI) for the Plan may be obtained from their office at One McInnis Parkway, Suite 100, San Rafael, CA 94903 or online at www.mcera.org.

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

Administration
Retirement system administration is managed by the Retirement Board. All Retirement Board members, except the County Director of Finance, serve for a term of three years. By statute, retirement Board members include the following:

- The Director of Finance of the County (ex-officio).
- Four members who are qualified electors of the County and not connected with County government in any capacity, except one may be a County Supervisor. The Board of Supervisors appoints these members.
- Two General members of MCERA elected by the General membership.
- One Safety member and one Safety member alternative elected by the Safety membership.
- One retired member and one retired member alternate elected by the retired membership.

Membership
MCERA provides service retirement, disability, and death and survivor benefits to its general and safety members. Safety membership primarily includes law enforcement and firefighters of MCERA, as well as other classifications as allowed under the CERL and adopted by the employer. General membership is applicable to all other occupational classifications. The retirement benefits within the plan are tiered based on the participating employer and the date of the member's entry into MCERA membership.

B. Benefit Provisions

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

Service Retirement
MCERA's service retirement benefits are based on the years of credited service, final average compensation, and age at retirement, according to the applicable statutory formula. Members who qualify for service retirement are entitled to receive monthly retirement benefits for life.

General members hired prior to January 1, 2013 are eligible to retire once they attain the age of 50 (except tiers 3a and 4, whereby the minimum age is 55) and have acquired 10 or more years of retirement service credit. A member with 30 years of service is eligible to retire regardless of age. A member who is age 70 or older is eligible to retire regardless of service credit. General members who are first hired on or after January 1, 2013 are eligible to retire once they have attained the age of 52, and have acquired 5 years of retirement service credit, or age 70, regardless of service.

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

Disability Retirement
A member with five years of service, regardless of age, who becomes permanently incapacitated for the performance of duty is eligible to apply for a non-service connected disability retirement. Any member who becomes permanently incapacitated for the performance of duty as a result of injury or disease arising out of and in the course of employment is eligible to apply for a service-connected disability retirement, regardless of service length or age.

Death Benefits
MCERA provides specified death benefits to beneficiaries and members' survivors. The death benefits provided depend on whether the member is active or retired. The basic active member death benefit consists of a members' retirement contributions plus interest plus one month's pay for each full year of service (up to a maximum of six month's pay). Retiring members may choose from five retirement benefit payment options. Most retirees elect to receive the unmodified allowance which provides the maximum benefit to the retiree and continuance of 60% of the retiree's allowance to the surviving spouse or registered domestic partner after the retiree's death. Other death benefits may be available based on the years of service, marital status, and whether the member has minor children.

Cost of Living Adjustment
Retirement allowances are indexed for inflation. Most retirees receive automatic basic cost of living adjustments (COLA's) based upon the Urban Consumer Price Index (UCPI) for the San Francisco Bay Area. These adjustments go into effect on April 1 of each year. Annual COLA increases are statutorily capped at 2%, 3%, or 4% depending upon the member's retirement tier. When the UCPI exceeds the maximum statutory COLA for the member's tier, the difference is accumulated for use in future years when the UCPI is less than the maximum statutory COLA. The accumulated percentage carryover is known as the COLA Bank.

As of June 30, 2022, LAFCo's reported net pension liabilities for its proportionate shares of the net pension liability of the Miscellaneous Plan as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at June 30, 2020	$ 215,816	183,772	32,044
Balance at June 30, 2021	-	-	-
Net changes during 2020-21	$ (215,816)	(183,772)	(32,044)

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

LAFCo's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2021, 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, 2020, updated to June 30, 2021. LAFCo's proportion of the net pension liability was based on a projection of LAFCo's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. LAFCo's proportionate share of the net pension liability for the Plan as of June 30, 2020 and 2021 was as follows:

Measurement Dates	
Proportion - June 30, 2020	.0070%
Proportion - June 30, 2021	.0000%
Change – Increase (Decrease)	(.0070%)

For the year ended June 30, 2022, LAFCo recognized pension expense of $14,722. At June 30, 2022, LAFCo reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions made after the measurement date	$ 44,081	-
Adjustment due to differences in proportions	12,570	29,118
Differences between employer's contributions and proportionate share of contributions	46,074	-
Total Deferred Outflows/(Inflows) of Resources	$ 102,725	29,118

The $44,081 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2023.

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

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

Fiscal Year Ending June 30	Deferred Outflows/(Inflows) of Resources
2023	$ 11,678
2024	17,655
2025	193
2026	-
2027	-
Thereafter	-

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

Actuarial Assumptions - The total pension liabilities in the June 30, 2020 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date:	June 30, 2020
Timing:	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the plan year
Actuarial Cost Method:	Entry Age Asset
Valuation Method:	Market Value
Amortization Method:	Closed 17 year period (10 years remaining as of 6/30/20)
Discount Rate:	6.75%
Price Inflation:	2.50%
Salary Increases:	3.00% plus merit component based on employee classification and years of service
Administrative Expenses:	Administrative expenses in the actuarial valuation are assumed to be $5 million for FY 2020-21, to be split between employees and employers based on their share of the overall contributions. Administrative expenses shown in this report are based on the actual FY 2020-21 amounts.

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

Postretirement COLA:	Post retirement COLAs are assumed at the rate of 2.5% for members with a 4% COLA cap, 2.4% for members with a 3% COLA cap, and 1.9% for members with a 2% COLA cap.
Mortality Rates for Healthy Members and Inactives:	Rates of mortality for active Members are specified by the Public General 2010 Employee Mortality Table, with generational mortality improvements projected from 2010 using Project Scale MP-2020, with no adjustments.

A complete description of the methods and assumptions used to determine contribution rates for the year ended June 30, 2021 can be found in the June 30, 2020 actuarial report.

Discount Rate - The discount rate used to measure the total pension liability was 6.75% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions intended to fund benefits of current plan members and their beneficiaries are included.

Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2021.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	32.0%	4.60%
Fixed Income	23.0%	(0.25%)
International Equity	22.0%	4.80%
Public Real Assets	7.0%	2.90%
Private Equity	8.0%	6.00%
Real Estate	8.0%	6.00%
Total	100.0%	

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

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

The following presents LAFCo's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what LAFCo's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous
1% Decrease	5.75%
Net Pension Liability	$0
Current Discount Rate	6.75%
Net Pension Liability	$0
1% Increase	7.75%
Net Pension Liability	$0

Pension Plan Fiduciary Net Position

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

(8) Other Postemployment Benefit (OPEB)

Plan Description

LAFCo provides a defined benefit healthcare plan (the "Retiree Health Plan"). The Retiree Health Plan provides lifetime healthcare insurance for eligible retirees through the CalPERS Health Benefit Program, which covers both active and retired members.

For retirees hired between October 1, 1993 and December 31, 2007 (Plan 3), LAFCo would pay a percentage of retirees' single-coverage premiums up to a dollar cap based on years of service at retirement, where the dollar cap is reviewed each year by the Board of Supervisors. Through January 1, 2007 the cap was increased to cover single Blue Cross Prudent Buyer Classic and Delta Dental premiums. The Board of Supervisors has implemented a policy to limit annual increases in the cap to no more than 3%, subject to annual approval regarding whether any increase will be granted and, if so, the amount of the increase. Cap increases were 3% effective January 1, 2008 and January 1, 2009. No cap increases have been adopted since that time. The dollar cap is currently $442.65 per year of service up to $8,853 per year.

For retirees hired on or after January 1, 2008 (Plan 4), LAFCo would pay $150 per year of service up to $3,000 per year for the retiree's single health plan premiums only.

(8) Other Postemployment Benefit (OPEB) (Continued)

Funding Policy

LAFCo's Board of Commissioners will not be funding the plan in the current year but will follow a pay-as-you-go approach. The Board will review the funding requirements and policy annually.

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

Active plan members	3
Inactive employees or beneficiaries currently receiving benefit payments	1
Total	4

Contribution

As of June 30, 2021, LAFCo has accumulated $79,889 in an irrevocable trust toward this liability. With LAFCo's approval, the discount rate used in this valuation is 5.75% as of June 30, 2021; the long term expected return on trust assets.

Actuarial Methods and Assumptions

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Funding method	Entry Age Normal Cost, level percent of pay
Asset valuation method	Market value of trust assets
Long term return on assets	5.75%
Discount rates	5.75%
Participants valued	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation.
Salary increase	3.00%
General inflation	2.50% per year
Mortality improvements	MacLeod Watts Scale 2022 applied generationally
Healthcare trend	5.6% in 2023, fluctuates until ultimate rate of 4% in 2076

(8) Other Postemployment Benefit (OPEB) (Continued)

Change in the Net OPEB Liability (Asset)

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net Position Liability (Asset)
Balance at June 30, 2020 (MD)	$ 59,188	66,781	(7,593)
Service cost	2,226	-	2,226
Interest	3,505	-	3,505
Differences between actual and expected experience	3,595	-	3,595
Changes of assumptions	(1,360)	-	(1,360)
Benefit payments	(898)	(898)	-
Contributions - employer	-	898	(898)
Net investment income	-	13,132	(13,132)
Administrative expenses	-	(24)	24
Net Changes	7,068	13,108	(6,040)
Balance at June 30, 2021 (MD)	$ 66,256	79,889	(13,633)

Sensitivity of Net OPEB Liability (Asset) to Changes in the Discount Rate and Medical Cost Inflation

The discount rate used for the fiscal year end June 30, 2022 is 5.75%. Medical Cost Inflation was assumed to start at 5.6% and grade down to 4.0% for years 2076 and thereafter. The impact of a 1% increase or decrease in these assumptions is shown in the table below.

Plan's Net OPEB Liability/(Asset)		
Discount Rate – 1% (4.75%)	Current Discount Rate (5.75%)	Discount Rate + 1% (6.75%)
$(8,385)	(13,633)	(18,229)

Plan's Net OPEB Liability/(Asset)		
Medical Trend – 1%	Current Medical Trend	Medical Trend + 1%
$(14,488)	(13,633)	(12,724)

(8) Other Postemployment Benefit (OPEB) (Continued)

Deferred Resources and Expected Future Recognition
For the fiscal year ended June 30, 2022, LAFCo recognized OPEB expense of $263. At June 30, 2022, LAFCo reported deferred resources from OPEB from the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,474	-
Net Difference between projected and actual earnings on investments	-	7,575
Changes in assumptions	213	1,228
Total Deferred Outflows/(Inflows) of Resources	$ 3,687	8,803

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

Fiscal Year Ending June 30	Deferred Outflows/(Inflows) of Resources
2023	$ (1,613)
2024	(1,667)
2025	(1,508)
2026	(1,547)
2027	286
Thereafter	933

(9) Risk Management

LAFCo is exposed to various risks of loss related to torts, theft of, damage and destruction of assets; errors and omissions; injuries to employees; and natural disasters. LAFCo has purchased outside insurance coverage at the following amounts:

- General Liability coverage up to $2,500,000 per occurrence
- Workers' Compensation coverage up to $750,000 per occurrence
- Cyber coverage up to $750,000 per occurrence
- Pollution Liability coverage up to $2,000,000 per occurrence
- Personal Liability coverage for board members and directors up to $500,000 per occurrence

(9) Risk Management (Continued)

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years, and there were no reductions in LAFCo's insurance coverage during the year ending June 30, 2022. Liabilities are recorded when it is probable that a loss has been incurred, and the amount of the loss can be reasonably estimated net of the respective insurance coverage.

REQUIRED SUPPLEMENTARY INFORMATION

MARIN LOCAL AGENCY FORMATION COMMISSION

Schedule of Plan Proportionate Share of the Net Pension Liability

Last Ten Years*

Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Proportion of the collective net pension liability	0.0000%	0.0070%	0.0000%	0.0104%
Proportionate share of the net pension liability	$ -	32,044	-	34,351
Covered-employee payroll	280,726	271,662	113,308	123,490
Proportionate share of the net pension liability as a percentage of covered-employee payroll	0%	12%	0%	28%
Plan fiduciary net position as a percentage of the total pension liability	0%	85.15%	0%	88.34%

Measurement Date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Proportion of the collective net pension liability	0.0088%	0.0021%	0.0000%	0.0750%
Proportionate share of the net pension liability	$ 32,451	10,037	-	185,355
Covered-employee payroll	206,613	232,415	173,394	192,619
Proportionate share of the net pension liability as a percentage of covered-employee payroll	16%	4%	0%	96%
Plan fiduciary net position as a percentage of the total pension liability	86.27%	81.45%	84.31%	89.04%

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

MARIN LOCAL AGENCY FORMATION COMMISSION

Schedule of Contributions

Last Ten Years*

Fiscal Year Ending June 30	2022	2021	2020	2019
Actuarially determined contribution	$ 44,081	37,025	50,702	13,234
Contributions in relation to the actuarially determined contributions	(44,081)	(37,025)	(50,702)	(13,234)
Contribution deficiency (excess)	$ -	-	-	-
Covered payroll during the fiscal year	$ 313,897	280,726	271,662	113,308
Contributions as a percentage of covered payroll	14.04%	13.19%	18.66%	11.68%

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

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

Notes to Schedule

Valuation Date	6/30/20 (to determine FY2021-22 contributions)

Key Methods and Assumptions Used to Determine Contribution Rates (for FY 2020-21):

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll with separate periods for Extraordinary Actuarial Gains or Losses (18 years remaining as of 6/30/20), the remaining UAL as of June 30, 2013 (10 years as of 6/30/20), and additional layers for unexpected changes in UAL after 6/30/13 (24 years for gains and losses with a 5-year phase-in/out and 22 years for assumption changes with a 3-year phase-in/out).
Remaining Amortization period	10 years remaining as of June 30, 2020
Asset valuation method	Market value
Inflation	2.50%
Salary increases	3.00% plus merit component based on employee classification and years of service
Investment Rate of Return	3.48%, net of investment expenses
Retiree Mortality	Rates of mortality for retired members and their beneficiaries are based on the Public General 2010 Health Retiree Mortality Table, with generational improvements projected from 2010 using Projection Scale MP-2020, with no adjustments.
Disabled Mortality	Rates of mortality among disabled members are based on the Public General 2010 Disabled Retiree Mortality Table, with generational mortality improvements projected from 2010 using Projection Scale MP-2020, with no adjustments.

MARIN LOCAL AGENCY FORMATION COMMISSION

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

Last Ten Years*

Measurement Date		2021	2020	2019	2018	2017
Total OPEB liability:						
Service cost	$	2,226	2,161	-	-	-
Interest		3,505	3,365	3,309	3,413	3,529
Change of benefit terms		-	-	-	-	-
Difference between expected and actual experience		3,595	-	372	-	-
Changes of assumptions		(1,360	-	348	-	-
Benefit payments, including refunds of employee contributions		(898	(5,400)	(5,013)	(5,456)	(5,615)
Total OPEB liability - beginning of year		59,188	59,062	60,046	62,089	64,175
Total OPEB liability - end of year	$	66,256	59,188	59,062	60,046	62,089
Plan Fiduciary Net Position						
Net investment income	$	13,132	3,431	5,013	2,544	1,894
Contributions						
Employer		898	5,400	4,208	21,071	25,102
Benefit payments, including refunds of employee contributions		(898	(5,400)	(5,013)	(5,456)	(5,615)
Administrative expense		(24)	(31)	(13)	(76)	(15)
Net change in plan fiduciary net position		13,108	3,400	4,195	18,083	21,366
Plan fiduciary net position - beginning of year		66,781	63,381	59,186	41,103	19,737
Plan fiduciary net position - end of year	$	79,889	66,781	63,381	59,186	41,103
Net OPEB liability(asset) - end of year	$	(13,633)	(7,593)	(4,319)	860	20,986
Covered-employee payroll	$	280,829	229,570	125,319	144,601	217,782
Net OPEB liability as a percentage of covered-employee payroll		-4.85%	-3.31%	-3.45%	0.59%	9.64%

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

MARIN LOCAL AGENCY FORMATION COMMISSION

Schedule of Contributions - OPEB

Last Ten Years*

Fiscal year	2022	2021	2020	2019	2018
Actuarially determined contribution	$ 1,606	1,801	2,036	1,526	15,615
Contributions in relation to the actuarially determined contributions	-	-	898	4,552	21,071
Contribution deficiency (excess)	$ 1,606	1,801	1,138	(3,026)	(5,456)
Covered employee payroll	$ 323,489	280,829	229,570	125,319	144,601
Contributions as a percentage of covered employee payroll	0.00%	0.00%	0.39%	3.63%	14.57%

Notes to Schedule:
Fiscal Year End: June 30, 2022
Valuation Date: June 30, 2021

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar basis, open 30 years
Amortization period	30 years remain
Asset valuation method	Market value
Inflation	2.5%
Healthcare cost trend rates	5.6% in 2023, fluctuates until ultimate rate of 4% in 2076
Salary increases	3.0%
Investment rate of return	5.75%
Retirement age	From 55 to 75
Mortality	2017 CalPERS Experience Study
Mortality improvement	Projected with MW Scale 2022

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

MARIN LOCAL AGENCY FORMATION COMMISSION

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund

Year ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental	$ 506,548	506,548	506,548	-
Charges for services	-	-	22,487	22,487
Investment income	-	-	334	334
Total revenues	506,548	506,548	529,369	22,821
Expenditures:				
Current:				
General government:				
Salaries and benefits	402,000	402,000	397,359	4,641
Services and supplies	159,548	159,548	113,067	46,481
Debt service:				
Principal	-	-	33,057	(33,057)
Interest	-	-	1,502	(1,502)
Total expenditures	561,548	561,548	544,985	16,563
Net change in fund balances	(55,000)	(55,000)	(15,616)	39,384
Fund balances at beginning of year	429,835	429,835	429,835	-
Fund balances at end of year	$ 374,835	374,835	414,219	39,384

See accompanying notes to the required supplementary information

(1) Budgetary Reporting

The LAFCO's established accounting control through formal adoption of an annual budget for the General Fund. The budget is prepared on a basis consistent with generally accepted accounting principles. The adopted budget can be amended by the LAFCo to change both appropriations and estimated revenues as unforeseen circumstances come to management's attention. Increases and decreases in revenue and appropriations and transfers between funds require LAFCO's's approval. However, the Executive Officer may authorize changes within funds. Expenditures may not exceed total appropriations at the individual fund level.

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Board of Commissioners
Marin Local Agency Formation Commission

We have audited the financial statements of the governmental activities and each major fund of Marin Local Agency Formation Commission (LAFCo) as of and for the year ended June 30, 2022, and have issued our report thereon dated March 10, 2023. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated December 19, 2022, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of Marin LAFCo solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding significant control deficiencies over financial reporting noted during our audit in a separate letter to you dated March 10, 2023.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence under the American Institute of Certified Public Accountants ("AICPA") Independence Standards, contained in the Code of Professional Conduct.

We identified self-review threats to independence as a result of non-attest services provided. The non-attest service included preparing the financial statements and proposing journal entries. To mitigate the risk, management has compared the draft financial statements and footnotes to the underlying accounting records to verify accuracy and has reviewed a disclosure checklist to ensure footnotes are complete and accurate. Additionally, we utilize a quality control reviewer to perform a second review of journal entries and the financial statements. We believe these safeguards are sufficient to reduce the independence threats to an acceptable level.

Significant Risks Identified

We identified the implementation of Governmental Accounting Standards Board No. 87 – Leases as a significant risk. As a result, we reviewed the support for the lease liability and related right to use asset. We compared the terms of the agreement to the information included in the calculation of the lease payable.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Marin LAFCo is included in Note 2 to the financial statements. As described in Note 6 to the financial statements, Marin LAFCo changed accounting policies related to leases by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 87, Leases, in the fiscal year 2022. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements include:

- Management's estimate of transactions related to net pension and OPEB liabilities based on actuarial information.

We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Marin LAFCo's financial statements were:

- The disclosure of pensions in note 7 to the financial statements

- The disclosure of OPEB in note 8 to the financial statements.

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

Significant Unusual Transactions

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. There were no unusual transactions noted as a result of our audit procedures.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. There were no uncorrected misstatements noted.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. We identified one material misstatement as a result of our audit procedures that was brought to the attention of, and corrected by, management relating to an entry to reduce compensated absences.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Marin LAFCo’s financial statements or the auditor’s report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated March 10, 2023.

Management’s Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with Marin LAFCo, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Marin LAFCo's auditors.

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

DavisFarr LLP

Irvine, California
March 10, 2023

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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*

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

Independent Auditor's Report

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, and each major fund of Marin Local Agency Formation Commission (LAFCo), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise LAFCo's basic financial statements, and have issued our report thereon dated March 10, 2023.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect, and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of LAFCo'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 weaknesses, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify the following deficiency in internal control to be a significant deficiency:

(1) Adjustments Detected During the Audit

During the audit, we detected and recorded journal entries to correct errors. We noted one material adjustment related to compensated absences.

Recommendation

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

Management Response

Marin LAFCo does not have a need to generate the compensated absences except for purposes of the audit process. Marin LAFCo will work to replicate the auditor's specifications for the compensated absences.

Compliance and Other Matters

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

Marin LAFCo's Response to Findings

LAFCo's response to the finding identified in our audit is described in the previous section. LAFCo's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

DavisFarr LLP

Irvine, California
March 10, 2023