

**YOLO COUNTY LOCAL AGENCY  
FORMATION COMMISSION  
AUDITED FINANCIAL STATEMENTS  
JUNE 30, 2018, 2017 AND 2016**

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**YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Chair and Members of the  
Yolo County Local Agency Formation Commission  
Woodland, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the major fund of the Yolo County Local Agency Formation Commission (the LAFCO), as of and for the years ended June 30, 2018, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the LAFCO'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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position and the changes in financial position of the governmental activities of the Yolo County Local Agency Formation Commission as of and for the fiscal years ended June 30, 2018, 2017 and 2016, in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the accompanying 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.

The LAFCO has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated November 22, 2018 on our consideration of the 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the LAFCO's internal control over financial reporting and compliance.

**Harshwal & Company, LLP**  
**Certified Public Accountants**

*Harshwal & Company LLP*

**Oakland, California**  
November 22, 2018

**YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018, 2017 AND 2016**

	<u>Governmental Activities</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>ASSETS:</b>			
Current assets:			
Cash and investments	\$ <u>127,771</u>	\$ <u>111,040</u>	\$ <u>173,177</u>
<b>Total assets</b>	<u>127,771</u>	<u>111,040</u>	<u>173,177</u>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>			
Pension	196,526	259,870	48,648
OPEB	<u>20,293</u>	<u>-</u>	<u>-</u>
<b>Total deferred outflow of resources</b>	<u>216,819</u>	<u>259,870</u>	<u>48,648</u>
<b>LIABILITIES:</b>			
Current liabilities:			
Accounts payable	1,120	241	3,167
Accrued payroll	6,275	7,568	19,006
Compensated absences	<u>4,935</u>	<u>6,637</u>	<u>8,724</u>
<b>Total current liabilities</b>	<u>12,330</u>	<u>14,446</u>	<u>30,897</u>
Non-current liabilities:			
Net pension liability	648,101	577,272	299,432
Net OPEB liability	172,754	58,103	56,834
Compensated absences	<u>275</u>	<u>370</u>	<u>-</u>
<b>Total non-current liabilities</b>	<u>821,130</u>	<u>635,745</u>	<u>356,266</u>
<b>DEFERRED INFLOW OF RESOURCES:</b>			
Pension	5,692	53,196	60,742
OPEB	<u>447</u>	<u>-</u>	<u>-</u>
<b>Total deferred inflow of resources</b>	<u>6,139</u>	<u>53,196</u>	<u>60,742</u>
<b>NET POSITION:</b>			
Unrestricted	<u>(495,009)</u>	<u>(332,477)</u>	<u>(226,080)</u>
<b>Total net position</b>	<u>\$ (495,009)</u>	<u>\$ (332,477)</u>	<u>\$ (226,080)</u>

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

**YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018, 2017 AND 2016**

	<u>Governmental Activities</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b><i>Program expenses:</i></b>			
Salaries and benefits	\$ 456,594	\$ 441,220	\$ 323,481
Travel expenses	6,438	5,119	5,444
Communications	1,661	1,635	1,632
Insurance	500	500	500
Maintenance	658	568	624
Memberships	3,662	3,203	3,011
Office expenses	2,273	1,442	2,474
Professional services	7,101	7,954	101,957
Publications and legal notices	802	1,022	3,347
Misc. expenses	4,613	8,973	1,493
I.T. services	6,364	5,520	5,528
Training	<u>3,943</u>	<u>3,040</u>	<u>5,385</u>
Total program expenses	<u>494,609</u>	<u>480,196</u>	<u>454,876</u>
<b><i>Program revenues:</i></b>			
County of Yolo	211,139	181,725	184,944
City of Davis	74,870	61,135	62,245
City of West Sacramento	68,448	58,905	63,610
City of Woodland	61,120	56,128	53,232
City of Winters	6,702	5,557	5,857
LAFCO Fees	<u>2,666</u>	<u>8,522</u>	<u>3,932</u>
Total program revenues	<u>424,945</u>	<u>371,972</u>	<u>373,820</u>
Net Program (Expenses) Revenues	<u>(69,664)</u>	<u>(108,224)</u>	<u>(81,056)</u>
<b><i>General revenues:</i></b>			
Other income	-	-	1,319
Interest income	<u>3,913</u>	<u>1,827</u>	<u>3,457</u>
Total general revenues	<u>3,913</u>	<u>1,827</u>	<u>4,776</u>
Change in net position	<u>(65,751)</u>	<u>(106,397)</u>	<u>(76,280)</u>
Net position at beginning of year	(332,477)	(226,080)	(149,800)
<i>Restatement - (Note-9)</i>	<u>(96,781)</u>	<u>-</u>	<u>-</u>
Net position at beginning of year- <i>Restated</i>	<u>(429,258)</u>	<u>-</u>	<u>-</u>
Net position at end of year	<u>\$ (495,009)</u>	<u>\$ (332,477)</u>	<u>\$ (226,080)</u>

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

**YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION**  
**BALANCE SHEET-GOVERNMENTAL FUND**  
**JUNE 30, 2018, 2017 AND 2016**

	General Fund		
	2018	2017	2016
<b><u>ASSETS</u></b>			
Cash and investments	\$ <u>127,771</u>	\$ <u>111,040</u>	\$ <u>173,177</u>
<b>Total Assets</b>	<u>127,771</u>	<u>111,040</u>	<u>173,177</u>
<b><u>LIABILITIES</u></b>			
Accounts payable	1,120	241	3,167
Accrued payroll	<u>6,275</u>	<u>7,568</u>	<u>19,006</u>
<b>Total liabilities</b>	<u>7,395</u>	<u>7,809</u>	<u>22,173</u>
<b><u>FUND BALANCE</u></b>			
Committed for OPEB			50,703
Committed for computer replacement	1,344	144	3,625
Unassigned	<u>119,032</u>	<u>103,087</u>	<u>96,676</u>
<b>Total fund balance</b>	<u>120,376</u>	<u>103,231</u>	<u>151,004</u>
<b>Total liabilities and fund balance</b>	<u>\$ <u>127,771</u></u>	<u>\$ <u>111,040</u></u>	<u>\$ <u>173,177</u></u>

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

**YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE  
GOVERNMENT-WIDE STATEMENT OF NET POSITION  
JUNE 30, 2018, 2017 AND 2016**

	Governmental Fund		
	2018	2017	2016
<b>Total fund balance - governmental fund</b>	\$ 120,376	\$ 103,231	\$ 151,004
Amounts reported for governmental activities in the statement of net position are different because:			
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and therefore, are not reported in funds.	216,819	259,870	48,648
Certain liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds:			
Net Pension liability	(648,101)	(577,272)	(299,432)
OPEB liability	(172,754)	(58,103)	(56,834)
Compensated absences	(5,210)	(7,007)	(8,724)
Deferred inflow of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the governmental funds.	<u>(6,139)</u>	<u>(53,196)</u>	<u>(60,742)</u>
Net position - governmental activities for the year ended	<u><u>\$(495,009)</u></u>	<u><u>\$(332,477)</u></u>	<u><u>\$(226,080)</u></u>

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

**YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCE - GOVERNMENTAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018, 2017 AND 2016**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>REVENUES:</b>			
Intergovernmental revenue			
County of Yolo	\$ 211,139	\$ 181,725	\$ 184,944
City of Davis	74,870	61,135	62,245
City of West Sacramento	68,448	58,905	63,610
City of woodland	61,120	56,128	53,232
City of Winters	6,702	5,557	5,857
Other revenues	2,666	8,522	5,251
Use of money	<u>3,913</u>	<u>1,827</u>	<u>3,457</u>
Total revenues	<u>428,858</u>	<u>373,799</u>	<u>378,596</u>
<b>EXPENDITURES:</b>			
Salaries and benefits	373,700	382,596	356,739
Travel expenditures	6,437	5,119	5,445
Communications	1,660	1,635	1,632
Insurance	500	500	500
Maintenance	658	568	624
Memberships	3,662	3,203	3,011
Office expenditures	2,273	1,442	2,474
Professional services	7,101	7,954	101,957
Publications & legal notices	802	1,022	3,347
Misc. expenditures	4,613	8,973	1,493
I.T. services	6,364	5,520	5,528
Training	<u>3,943</u>	<u>3,040</u>	<u>5,385</u>
Total expenditures	<u>411,713</u>	<u>421,572</u>	<u>488,135</u>
Net change in fund balance	17,145	(47,773)	(109,539)
Fund balance - Beginning	<u>103,231</u>	<u>151,004</u>	<u>260,543</u>
Fund balance - Ending	<u>\$ 120,376</u>	<u>\$ 103,231</u>	<u>\$ 151,004</u>

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

**YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION  
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENTS OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE  
GOVERNMENT-WIDE STATEMENTS OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018, 2017 AND 2016**

	Governmental Fund		
	2018	2017	2016
<b>Total net change in fund balance - governmental fund</b>	\$ 17,145	\$ (47,773)	\$(109,539)
Amount reported for governmental activities in the statement of activities are different because:			
Changes in certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:			
Pension Expenses	(86,669)	(59,073)	31,415
OPEB expenses	1,976	(1,268)	1,650
Change in compensated expenses	1,797	1,717	194
<b>Total change in net position - governmental activities</b>	<b>\$(65,751)</b>	<b>\$(106,397)</b>	<b>\$(76,280)</b>

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

**YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018, 2017 AND 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Yolo County Local Agency Formation Commission (the LAFCO) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The most significant accounting policies of the LAFCO are described below.

Background: The LAFCO is an independent agency responsible for the implementation of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 in the County of Yolo. The LAFCO became an independent agency separate from Yolo County in 2001. The LAFCO's membership includes two county supervisors appointed by the County of Yolo Board of Supervisors, two City Council members appointed by the City Selection Committee, and one public member appointed by the LAFCO. The LAFCO is empowered to review, approve or deny boundary changes, city annexations, consolidations, special LAFCO formations, incorporations for cities and special districts, and to establish local "Spheres of Influence". The Sphere of Influence for each governmental agency is a plan for its future boundary and service area. The LAFCO's function is outlined in Government Code, Section 56000 et seq. known as the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000.

Basis of Presentation – Government-wide Financial Statements: The statement of net position and statement of activities display information about the primary government (the LAFCO). These statements include the financial activities of the LAFCO.

The statement of activities presents a comparison between direct expenses and program revenues for the LAFCO's governmental activity. Direct expenses are those that are specifically associated with the LAFCO. Program revenues include contributions that are restricted to meeting the operational requirements of the LAFCO. Revenues that are not classified as program revenues, including interest income, are presented as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions in which the LAFCO gives (or receives) value without directly receiving (or giving) equal value in exchange are recognized when all eligibility requirements have been met, include the contributions from member jurisdictions.

When both restricted and unrestricted resources are available, it is the LAFCO's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Financial Statements: The accounts of the LAFCO are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Each fund is established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions, or limitations. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

**YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018, 2017 AND 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- (CONT'D)**

For this purpose, the LAFCO considers all revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual basis accounting.

The LAFCO reports the following governmental fund:

General Fund – The General Fund is the general operating fund of the LAFCO and accounts for revenues collected to provide services and finance the fundamental operations of the LAFCO. The fund is charged with all costs of operations.

Compensated Absences: Unused vacation may be accumulated up to a specified maximum and is paid at the time of termination from the LAFCO’s employment. Upon retirement, unused sick leave may either be reported to CalPERS to earn additional retirement service credit (2,000 hours of sick leave earns a full year of service credit) or may be paid to the employee (one half of the balance over 200 hours will be paid at the employee’s hourly pay rate) at the discretion of the employee. The LAFCO is not obligated to pay for unused sick leave if an employee terminates prior to retirement or if less than 200 hours are accrued upon retirement. The LAFCO accrues accumulated unpaid compensated absences when earned by the employee. The cost of vacation and sick leave is recorded in the period earned in the government-wide statements. A liability is reported in the General Fund only if the liability has matured, for example, as a result of employee resignations or retirements.

Deferred Outflows and Inflows of Resources: In addition to assets and liabilities, the balance sheet will sometimes report separate sections for deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position by the government that is applicable to a future reporting period. Deferred inflows of resources represent an acquisition of net position that is applicable to a future reporting period. These amounts will not be recognized as an outflow of resources (expense) or an inflow of resources (revenue) until the earnings process is complete. Deferred outflows and inflows of resources include amounts deferred related to the LAFCO’s pension plan GASB 68 and OPEB plan. Unavailable revenue in governmental funds arises when a potential revenue source does not meet both the “measureable” and “available” criteria for recognition in the current period. LAFCO had no unavailable revenue at June 30, 2018.

Fund Balance: Governmental funds report nonspendable, restricted, committed, assigned and unassigned balances.

Nonspendable Funds – Fund balance should be reported as nonspendable when the amounts cannot be spent because they are either not in spendable form, or are legally or contractually required to be maintained intact. Nonspendable balances are not expected to be converted to cash within the next operating cycle, which include pre-paid expenses and long-term receivables.

**YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018, 2017 AND 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- (CONT'D)**

Restricted Funds – Fund balance should be reported as restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed Funds – Fund balance should be reported as committed when the amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. These amounts cannot be used for any other purpose unless the governing body modifies or removes the fund commitment.

Assigned Funds – Fund balance should be reported as assigned when the amounts are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned Funds – Unassigned fund balance is the residual classification of the LAFCO’s funds and includes all spendable amounts that have not been restricted, committed, or assigned to specific purposes. The Board has a policy of maintaining a reserve for contingencies of 15% of the overall budget and a 5% emergency contingency. However, the criteria for the use of the reserved for contingencies is not defined sufficiently to consider the amount to be a commitment of fund balance under GASB Statement No. 54.

Net Position: The government-wide financial statements present net position. Net position is categorized as the net investment in capital assets, restricted and unrestricted.

Net Investment in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation reduces the balance in this category.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors, laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This category represents net position of the LAFCO that is not restricted for any project or other purpose.

The LAFCO has only unrestricted net position.

Budget: The LAFCO adopts an annual budget for the General Fund that is consistent with generally accepted accounting principles at the LAFCO’s May meeting. The budget includes expenditures and the means of financing them and is used for planning purposes. Budgetary control is exercised at the major object level. All budgetary changes during the year require approval of the Commissioners. Encumbrances are used as an extension of normal budgetary accounting in the General Fund. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as restricted, committed or assigned fund balance since they do not constitute expenditures or liabilities.

**YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018, 2017 AND 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- (CONT'D)**

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 portion of the County of Yolo's California Public Employees' Retirement System (CalPERS) 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 due and payable in accordance with the benefit terms. Investments are reported as fair value.

**NOTE 2 – CASH AND INVESTMENTS**

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

Investment in the County of Yolo Investment Pool: The LAFCO's cash is held in the County of Yolo treasury. The County maintains an investment pool and allocates interest to the various funds based upon the average daily cash balances. Investments held in the County's investment pool are available on demand to the LAFCO and are stated at fair value.

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value on an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in the market interest rates. As of June 30, 2018, 2017, and 2016 the weighted average maturity of the investments contained in the County of Yolo investment pool was approximately 395, 389, and 328 days.

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County of Yolo investment pool does not have a rating provided by a nationally recognized statistical rating organization.

Custodial Credit Risk: Custodial risk is the risk that the government will not be able to recover its deposits or the value of its investments that are in the possession of an outside party. Custodial credit risk does not apply to a local government's indirect deposits or investment in securities through the use of government investment pools (such as the County of Yolo investment pool).

**YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018, 2017 AND 2016**

**NOTE 3 – COMPENSATED ABSENCES**

The following is a summary of compensated absences activity for the years ended June 30, 2018, 2017 and 2016:

	<u>July 1, 2017</u>	<u>Addition</u>	<u>Retirement</u>	<u>June 30, 2018</u>	Due within <u>One year</u>
Compensated Absences	\$ <u>7,007</u>	\$ <u>4,840</u>	\$ <u>(6,637)</u>	\$ <u>5,210</u>	\$ <u>4,935</u>
	<u>July 1, 2016</u>	<u>Addition</u>	<u>Retirement</u>	<u>June 30, 2017</u>	Due within <u>One year</u>
Compensated Absences	\$ <u>8,724</u>	\$ <u>18,446</u>	\$ <u>(20,163)</u>	\$ <u>7,007</u>	\$ <u>6,637</u>
	<u>July 1, 2015</u>	<u>Additions</u>	<u>Retirement</u>	<u>June 30, 2016</u>	Due with in One <u>year</u>
Compensated Absences	\$ <u>8,918</u>	\$ <u>20,104</u>	\$ <u>(20,298)</u>	\$ <u>8,724</u>	\$ <u>8,724</u>

**NOTE 4 – PENSION PLAN**

*General Information about the Pension Plan*

Plan Description: The LAFCO participates in the County of Yolo Miscellaneous pension plan, which is an agent multiple-employer pension plan administered by California Public Employees’ Retirement System (CalPERS). All qualified permanent and probationary employees are eligible to participate in the Plan. The LAFCO accounts for and reports its participation in the County’s Plan as a cost-sharing multiple-employer pension plan under the provisions of GASB Statement No. 68.

Benefit provisions under the Plan are established by State statute and County Board of Supervisor resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at [www.calpers.ca.gov](http://www.calpers.ca.gov).

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

**YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION**  
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**NOTE 4 – PENSION PLAN (CONT'D)**

The Plan's provisions and benefits in effect at June 30, 2018, 2017 and 2016, are summarized as follows:

	Increase(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liab./(Asset) (c) = (a) - (b)
Balance at: 6/30/16	<u>\$1,764,333</u>	<u>\$1,189,345</u>	<u>\$574,988</u>
Changes Recognized for the Measurement Period			
• Service Cost	38,912	-	38,912
• Interest on the Total Pension Liability	131,635	-	131,635
• Change in assumptions	108,324	-	108,324
• Difference between Expected and Actual Experience	(5,892)	-	(5,892)
• Plan to Plan Resource Movement	-	-	-
• Contributions from the Employers	-	51,901	(51,901)
• Contributions from Employees	-	17,467	(17,467)
• Net Investment Income <sup>2</sup>	-	132,254	(132,254)
• Benefit Payments, including Refunds of Employee Contributions 1189345	(90,353)	(90,353)	-
• Administrative Expenses	<u>-</u>	<u>(1,756)</u>	<u>1,756</u>
Net Changes during 2016-17	<u>182,626</u>	<u>109,513</u>	<u>73,113</u>
Balance at: 6/30/17	<u>\$1,946,959</u>	<u>\$1,298,858</u>	<u>\$648,101</u>

	Increase(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liab./(Asset) (c) = (a) - (b)
Balance at: 6/30/15	<u>\$1,680,301</u>	<u>\$1,210,803</u>	<u>\$469,498</u>
Changes Recognized for the Measurement Period			
• Service Cost	33,788	-	33,788
• Interest on the Total Pension Liability	127,799	-	127,799
• Change in assumptions	-	-	-
• Difference between Expected and Actual Experience	17,295	-	17,295
• Plan to Plan Resource Movement	-	-	-
• Contributions from the Employers	-	48,217	(48,217)
• Contributions from Employees	-	17,396	(17,396)
• Net Investment Income <sup>2</sup>	-	6,232	(6,232)
• Benefit Payments, including Refunds of Employee Contributions	(87,841)	(87,841)	-
• Administrative Expenses	<u>-</u>	<u>(738)</u>	<u>737</u>
Net Changes during 2015-16	<u>91,041</u>	<u>(16,734)</u>	<u>107,774</u>
Balance at: 6/30/16	<u>\$1,771,342</u>	<u>\$1,194,069</u>	<u>\$577,272</u>

**YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 4 – PENSION PLAN (CONT'D)**

	Increase(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liab./ (Asset) (c) = (a) - (b)
Balance at: 6/30/14	<u>\$1,059,134</u>	<u>\$771,340</u>	<u>\$287,794</u>
Changes Recognized for the Measurement Period			
• Service Cost	20,380	-	20,380
• Interest on the Total Pension Liability	77,304	-	77,304
• Change in assumptions	(18,550)	-	(18,550)
• Difference between Expected and Actual Experience	(13,898)	-	(13,898)
• Plan to Plan Resource Movement	-	-	-
• Contributions from the Employers	-	27,063	(27,063)
• Contributions from Employees	-	10,258	(10,258)
• Net Investment Income <sup>2</sup>	-	17,141	(17,141)
• Benefit Payments, including Refunds of Employee Contributions	(52,725)	(52,725)	-
• Administrative Expenses	<u>-</u>	<u>(864)</u>	<u>864</u>
Net Changes during 2014-15	<u>12,511</u>	<u>873</u>	<u>11,638</u>
Balance at: 6/30/15	<u>\$1,071,645</u>	<u>\$772,213</u>	<u>\$299,432</u>

The Miscellaneous Plan is closed to new participants that were not CalPERS participants prior to January 1, 2013 under the Public Employees' Pension Reform Act of 2013 (PEPRA). Any new participants that were not previously CalPERS participants would be required to join the PEPRA Miscellaneous Plan. No LAFCO employees were required to participate in the PEPRA Miscellaneous Plan at June 30, 2015.

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

For the years ended June 30, 2018, 2017 and 2016, the contributions recognized as part of pension expense for the Plan were as follows:

	<b>2018</b>	<b>2017</b>	<b>2016</b>
Contribution-employer	\$ 51,760	\$ 51,962	\$ 48,648
Contribution-employee (paid by employer)	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 51,760</u>	<u>\$ 51,962</u>	<u>\$ 48,648</u>

**YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION**  
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**NOTE 4 – PENSION PLAN (CONT'D)**

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

As of June 30, 2018, 2017 and 2016 the LAFCO reported a net pension liability for its proportionate share of the net pension liability of the Miscellaneous Plan as follows:

	<b>2018</b>	<b>2017</b>	<b>2016</b>
Total Net Pension Liability	\$ <u>648,101</u>	\$ <u>577,272</u>	\$ <u>299,432</u>

The LAFCO's proportion of the net pension liability was based on a projection of the LAFCO's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The LAFCO's proportionate share of the net pension liability for the Plan as of June 30, 2018, 2017 and 2016 was as follows:

	<b>Miscellaneous</b>
Proportion - June 30, 2018	.2769%
Proportion - June 30, 2017	.2780%
Proportion - June 30, 2016	.1773%

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

<b>Year</b>	<b>Description</b>	<b>Discount Rate -1% (6.15%)</b>	<b>Current Discount Rate (7.15%)</b>	<b>Discount Rate +1% (8.15%)</b>
<b>2018</b>	Plan's Net Pension Liability (Assets)	<u>\$909,215</u>	<u>\$648,101</u>	<u>\$432,438</u>

  

<b>Year</b>	<b>Description</b>	<b>Discount Rate -1% (6.65%)</b>	<b>Current Discount Rate (7.65%)</b>	<b>Discount Rate +1% (8.65%)</b>
<b>2017</b>	Plan's Net Pension Liability (Assets)	<u>\$807,855</u>	<u>\$577,272</u>	<u>\$386,143</u>

  

<b>Year</b>	<b>Description</b>	<b>Discount Rate -1% (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>Discount Rate +1% (8.50%)</b>
<b>2016</b>	Plan's Net Pension Liability (Assets)	<u>\$439,711</u>	<u>\$299,432</u>	<u>\$173,279</u>

**YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION**  
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**NOTE 4 – PENSION PLAN (CONT'D)**

For the years ended June 30, 2018, 2017, and 2016 the LAFCO recognized following pension expense for the Plan:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Pension expenses	\$ <u>(86,669)</u>	\$ <u>(59,073)</u>	\$ <u>31,415</u>

At June 30, 2018, 2017 and 2016 the LAFCO reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
<b>June 30, 2018</b>		
Changes in proportion	\$52,940	\$(1,904)
Differences between actual and expected experience	4,922	(3,788)
Net differences between projected and actual earnings on plan investments	17,267	-
Change in assumption	<u>69,637</u>	<u>-</u>
Total	<u>\$144,766</u>	<u>\$(5,692)</u>
<b>June 30, 2017</b>		
Changes in proportion	\$90,028	\$-
Differences between actual and expected experience	11,118	(5,029)
Net differences between projected and actual earnings on plan investments	106,762	(41,455)
Change in assumption	<u>-</u>	<u>(6,712)</u>
Total	<u>\$207,908</u>	<u>\$(53,196)</u>
<b>June 30, 2016</b>		
Changes in proportion	\$-	\$(33,937)
Differences between actual and expected experience	-	(8,553)
Net differences between projected and actual earnings on plan investments	-	(6,837)
Change in assumption	<u>-</u>	<u>(11,415)</u>
Total	<u>\$-</u>	<u>\$(60,742)</u>

**YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION**  
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**NOTE 4 – PENSION PLAN (CONT'D)**

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

For the fiscal year ended June 30, 2018 (Measurement period June 30, 2017)

<u>Year Ended June 30</u>	<u>Deferred Outflows/(Inflow) of Resources</u>
2019	\$40,988
2020	49,395
2021	7,314
2022	<u>(9,660)</u>
Total	<u><u>\$88,037</u></u>

For the fiscal year ended June 30, 2017 (Measurement period June 30, 2016)

<u>Year Ended June 30</u>	<u>Deferred Outflows of Resources</u>
2018	\$3,615
2019	14,121
2020	29,907
2021	<u>17,041</u>
Total	<u><u>\$64,684</u></u>

For the fiscal year ended June 30, 2016 (Measurement period June 30, 2015)

<u>Year Ended June 30</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflow of Resources</u>
2017	\$8,205	\$25,699
2018	8,205	20,707
2019	8,205	13,219
2020	<u>8,205</u>	<u>-</u>
Total	<u><u>\$32,820</u></u>	<u><u>\$59,625</u></u>

The net differences between projected and actual earnings on plan investments are amortized on a straight-line basis over 5 years and all other amounts are amortized over the 2.6 year average expected remaining service lives of all members in the plan, including retired members.

**YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION**  
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**NOTE 4 – PENSION PLAN (CONT'D)**

Discount Rate: The discount rate used to measure the total pension liability was 7.15%, 7.65% and 7.50% for the fiscal year ended June 30, 2018, 2017 and 2016 respectively. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, above discount rate is adequate and the use of the municipal bond rate calculation is not necessary.

The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website. According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.15 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.50 percent. Using this higher discount rate has resulted in a slightly lower Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology. The long-term expected rate of return on pension plan investments was determined using a buildingblock method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

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

The table below reflects the long-term expected real rate of return by asset class for the Plan. 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.

**YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION**  
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**NOTE 4 – PENSION PLAN (CONT'D)**

For the fiscal year ended June 30, 2018 (Measurement period June 30, 2017)

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1- 10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	<u>2.00%</u>	(0.40)%	(0.90)%
Total	<u>100.00%</u>		

For the fiscal year ended June 30, 2017 (Measurement period June 30, 2016)

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1- 10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	<u>1.00%</u>	(0.55)%	(1.05)%
Total	<u>100.00%</u>		

For the fiscal year ended June 30, 2016 (Measurement period June 30, 2015)

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1- 10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	<u>2.00%</u>	(0.55)%	(1.05)%
Total	<u>100.00%</u>		

(a) An expected inflation of 2.5% used for all 3 years. (b) An expected inflation of 3.0% used for all 3 years

Pension Plan Fiduciary Net Position: Detailed information about Plan's fiduciary net position is available in the separately issued CalPERS financial reports.

**YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION**  
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**NOTE 5 – OTHER POSTEMPLOYMENT BENEFITS PLAN**

Plan Description: The LAFCO participates in the County of Yolo Retiree Healthcare Plan (the Plan), a single employer defined benefit other postemployment benefits (OPEB) plan, which provides health insurance benefits to eligible retired employees and their beneficiaries. Medical insurance benefits are administered by the California Public Employee’s Retirement System (CalPERS), an agent multiple employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California, in accordance with the Public Employees Medical and Hospital Care Act (PEMHCA). To be eligible, an employee must retire under the CalPERS program within 120 days of separation from employment. Medical and dental insurance benefits for retirees are not currently required by contract, but have been provided as a matter of practice. Information about the Plan may be found in the County of Yolo Comprehensive Annual Financial Report (CAFR) at yolocounty.org under the publications listed on the page for the Auditor-Controller and Treasurer-Tax Collector. In order to fund the retiree health benefits, the County established an irrevocable trust with Public Agency Retirement Services (PARS).

Funding Policy: The contribution requirements of participating employers and plan members are established and may be amended by the County of Yolo Board of Supervisors. Currently the County and the LAFCO are required to contribute at an actuarially determined rate. The contribution rates were 6% of annual covered payroll during the years ended June 30, 2017 and 2016. On December 16, 2014, the County Board of Supervisors approved a 15 year approach to phase in pre-funding to begin during the year ended June 30, 2016.

Annual OPEB Cost: The LAFCO’s OPEB cost equals the amount of the annual required contribution (ARC) plus or minus adjustments for prior year differences in the amount of actual contributions as compared to the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The LAFCO’s annual other postemployment benefit cost (expense) was calculated based on the annual required contribution (ARC) percentage of the employer of 5.6% during the years ended June 30, 2017 and 2016 applied to the LAFCO’s covered payroll and a proportional share of the County’s interest on the net OPEB obligation and adjustment to the annual required contribution. The following table shows the components of the LAFCO’s annual OPEB cost for the years ended June 30, 2017 and 2016, the amount actually contributed to the Plan, and changes in the District’s Net OPEB obligation:

	<u>2017</u>	<u>2016</u>
Annual required contribution	\$ 9,569	\$ 9,210
Interest on net OPEB obligation	3,893	3,816
Adjustment to annual required contribution	<u>(6,526)</u>	<u>(7,070)</u>
Annual OPEB cost (expense)	6,936	5,956
Contributions made (including premium payments made)	<u>5,668</u>	<u>7,607</u>
Increase (decrease) in net OPEB obligation	1,268	(1,651)
Net OPEB obligation, beginning of year	<u>56,834</u>	<u>58,485</u>
Net OPEB obligation, end of year	<u>\$ 58,102</u>	<u>\$ 56,834</u>

**YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION**  
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**NOTE 5 – OTHER POSTEMPLOYMENT BENEFITS PLAN (CONT'D)**

The LAFCO's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the year ended June 30, 2017 and 2016 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of annual OPEB Cost Contributed	Net OPEB Liab.
06/30/2017	\$ 6,936	82 %	\$ 58,102
06/30/2016	5,956	128 %	56,834

Funded Status and Funding Progress: The funded status of the plan as of June 30, 2016, which is the latest date available from the June 30, 2016 valuation, was as follows:

Actuarial accrued liability (AAL)	\$56,834
Actuarial value of Plan assets	<u>4,393</u>
Unfunded actuarial accrued liability (UAAL)	<u>52,441</u>
Funded ratio (actuarial value of Plan assets/AAL)	8%
Covered payroll	-
UAAL as percentage of covered payroll	-

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of 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, presents multiyear trend information that shows whether the actual 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 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 short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2016 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses), decrease from the 4.25% rate of return used in the June 30, 2012 valuation, and an annual healthcare cost trend rate of 7.5% for non-Medicare participants and 7.8% for Medicare participants initially, reduced by decrements to an ultimate rate of 5.0% in 2020, a 3.0% general inflation assumption and 3.25% payroll increases. The actuarial value of plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five year open period. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over a closed 20 year period. The remaining amortization period at June 30, 2016 was 18 years.

**YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION  
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**NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS PLAN - GASB-75**

(For fiscal year ended June 30, 2018)

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017
Allocation percentage	0.2293%
Employer contribution	\$18,228

**ACTUARIAL METHODS AND ASSUMPTIONS**

**Actuarial Methods and Assumptions Used to Determine Total OPEB Liability**

The components of the Plan net OPEB liability as of June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Total OPEB liability	\$ 188,014	\$ 177,140
Less: Plan fiduciary net position	<u>(15,260)</u>	<u>(4,028)</u>
Net OPEB liability of employers	<u>\$ 172,754</u>	<u>\$ 173,112</u>

The County's net OPEB liability of the Plan was measured as of June 30, 2017, using an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The June 30, 2017 total OPEB liabilities for the Plan were based on the following actuarial methods and assumptions:

**Actuarial Assumptions**

Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions	
Inflation:	3.00%
Salary Increases:	3.25%
Investment Rate of Return:	6.50%
Healthcare Cost Trend Rate:	Non-Medicare – 6.5% for 2018, decreasing 0.5% per year to an ultimate rate of 5.0% for 2021 and later years Medicare – 6.7% for 2018, decreasing to an ultimate rate of 5.0% for 2021 and later years.

Mortality information was derived from data collected during 1997 to 2011 CalPERS Experience Study dated January 2014 and post-retirement mortality information was derived from the 2007 to 2011 CalPERS Experience Study which assumed future mortality improvements using Society of Actuaries (SOA) Scale MP-14 converging to ultimate rates in 2022. The Experience Study Reports may be accessed on the CalPERS website [www.calpers.ca.gov](http://www.calpers.ca.gov) under Forms and Publications

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**NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS PLAN - GASB-75 (CONT'D)**

**Target Asset Allocation**

The long-term expected rate of return on the Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the longterm expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the table below. The County’s investment guidelines for OPEB are detailed in the “Investment Guidelines Document – Yolo County Other Post-Employment Benefits Trust – March 2017”. The following is the Board’s adopted asset allocation policy for OPEB:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Real Rate of Return</u>
Global Equity	58%	4.82%
Fixed Income	35%	1.47%
Real Estate Investment Trusts	2%	3.76%
Cash	<u>5%</u>	0.06%
Total	<u>100%</u>	

**Discount Rate**

The discount rate used to measure the total OPEB liability was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Deferred Outflow and Inflow of Resources**

At June 30, 2018 reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

<u>June 30, 2018</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportion	\$2,665	\$-
Net differences between projected and actual earnings OPEB plan investments	<u>-</u>	<u>(447)</u>
Total	<u>\$2,665</u>	<u>\$(447)</u>

**YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018, 2017 AND 2016**

**NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS PLAN - GASB-75 (CONT'D)**

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liability as of the measurement date, calculated using the discount rate of 6.5 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.5 percent) or 1 percentage-point higher (7.5 percent) than the current rate:

<u>Change in discount rate</u>	<u>Discount Rate-1% (5.5%)</u>	<u>Current Discount Rate 6.5%</u>	<u>Discount Rate+1% (7.5%)</u>
Net OPEB Liability	<u>\$194,823</u>	<u>\$172,754</u>	<u>\$154,131</u>

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate**

The following presents the Net OPEB liability as of June 30, 2017, calculated using the healthcare cost trend rate of 1 percent higher as well as using trend rate 1 percent lower than the current trend rates:

<u>Healthcare Cost Trend rate</u>	<u>(Trend Rate-1%)</u>	<u>Current Trend Rate</u>	<u>(Trend Rate+1%)</u>
Net OPEB Liability	<u>\$156,018</u>	<u>\$172,754</u>	<u>\$192,543</u>

Non-Medicare trend rate of 6.5%, decreasing 0.5% per year to an ultimate rate of 5.0% for 2021 and later years. Medicare trend rate of 6.7%, decreasing to an ultimate rate of 5.0% for 2021 and later years.

**Amortization of Deferred Outflows and Deferred Inflows of Resources**

Deferred outflows of resources and deferred inflows of resources will be recognized as OPEB expense as follows:

Employer Fiscal Year Ending June 30	
2019	\$ (447)
2020	(447)
2021	(447)
2022	<u>(447)</u>
Total	<u>\$1,788)</u>

**RELATIONSHIP TO THE BASIC FINANCIAL STATEMENTS**

The components of the schedules were determined in accordance with requirements promulgated by GASBs 74 and 75. The Net OPEB liability measured as of June 30, 2017 is reported in the County of Yolo's Comprehensive Annual Financial Report

**YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018, 2017 AND 2016**

**NOTE 7 – INSURANCE**

The LAFCO participates in the Yolo County Public Agency Risk Management Insurance Authority (YCPARMIA), a public entity risk pool of governmental entities within the County of Yolo, for comprehensive general and auto liability, and workers' compensation insurance. Through the LAFCO's membership in the YCPARMIA, the District is provided with excess coverage through the California State Association of Counties-Excess Insurance for catastrophic liability losses.

Loss contingency reserves established by YCPARMIA are funded by contributions from member agencies. The LAFCO pays an annual premium to YCPARMIA that includes its pro-rata share of excess insurance premiums, charges for the pooled risk, claims adjusting and legal costs, and administrative and other costs to operate the YCPARMIA. The LAFCO's deductibles and maximum coverage for the years ended June 30 was as follows:

<u>Coverage 2017-2018</u>	<u>YCPARMIA</u>	<u>Excess</u>	<u>Deductible</u>
General and auto liability	\$500,000	\$40,000,000	\$1,000
Worker's Compensation	500,000	Statutory	1,000
Cyber Liability	-	-	-
<u>Coverage 2016-2017</u>	<u>YCPARMIA</u>	<u>Excess</u>	<u>Deductible</u>
General and auto liability	\$500,000	\$40,000,000	\$1,000
Worker's Compensation	500,000	Statutory	1,000
<u>Coverage 2015-2016</u>	<u>YCPARMIA</u>	<u>Excess</u>	<u>Deductible</u>
General and auto liability	\$500,000	\$40,000,000	\$5,000
Worker's Compensation	\$500,000	Statutory	\$1,000
Cyber Liability	-	1,000,000	-

The LAFCO has had no settlements which exceeded insurance coverage in the last three fiscal years and no significant changes or reductions in insurance coverage occurred during the year.

**NOTE 8 – RELATED PARTY TRANSACTIONS**

The County of Yolo provides legal services, information systems support, office space, furniture and accounting services to the LAFCO. Expenditures provided by the County for legal services totalled \$5,495, \$3,308 and \$4,733 for the years ended June 30, 2018, 2017 and 2016, respectively and information systems support totalled \$6,102, \$5,520 and \$5,528, for the years ended June 30, 2018, 2017 and 2016, respectively. Office space, furniture and accounting services are provided by the County free of charge.

**YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018, 2017 AND 2016**

**NOTE 9 – NET POSITION RESTATEMENT**

A prior period adjustment of \$96,781 has been reflected in the LAFCO's net position to record the net OPEB asset/liability, deferred outflows/inflows, and adjusted OPEB expense and net position in accordance to GASB 75

Beginning net position as previously reported at June 30, 2017	\$ 467,547
Net OPEB liability as per GASB-75 (measurement date)	173,112
Less: OPEB Liability previously recorded	<u>(58,103)</u> 115,009
Deferred outflow-LAFCO's contribution made during the fiscal year 2017	<u>18,228</u>
Total prior period adjustment	<u>(96,781)</u>
Net position, June 30, 2017- <i>Restated</i>	<u>\$ 564,328</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GOVERNMENTAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018, 2017 AND 2016**

<u>June 30, 2018</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Intergovernmental revenues				
County of Yolo	\$ 211,139	\$ 211,139	\$ 211,139	\$ -
County of Davis	74,870	74,870	74,870	-
County of West Sacramento	68,448	68,448	68,448	-
City of Woodland	61,120	61,120	61,120	-
City of Winters	6,702	6,702	6,702	-
Other revenues	<u>1,500</u>	<u>1,500</u>	<u>6,579</u>	<u>5,079</u>
<b>Total revenues</b>	<u>423,779</u>	<u>423,779</u>	<u>428,858</u>	<u>5,079</u>
<b>Expenditures</b>				
Salaries and benefits	406,611	406,611	373,700	32,911
Travel expenses	7,500	7,500	6,437	1,063
Communications	2,500	2,500	1,660	840
Insurance	500	500	500	-
Maintenance	750	750	658	92
Memberships	3,500	3,500	3,662	(162)
Office expenses	2,750	2,750	2,273	477
Professional services	32,800	32,800	7,101	25,699
Publications & legal notices	2,000	2,000	802	1,198
Misc. expenses	5,160	5,160	4,613	547
I.T. services	6,514	6,514	6,364	150
Training	4,200	4,200	3,943	257
Appropriations for contingency	<u>23,750</u>	<u>23,750</u>	<u>-</u>	<u>23,750</u>
<b>Total expenditures</b>	<u>498,535</u>	<u>498,535</u>	<u>411,713</u>	<u>86,822</u>
<b>Net change in fund balance</b>	(74,756)	(74,756)	17,145	91,901
<b>Fund balance, Beginning</b>	<u>32,350</u>	<u>(57,249)</u>	<u>103,231</u>	<u>160,480</u>
<b>Fund balance, Ending</b>	<u>\$ (42,406)</u>	<u>\$ (132,005)</u>	<u>\$ 120,376</u>	<u>\$ 252,381</u>

**YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GOVERNMENTAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018, 2017 AND 2016**

<u>June 30, 2017</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Intergovernmental revenues				
County of Yolo	\$ 182,450	\$181,725	\$ 181,725	\$ -
County of Davis	61,378	61,135	61,135	-
County of West Sacramento	59,140	58,905	58,905	-
City of Woodland	56,352	56,128	56,128	-
City of Winters	5,579	5,557	5,557	-
Other revenues	<u>1,500</u>	<u>1,500</u>	<u>10,349</u>	<u>8,849</u>
<b>Total revenues</b>	<u>366,399</u>	<u>364,950</u>	<u>373,799</u>	<u>8,849</u>
<b>Expenditures</b>				
Salaries and benefits	375,790	374,340	382,596	(8,256)
Travel expenses	10,800	10,800	5,119	5,681
Communications	2,500	2,500	1,635	865
Insurance	500	500	500	-
Maintenance	750	750	568	182
Memberships	3,250	3,250	3,203	47
Office expenses	2,750	2,750	1,442	1,308
Professional services	65,400	65,400	7,954	57,446
Publications & legal notices	2,000	2,000	1,022	978
Misc. expenses	3,838	3,838	8,973	(5,135)
I.T. services	5,676	5,676	5,520	156
Training	3,200	3,200	3,040	160
Transfers-Out-Equipment Pre Fund	1,200	4,800	-	4,800
Appropriations for contingency	<u>23,875</u>	<u>23,875</u>	<u>-</u>	<u>23,875</u>
<b>Total expenditures</b>	<u>501,529</u>	<u>503,679</u>	<u>421,572</u>	<u>82,107</u>
<b>Net change in fund balance</b>	(135,130)	138,729)	(47,773)	90,956
<b>Fund balance, Beginning</b>	<u>167,480</u>	<u>81,480</u>	<u>151,004</u>	<u>69,524</u>
<b>Fund balance, Ending</b>	<u>\$ 32,350</u>	<u>\$ (57,249)</u>	<u>\$ 103,231</u>	<u>\$ 160,480</u>

**YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GOVERNMENTAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018, 2017 AND 2016**

<b>June 30, 2016</b>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Intergovernmental revenues				
County of Yolo	\$ 184,944	\$ 184,944	\$ 184,944	\$ -
County of Davis	62,245	62,245	62,245	-
County of West Sacramento	63,610	63,610	63,610	-
City of Woodland	53,232	53,232	53,232	-
City of Winters	5,857	5,857	5,857	-
Other revenues	<u>1,500</u>	<u>1,500</u>	<u>8,708</u>	<u>7,208</u>
<b>Total revenues</b>	<u>371,388</u>	<u>371,388</u>	<u>378,596</u>	<u>7,208</u>
<b>Expenditures</b>				
Salaries and benefits	345,605	345,605	356,739	(11,134)
Travel expenses	2,000	2,000	5,445	(3,445)
Communications	2,500	2,500	1,632	868
Insurance	500	500	500	-
Maintenance	750	750	624	126
Memberships	3,100	3,100	3,011	89
Office expenses	2,250	2,250	2,474	(224)
Professional services	85,400	85,400	101,957	(16,557)
Publications & legal notices	6,500	6,500	3,347	3,153
Misc. expenses	3,583	3,583	1,493	2,090
I.T. services	6,674	6,674	5,528	1,146
Training	12,000	12,000	5,385	6,615
PC Equipment Replacement Reserve	1,200	1,200	-	1,200
Appropriations for contingency	<u>23,750</u>	<u>23,750</u>	<u>-</u>	<u>23,750</u>
<b>Total expenditures</b>	<u>495,812</u>	<u>495,812</u>	<u>488,135</u>	<u>7,677</u>
<b>Net change in fund balance</b>	(124,424)	(124,424)	(109,539)	14,885
<b>Fund balance, Beginning</b>	<u>291,904</u>	<u>205,904</u>	<u>260,543</u>	<u>54,639</u>
<b>Fund balance, Ending</b>	<u>\$ 167,480</u>	<u>\$ 81,480</u>	<u>\$ 151,004</u>	<u>\$ 69,524</u>

**YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION**  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE**  
**NET PENSION LIABILITY - MISCELLANEOUS PLAN (UNAUDITED)**  
**(LAST 10 YEARS)**

<u>Financial Year</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>
<u>Measurement Period</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>
<b>Total Pension Liability</b>				
Service Cost	\$ 38,912	\$ 33,788	\$ 20,380	\$ 28,841
Interest on Total Pension Liability	131,635	127,799	77,304	102,589
Changes of Benefit Terms	-	-	-	-
Change in Assumptions	108,324	-	(18,550)	-
Difference between Expected and Actual Experience	(5,892)	17,295	(13,898)	-
Benefit Payments, including Refunds of Employee Contributions	<u>(90,353)</u>	<u>(87,841)</u>	<u>(52,725)</u>	<u>(67,706)</u>
<b>Net Change in Total Pension Liability</b>	182,626	91,041	12,511	63,724
<b>Total Pension Liability - Beginning</b>	<u>1,764,333</u>	<u>1,680,301</u>	<u>1,059,134</u>	<u>1,387,284</u>
<b>Total Pension Liability - Ending (a)</b>	<u>\$1,946,959</u>	<u>\$1,771,342</u>	<u>\$1,071,645</u>	<u>\$1,451,008</u>
<b>Plan Fiduciary Net Position</b>				
Contribution - Employer	51,901	48,217	27,063	32,511
Contribution - Employee	17,467	17,396	10,258	13,888
Net Investment Income	132,254	6,232	17,141	158,423
Benefits Payments, including Refunds of Employee Contributions	(90,353)	(87,841)	(52,725)	(67,706)
Net plan to Plan Resource Movement	-	-	-	-
Administrative Expenses	(1,756)	(737)	(864)	-
Other Misc. Income	-	-	-	-
<b>Net change in Fiduciary Net Position</b>	109,513	(16,733)	873	137,116
<b>Plan Fiduciary Net Position - Beginning</b>	<u>1,189,345</u>	<u>1,210,803</u>	<u>771,340</u>	<u>919,617</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$1,298,858</u>	<u>\$1,194,070</u>	<u>\$ 772,213</u>	<u>\$1,056,733</u>
<b>Plan Net Pension Liability/(Assets) (a) - (b)</b>	<u>\$ 648,101</u>	<u>\$ 577,272</u>	<u>\$ 299,432</u>	<u>\$ 394,275</u>
<b>Plan Fiduciary Net Position as a % of the Total Pension Liability</b>	67 %	67 %	72 %	73 %
Covered - employee payroll	231,331	221,618	129,685	172,567
<b>Plan Net Position Liability/(Asset) as a % of covered payroll</b>	280 %	260 %	231 %	228 %

**YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION  
SCHEDULE OF THE PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY - MISCELLANEOUS PLAN (UNAUDITED)  
(LAST 10 YEARS)**

**NOTES TO SCHEDULE OF CHANGES IN NET PENSION LIABILITY  
AND  
RELATED RATIOS**

**Benefit Changes:**

The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2016 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

**Changes of Assumptions:**

In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there discount rate increases from 7.50 to 7.65. In 2015, there was no change.

**YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION  
SCHEDULE OF PLAN CONTRIBUTION  
MISCELLANEOUS PLAN (UNAUDITED)**

Schedule of plan contribution for the fiscal year ended June 30<sup>1</sup>

<u>Employer Fiscal Year end</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially Determined Contribution <sup>2</sup>	\$51,760	\$51,962	\$48,648	\$32,511
Contributions in Relation to the Actuarially Determined Contribution	<u>(51,760)</u>	<u>(51,962)</u>	<u>(48,648)</u>	<u>(32,511)</u>
Contribution Deficiency (Excess)	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>
Covered Payroll <sup>3</sup>	\$231,331.00	\$221,618.00	\$129,685.00	\$172,566.64
Contributions as a Percentage of Covered Payroll <sup>3</sup>	22.37 %	23.45 %	37.51 %	18.84 %

1. As prescribed in GASB 68, paragraph 46, the information presented in the Schedule of Plan Contributions should also be presented as of the employer's most recent fiscal year-end. The employer is responsible for determining this information as prescribed by the standard as this data is not available to CalPERS.
2. Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.
3. Includes one year's payroll growth using 3.00 percent payroll assumption.

**YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION  
SCHEDULE OF PLAN CONTRIBUTION  
MISCELLANEOUS PLAN (UNAUDITED)**

**NOTES TO SCHEDULE OF PLAN CONTRIBUTIONS**

Financial year	June 30, 2018
Measurement period	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2014 Funding Valuation Report
Asset Valuation Method	Market Value of Assets. For details, see June 30, 2014 Funding Valuation Report.
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement Age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

**YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION  
SCHEDULE OF PLAN CONTRIBUTION  
MISCELLANEOUS PLAN (UNAUDITED)**

**NOTES TO SCHEDULE OF PLAN CONTRIBUTIONS**

Financial year	June 30, 2017
Measurement period	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2013 Funding Valuation Report
Asset Valuation Method	Market Value of Assets. For details, see June 30, 2013 Funding Valuation Report.
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement Age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

**YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION  
SCHEDULE OF PLAN CONTRIBUTION  
MISCELLANEOUS PLAN (UNAUDITED)**

**NOTES TO SCHEDULE OF PLAN CONTRIBUTIONS**

Financial year	June 30, 2016
Measurement period	June 30, 2015
Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2012 Funding Valuation Report.
Asset Valuation Method	Actuarial Value of Assets. For details, see June 30, 2012 Funding Valuation Report.
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter
Mortality Rate Table	Derived using CalPERS' membership data for all funds

# **COMPLIANCE REPORT**

**INDEPENDENT AUDITOR'S 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**

To the Chair and Members of the  
Yolo County Local Agency Formation Commission  
Woodland, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the Yolo County Local Agency Formation Commission (the LAFCO), as of and for the fiscal years ended June 30, 2018, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the LAFCO's basic financial statements, and have issued our report thereon dated November 22, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the LAFCO's internal control over financial reporting (internal control) to determine the 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 the LAFCO's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the 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 deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the LAFCO’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 LAFCO’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**Harshwal & Company, LLP**  
**Certified Public Accountants**

*Harshwal & Company LLP*

**Oakland, California**  
November 22, 2018

## **SCHEDULE OF FINDINGS AND RESPONSES**

**YOLO LOCAL AGENCY FORMATION COMMISSION  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2018, 2017 AND 2016**

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued:	Unmodified.
Internal control over financial reporting:	
• Material weakness(es) identified?	No.
• Significant deficiency(ies) identified?	None reported.
Noncompliance material to financial statements noted?	No.

**SECTION II - FINANCIAL STATEMENT FINDINGS**

No findings are reported.

## **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**YOLO LOCAL AGENCY FORMATION COMMISSION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2018, 2017 AND 2016**

**SECTION I - FINANCIAL STATEMENT FINDINGS**

No findings are reported.