MARIN LOCAL AGENCY FORMATION COMMISSION

SAN RAFAEL, CALIFORNIA

BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

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INDEPENDENT AUDITORS' REPORT

Commissioners
Marin Local Agency Formation Commission
San Rafael, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special 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 our 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, we consider internal control relevant to Marin Local Agency Formation Commission'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 Marin Local Agency Formation Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Marin Local Agency Formation Commission, as of June 30, 2015, 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.

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

R. J. Ricciardi, Inc.

R. J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
April 5, 2016

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

Introduction to the Basic Financial Statements

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

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

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

The Basic Financial Statements

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

The Government-wide Financial Statements provide a longer-term view of LAFCO's activities as a whole, and comprise the Statement of Net Position and the Statement of Activities. The Statement of Net Position provides information about the financial position of LAFCO as a whole, including all of its capital assets and long-term liabilities on the full accrual basis, similar to that used by corporations. The Statement of 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.

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

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

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

The Government-wide Financial Statements

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

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

Fund Financial Statements

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

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

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

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

Analyses of Major Funds

Governmental Funds
General Fund revenue increased this fiscal year compared to the prior year due primarily to increases in boundary change applications. Actual revenues were less than budgeted amounts by $8,080 due primarily to decreased application activity.

General Fund expenditures were $369,220, an increase of $77,901 from the prior year primarily due to hiring additional staff and the executive officer having reporting a full year's salary. Expenditures were $5,646 less than budgeted.

Governmental Activities

Table 1
Governmental Net Position

	2015 Governmental Activities	2014 Governmental Activities
Current assets	$ 252,766	$ 215,647
Total assets	252,766	215,647
Deferred outflows of resources	27,470	
Current liabilities	69,403	16,595
Non-current liabilities	204,481	14,614
Total liabilities	273,884	31,209
Deferred inflows of resources	117,803	
Net position		
Unrestricted	(111,451)	184,438
Total net position	$ (111,451)	$ 184,438

LAFCO's governmental net position amounted to ($111,451) as of June 30, 2015, a decrease of $295,889 from 2014. This decrease is the Change in Net Position and the prior period adjustment reflected in the Statement of Activities shown in Table 2. LAFCO's net position as of June 30, 2015 comprised the following:

- Cash and investments comprised $252,766 of cash on deposit with the Marin County Treasury.
- Accounts payable totaling $48,917.
- Accrued expenses totaling $20,486.
- Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements or restrictions. LAFCO had ($111,451) of unrestricted net position as of June 30, 2015.

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

Table 2
Changes in Governmental Net Position

	2015 Governmental Activities	2014 Governmental Activities
Expenses		
Services and supplies	$ 415,589	$ 294,739
Total expenses	415,589	294,739
Revenues		
Program revenues:		
Charges for services	18,419	5,960
Total program revenues	18,149	5,960
General revenues:		
Intergovernmental	348,367	339,033
Total general revenues	348,367	339,033
Total revenues	366,786	344,993
Change in net position	$ (48,803)	$ 50,254

As Table 2 above shows, $18,419 or 5% of LAFCO's fiscal year 2015 governmental revenue, came from program revenues and $348,367 or 95%, came from general revenues such as contributions from local agencies.

Program revenues were composed of application and related fees of $18,419.

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

Capital Assets

LAFCO has no capital assets.

Debt Administration

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

Economic Outlook and Major Initiatives

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

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

Contacting LAFCO's Financial Management

The basic financial statements are intended to provide citizens, taxpayers, and creditors with a general overview of LAFCO's finances. Questions about this report should be directed to Marin Local Agency Formation Commission, 555 Northgate Drive, Suite 230, San Rafael, California 94903.

Marin Local Agency Formation Commission

STATEMENT OF NET POSITION AND

GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2015

	General	Adjustments (Note 9)	Statement of Net Position
ASSETS			
Cash and investments	$ 252,766	$ -	$ 252,766
Total assets	$ 252,766	$ -	252,766
DEFERRED OUTFLOW OF RESOURCES			
Deferred outflow of resources-pension	-	27,470	27,470
LIABILITIES			
Accounts payable	$ 48,917	$ -	48,917
Accrued expenses	7,231	13,255	20,486
Long term liabilities:			
Compensated absences due in more than one year	-	19,126	19,126
Net pension liability	-	185,355	185,355
Total liabilities	56,148	217,736	273,884
DEFERRED INFLOW OF RESOURCES			
Deferred inflow of resources-pension	-	117,803	117,803
FUND BALANCES/NET POSITION			
Fund balances:			
Unassigned fund balance	196,618	(308,069)	(111,451)
Total fund balances	196,618	(308,069)	(111,451)
Total liabilities and fund balances	$ 252,766		
Net position:			
Unrestricted		(111,451)	(111,451)
Total net position		$ (111,451)	$ (111,451)

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

Marin Local Agency Formation Commission

STATEMENT OF ACTIVITIES AND
GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

For the period ended June 30, 2015

	General	Adjustments (Note 10)	Statement of Net Position
Expenditures/expenses:			
Services and supplies	$ 369,220	$ 46,369	$ 415,589
Total expenditures/expenses	369,220	46,369	415,589
Program revenues:			
Charges for services	18,419	-	18,419
Net program expense			(397,170)
General revenues:			
Intergovernmental	348,367	-	348,367
Total general revenues and transfers	348,367	-	348,367
Excess (deficiency) of revenues and transfer in over (under) expenditures and transfers out	(2,434)	2,434	-
Changes in net position	-	(48,803)	(48,803)
Fund balance/Net position at beginning of period	199,052	(14,614)	184,438
Prior period adjustment	-	(247,086)	(247,086)
Fund balance/net position at beginning of period restated	199,052	(261,700)	(62,648)
Fund balance/Net position at end of period	$ 196,618	$ (308,069)	$ (111,451)

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

NOTE 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

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

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

Government-wide Financial Statements

LAFCO's financial statements reflect only its own activities; it has no component units. The statement of net position and statement of 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation (concluded)

Fund Financial Statements

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

Governmental Funds

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

B. Basis of Accounting

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

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

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

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

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

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

C. LAFCO Budget

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

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

D. Property, Plant and Equipment

LAFCO currently has no fixed assets.

E. Compensated Absences

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

F. Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the City recognizes 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 position by the government that is applicable to a future reporting period.

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 position by the City that is applicable to a future reporting period.

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 LAFCO's Marin County Employees 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 MCERA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 3 - CASH AND INVESTMENTS

LAFCO's cash is maintained with the Marin County Treasury in a non-interest-bearing account. LAFCO's cash on deposit with Marin County Treasury at June 30, 2015 was $252,766.

NOTE 3 - CASH AND INVESTMENTS (concluded)

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. At June 30, 2015, LAFCO's cash with the Marin County Treasurer was maintained in a non-interest-bearing account.

NOTE 4 - USE OF ESTIMATES

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

NOTE 5 - CONTINGENCIES

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

NOTE 6 - FUND EQUITY

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

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

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

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.

NOTE 6 - FUND EQUITY (concluded)

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

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

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

Net Position

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

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

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

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

All of LAFCO's Net Position is unrestricted.

NOTE 7 - 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.

NOTE 7 - LAFCO'S EMPLOYEES' RETIREMENT PLAN (continued)

A. Plan Description (concluded)

MCERA operates as a cost-sharing multiple employer 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.

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 Supervisor 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

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

B. Benefit Provisions

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.

NOTE 7 - LAFCO'S EMPLOYEES' RETIREMENT PLAN (continued)

B. Benefit Provisions (continued)

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.

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.

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

Employer Contributions:	$ 27,470

As of June 30, 2015, LAFCO's reported net pension liabilities for its proportionate shares of the net pension liability of the Miscellaneous Plan as follows:

NOTE 7 - LAFCO'S EMPLOYEES' RETIREMENT PLAN (continued)

B. Benefit Provisions (continued)

	Proportionate Share of Net Pension Liability
Miscellaneous	$ 185,355
Total Net Pension Liability	$ 185,355

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, 2014, 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, 2013 rolled forward to June 30, 2014 using standard update procedures. LAFCO's proportion of the net pension liability was based on a projection of LAFCO's long-term share of contributions to the pension 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, 2013 and 2014 was as follows:

LAFCO Miscellaneous Plan	
Proportion - June 30, 2013	.066%
Proportion - June 30, 2014	.075%
Change – Increase (Decrease)	.009%

For the year ended June 30, 2015, LAFCO recognized pension expense of $28,602. At June 30, 2015, LAFCO reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 27,470	$ -
Differences between actual and expected experience	-	-
Changes in assumptions	-	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	-
Net differences between projected and actual earnings on plan investments	-	117,803
Total	$ 27,470	$ 117,803

$27,470 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

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

NOTE 7 - LAFCO'S EMPLOYEES' RETIREMENT PLAN (continued)

B. Benefit Provisions (concluded)

Year Ended June 30		Inflows
2016	$	21,074
2017		21,076
2018		27,110
2019		-
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, 2014 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date:	June 30, 2012 (to determine FY 2013-14 contribution)
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:	5-year smoothed market, 80% / 120% corridor around market
Amortization Method:	Level percentage of payroll (17 years remaining as of 6/30/12) with separate periods for Extraordinary Actuarial Gains or Losses (27 years as of 6/30/12)
Discount Rate	7.50%
Amortization Growth Rate:	3.50%
Price Inflation:	3.25%
Salary Increases:	3.25% plus merit component based on employee classification and years of service
Healthy Mortality:	Sex distinct RP-2000 Combined Mortality projected to 2010 using Scale AA with ages set back one year for male members and two years for female members
Disabled Mortality:	Sex distinct RP-2000 Combined Mortality projected to 2010 using Scale AA with ages set forward three years for all members

A complete description of the methods and assumptions used to determine contribution rates for the year ended June 30, 2014 can be found in the June 30, 2012 actuarial report.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuation were based on the results of a January 2014 actuarial experience study for the period July 1, 2008 - June 30, 2011. Further details of the Experience Study can found on MCERA's website.

Discount Rate - The discount rate used to measure the total pension liability was 7.50% as of June 30, 2014. 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 that are intended to fund benefits of current plan members and their beneficiaries are included.

NOTE 7 - LAFCO'S EMPLOYEES' RETIREMENT PLAN (continued)

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

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, 2014.

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
Global Equity	25.0%	6.85%
Domestic Fixed Income	28.0%	0.71%
U.S. Large Cap Equity	26.2%	5.86%
U.S. Small Cap Equity	11.8%	6.56%
Real Estate	9.0%	4.76%
Total	100.0%	

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	6.5%
Net Pension Liability	$397,167
Current Discount Rate	7.50%
Net Pension Liability	$185,355
1% Increase	8.50%
Net Pension Liability	$9,217

Pension Plan Fiduciary Net Position

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

NOTE 7 - LAFCO'S EMPLOYEES' RETIREMENT PLAN (concluded)

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

As of June 30, 2015
Last 10 Years*
SCHEDULE OF LAFCO'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
2014

LAFCO Miscellaneous Plan	
Proportion of the net pension liability	0.750%
Proportionate share of the net pension liability	$1,855,355
Covered - employee payroll	$192,619
Proportionate Share of the net pension liability as percentage of covered-employee payroll	96%
Plan fiduciary net position as a percentage of the total pension liability	89.04%

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

As of June 30, 2015
Last 10 Years*
SCHEDULE OF CONTRIBUTIONS
2014

Contractually required contribution (actuarially determined)	$ 43,313
Contributions in relation to the actuarially determined contributions	(43,313)
	$ -
Contribution deficiency (excess)	-
Covered-employee payroll	$192,619
Contributions as a percentage of covered-employee payroll	22.48%

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

NOTE 8 - OTHER POSTEMPLOYMENT BENEFIT (OPEB)

A. Plan Description

LAFCO pays 100% of miscellaneous employees' cost for post-retirement health care benefits for its retirees and their dependents. Payments are made on a pay-as-you-go basis.

B. Eligibility

LAFCO retirees are eligible for membership in the Plan upon retirement from the County (drawing a pension from MCERA). Employees are eligible for retirement at age 50 and with 5 years of service or upon disability.

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

B. Eligibility (concluded)

Members in deferred retirement status may maintain membership in County health plans at their own cost and become eligible for coverage as a retiree upon commencement of their pension.

C. Funding Policy

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

D. Annual OPEB Cost and Net OPEB Contribution

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

	2015	2014
Annual Required Contributions	$ 13,200	$ 13,200
Interest on Net OPEB Obligation/(Asset)	-	-
Adjustment to Annual Required Contributions	-	-
Annual OPEB cost (expense)	13,200	13,200
Contributions made	(24,898)	(5,947)
Increase in Net OPEB Obligation/(Asset)	(11,698)	7,253
Net OPEB Obligation/(Asset) – beginning of year	24,953	17,700
Net OPEB Obligation/(Asset) – end of year	$ 13,255	$ 24,953

LAFCO's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation was as follows, based on LAFCO's actuarial valuation as of July 1, 2013:

Fiscal Year Ended	Annual OPEB Cost	Employer OPEB Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/13	$ 17,700	$ -	-	$ 17,700
6/30/14	$ 13,200	$ 5,947	45%	$ 24,953
6/30/15	$ 13,200	$ 24,898	189%	$ 13,255

Funded Status and Funding Progress. The funded status of the plan as of June 30, 2015, was as follows:

Valuation Date	(A) Actuarial Value of Assets	(B) Actuarial Accrued Liability	(C) Unfunded Liability (Excess Assets) [(B)-(A)]	(D) Funded Ratio [(A)/(B)]	(E) Annual Covered Payroll	(F) UAAL as a % of Payroll {[(B)-(A)]/(E)}
7/1/12	-	$ 120,400	$ (120,400)	0%	$ 174,200	69.00%
7/1/13	-	$ 134,300	$ (134,300)	0%	$ 176,200	76.00%

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

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

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and the assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the July 1, 2012, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.25% percent investment rate of return (net of administrative expenses), which is the expected long-term investment return on plan assets and an annual healthcare cost trend rate of 3% and a 3.25% annual increase in projected payroll. The actuarial value of assets was determined based on the market value of investments. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The amortization period is 15 years.

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

Reconciling adjustments are as follows:

Non-current portion of compensated absences	$	(19,126)
Other post-employment benefits		(13,255)
Deferred outflows		27,470
Deferred inflows		(117,803)
Net pension liability		(185,355)
Total fund balances – governmental funds		196,618
Net position of governmental activities	$	(111,451)

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

Reconciling adjustments are as follows:

Net change in fund balance – total governmental funds	$	(2,434)
The amounts below included in the statement of activities do not provide (require) the use of current financial resources and, therefore, are not reported as revenues or expenditures in governmental funds (net change):		
Other post-employment benefits		(13,255)
Pension expense		(28,602)
Compensated absences		(4,512)
Change in net position of governmental activities	$	(48,803)

NOTE 11 - PRIOR PERIOD ADJUSTMENTS

The prior period adjustment of $(247,086) represents the change to the July 1, 2014 net position resulting from the GASB Statement No. 68 implementation and the recording of the net pension liability.

Marin Local Agency Formation Commission

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

Required Supplemental Information

Budget and Actual

General Fund (Unaudited)

For the period ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenue:				
Intergovernmental	$ 348,366	$ 348,366	$ 348,367	$ 1
Charges for services	26,500	26,500	18,419	(8,081)
Total revenue	374,866	374,866	366,786	(8,080)
Expenditures:				
Salaries and benefits	279,486	279,486	279,904	(418)
Services and supplies	95,380	95,380	89,316	6,064
Total expenditures	374,866	374,866	369,220	5,646
Excess (deficit) of revenue over expenditures	$ -	$ -	(2,434)	$ (2,434)
Fund balance, beginning of period			199,052	
Fund balance, end of period			$ 196,618	

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