

**YOLO COUNTY LOCAL AGENCY
FORMATION COMMISSION**

Audited Financial Statements and
Compliance Report

June 30, 2021, 2020 and 2019

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YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION

Audited Financial Statements and
Compliance Report

June 30, 2021, 2020 and 2019

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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, 2021, 2020 and 2019 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.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of the Yolo County Local Agency Formation Commission as of June 30, 2021, 2020 and 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 January 19, 2022 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.

Richardson & Company, LLP

January 19, 2022

YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION

STATEMENTS OF NET POSITION

June 30, 2021, 2020 and 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
ASSETS			
Cash and investments	\$ 249,121	\$ 277,713	\$ 188,015
Due from other governments			4,000
TOTAL ASSETS	<u>249,121</u>	<u>277,713</u>	<u>192,015</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension plan	90,567	73,517	88,195
OPEB plan	22,025	15,543	15,826
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>112,592</u>	<u>89,060</u>	<u>104,021</u>
LIABILITIES			
Accounts payable	70	155	311
Salaries and benefits payable	12,329	10,865	6,036
Compensated absences - current	8,140	6,626	3,825
Noncurrent liabilities:			
Compensated absences - noncurrent	8,137	6,625	3,826
Net pension liability	528,211	533,949	594,380
Net OPEB liability	109,913	120,029	146,880
TOTAL LIABILITIES	<u>666,800</u>	<u>678,249</u>	<u>755,258</u>
DEFERRED INFLOWS OF RESOURCES			
Pension plan	61,498	97,094	47,789
OPEB plan	34,362	35,346	13,285
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>95,860</u>	<u>132,440</u>	<u>61,074</u>
NET POSITION			
Unrestricted (deficit)	<u>(400,947)</u>	<u>(443,916)</u>	<u>(520,296)</u>
TOTAL NET POSITION (DEFICIT)	<u>\$ (400,947)</u>	<u>\$ (443,916)</u>	<u>\$ (520,296)</u>

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

YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2021, 2020 and 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
PROGRAM EXPENSES			
Salaries and benefits	\$ 318,171	\$ 354,583	\$ 431,264
Professional services	14,121	16,636	28,085
Office	12,457	6,859	7,553
Information technology	10,526	9,072	7,244
General and administration	7,169	5,469	5,899
Training, transportation and travel		4,473	7,336
Miscellaneous	9,117	7,509	4,455
TOTAL PROGRAM EXPENSES	<u>371,561</u>	<u>404,601</u>	<u>491,836</u>
PROGRAM REVENUES			
Intergovernmental revenues:			
County of Yolo	195,121	207,700	216,713
City of West Sacramento	66,974	67,863	69,885
City of Davis	66,612	70,423	75,991
City of Woodland	55,514	62,627	63,758
City of Winters	6,021	6,787	7,078
Federal - COVID relief	5,221		
Charges for services	13,016	52,548	20,532
TOTAL PROGRAM REVENUES	<u>408,479</u>	<u>467,948</u>	<u>453,957</u>
NET PROGRAM REVENUES (EXPENSES)	36,918	63,347	(37,879)
GENERAL REVENUES			
Other income	4,149	4,000	4,000
Interest income	1,902	9,033	8,592
TOTAL GENERAL REVENUES	<u>6,051</u>	<u>13,033</u>	<u>12,592</u>
CHANGE IN NET POSITION	42,969	76,380	(25,287)
Net position at beginning of year	<u>(443,916)</u>	<u>(520,296)</u>	<u>(495,009)</u>
NET POSITION AT END OF YEAR	<u>\$ (400,947)</u>	<u>\$ (443,916)</u>	<u>\$ (520,296)</u>

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

YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION

BALANCE SHEETS - GENERAL FUND

June 30, 2021, 2020 and 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
ASSETS			
Cash and investments	\$ 249,121	\$ 277,713	\$ 188,015
Due from other governments			4,000
	<u>249,121</u>	<u>277,713</u>	<u>192,015</u>
TOTAL ASSETS	<u>\$ 249,121</u>	<u>\$ 277,713</u>	<u>\$ 192,015</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$ 70	\$ 155	\$ 311
Salaries and benefits payable	12,329	10,865	6,036
	<u>12,399</u>	<u>11,020</u>	<u>6,347</u>
TOTAL LIABILITIES	<u>12,399</u>	<u>11,020</u>	<u>6,347</u>
FUND BALANCE			
Assigned	10,000	7,805	2,800
Unassigned	226,722	258,888	182,868
	<u>236,722</u>	<u>266,693</u>	<u>185,668</u>
TOTAL FUND BALANCE	<u>236,722</u>	<u>266,693</u>	<u>185,668</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 249,121</u>	<u>\$ 277,713</u>	<u>\$ 192,015</u>

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

YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEETS
TO THE GOVERNMENT-WIDE STATEMENTS OF NET POSITION

June 30, 2021, 2020 and 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Fund balance - governmental funds for the year ended June 30:	\$ 236,722	\$ 266,693	\$ 185,668
Amounts reported for governmental activities in the statement of net position are different because:			
Certain pension and OPEB transactions will reduce the pension or OPEB liability in the future and are reported as deferred outflows of resources on the statement of net position.	112,592	89,060	104,021
Certain liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds:			
Compensated absences	(16,277)	(13,251)	(7,651)
Net pension liability	(528,211)	(533,949)	(594,380)
OPEB liability	(109,913)	(120,029)	(146,880)
Certain pension and OPEB differences to be recognized in the future as pension or OPEB expense are reported as deferred inflows of resources on the statement of net position.	<u>(95,860)</u>	<u>(132,440)</u>	<u>(61,074)</u>
Net position - governmental activities for the year ended June 30:	<u>\$ (400,947)</u>	<u>\$ (443,916)</u>	<u>\$ (520,296)</u>

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

YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION

STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE -
GENERAL FUND

For the Years Ended June 30, 2021, 2020 and 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
REVENUES			
Intergovernmental revenues:			
County of Yolo	\$ 195,121	\$ 207,700	\$ 216,713
City of West Sacramento	66,974	67,863	69,885
City of Davis	66,612	70,423	75,991
City of Woodland	55,514	62,627	63,758
City of Winters	6,021	6,787	7,078
Federal - COVID relief	5,221		
Charges for services	17,165	56,548	24,532
Use of money	1,902	9,033	8,592
TOTAL REVENUES	<u>414,530</u>	<u>480,981</u>	<u>466,549</u>
EXPENDITURES			
Salaries and benefits	391,111	349,938	340,685
Professional services	14,121	16,636	28,085
Office	12,457	6,859	7,553
Information technology	10,526	9,072	7,244
General and administrative	7,169	5,469	5,899
Training, transportation and travel		4,473	7,336
Miscellaneous	9,117	7,509	4,455
TOTAL EXPENDITURES	<u>444,501</u>	<u>399,956</u>	<u>401,257</u>
NET CHANGE IN FUND BALANCE	(29,971)	81,025	65,292
Fund balance at beginning of year	<u>266,693</u>	<u>185,668</u>	<u>120,376</u>
FUND BALANCE AT END OF YEAR	<u>\$ 236,722</u>	<u>\$ 266,693</u>	<u>\$ 185,668</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 Years Ended June 30, 2021, 2020 and 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Net change in fund balance - governmental funds for the year ended June 30:	\$ (29,971)	\$ 81,025	\$ 65,292
Amounts 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:			
Change in compensated absences	(3,026)	(5,600)	(2,441)
Pension expense	58,384	(3,552)	(96,707)
OPEB expense	<u>17,582</u>	<u>4,507</u>	<u>8,569</u>
Change in net position - governmental activities for the year ended June 30:	<u>\$ 42,969</u>	<u>\$ 76,380</u>	<u>\$ (25,287)</u>

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

YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2021, 2020 and 2019

NOTE A – 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 County). The LAFCO became an independent agency separate from the County in 2001. The LAFCO's membership includes two county supervisors appointed by the County's 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 as a whole. 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 activities. 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.

Basis of Presentation – 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. For this purpose, the LAFCO considers all revenues to be available if they are collected within 90 days of the end of the

YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2021, 2020 and 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual basis accounting.

The LAFCO reports the following major 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.

Capital Assets: Are defined as furniture, fixtures and equipment with a useful life of three or more years and an initial cost of over \$5,000. Capital assets are depreciated using the straight-line method over the estimated useful lives of 3-10 years. The LAFCO had no assets meeting the capitalization threshold.

Compensated Absences: Vacation is earned up to a maximum of 184 hours per year for employees hired prior to June 30, 2013 and 160 hours per year for employees hired on or after June 30, 2013. After completion of 13 consecutive pay periods, unused vacation is paid at the time of termination from the LAFCO's employment. Sick leave is earned up to a maximum of 96 hours per year. Upon retirement, unused sick leave may only be reported to CalPERS to earn additional retirement service credit (2,000 hours of sick leave earns a full year of service credit) and is not paid at termination of employment. 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 under GASB 68 as described in Note D and the LAFCO's other postemployment benefits (OPEB) plan described in Note E. Unavailable revenue in governmental funds arises when a potential revenue source does not meet both the "measurable" and "available" criteria for recognition in the current period. The LAFCO had no unavailable revenue at June 30, 2021, 2020 and 2019.

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. The LAFCO had no nonspendable funds at June 30, 2021, 2020 and 2019.

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. The LAFCO had no restricted funds at June 30, 2021, 2020 and 2019.

YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2021, 2020 and 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 (a resolution) of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors modifies or removes the fund commitment with a resolution. The LAFCO had no committed funds at June 30, 2021, 2020 and 2019.

Assigned Funds – Fund balance should be reported as assigned when the amounts are constrained by the Board of Directors intent to be used for specific purposes, but are neither restricted nor committed. The LAFCO had \$10,000 and \$5,000 of fund balance assigned for audits at June 30, 2021 and 2020, respectively, and \$2,805 and \$2,800 of fund balance assigned for computer replacement at June 30, 2020 and 2019 through Commission Resolution as part of the budget process.

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.

The LAFCO's policy is to consider committed, assigned and unassigned amounts to be spent, in that order, when an expenditure is incurred for which any of these classifications can be used.

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 THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2021, 2020 and 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pension Plan: For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to the pension plan, and pension expense, information about the fiduciary net position of the LAFCO's participation in 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 the plan. 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.

OPEB Plan: For purposes of measuring the net OPEB liability, deferred outflows of resources, deferred inflows of resources and OPEB expense, information about the fiduciary net position of the LAFCO's participation in the County of Yolo's OPEB 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 the plan. 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 B – 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 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, 2021, 2020 and 2019, the weighted average maturity of the investments contained in the County's investment pool was approximately 408, 416 and 449 days, respectively.

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's 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's investment pool).

YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2021, 2020 and 2019

NOTE C – COMPENSATED ABSENCES

The following is a summary of compensated absences activity for the years ended June 30:

	<u>July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2021</u>	<u>Due Within One Year</u>
Compensated absences	\$ 13,251	\$ 15,750	\$ (12,724)	\$ 16,277	\$ 8,140
	<u>July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2020</u>	<u>Due Within One Year</u>
Compensated absences	\$ 7,651	\$ 14,882	\$ (9,282)	\$ 13,251	\$ 6,626
	<u>July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2019</u>	<u>Due Within One Year</u>
Compensated absences	\$ 5,210	\$ 14,031	\$ (11,590)	\$ 7,651	\$ 3,825

NOTE D – PENSION PLAN

General Information about the Pension Plan

Plan Description: The LAFCO is a cost-sharing participant in the County’s Miscellaneous pension plan, which is a defined benefit 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.

The LAFCO participates in the County’s Miscellaneous Plan and the following rate plans.

- Miscellaneous Rate Plan
- PEPRM Miscellaneous Rate Plan

Benefit provisions under the Plan are established by State statute and County Board of Supervisor resolution and the LAFCO’s participation in the Plan is under the County’s Personnel Rules and Regulations adopted by the LAFCO. 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.

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. All full and part-time permanent employees and extra help employees who have worked over 1,000 hours are required to participate in the Plan. Per diem and extra help employees working less than 1,000 hours in a fiscal year are excluded from the Plan. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service and who have reached the plan-specific age are eligible to retire. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is the Basic Death Benefit, Optional Settlement 2W Death Benefit or the Special Death Benefit. The cost-of-living adjustments are the Standard Benefit or 2% per year beginning in the second calendar year after the year of retirement.

YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2021, 2020 and 2019

NOTE D – PENSION PLAN (Continued)

The Plan’s provisions and benefits in effect are summarized as follows at June 30:

	2021		2020		2019	
	Miscellaneous Plan	PEPRA Miscellaneous Plan	Miscellaneous Plan	PEPRA Miscellaneous Plan	Miscellaneous Plan	PEPRA Miscellaneous Plan
Hire date	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula (at full retirement)	2.5% @ 55	2.0% @ 62	2.5% @ 55	2.0% @ 62	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50-55	52 - 67	50-55	52 - 67	50-55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%	2.0% to 2.5%	1.0% to 2.5%	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	8.00%	6.75%	9.277%	6.25%	8.00%	6.25%
Required employer contribution rates	30.364%	6.814%	28.439%	6.63%	25.254%	6.25%

The Miscellaneous Rate Plan closed to all new participants that are not CalPERS participants.

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 July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate provides the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance the unfunded actuarial 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, 2021, 2020 and 2019 the contributions made to the Plan were \$67,676, \$56,310 and \$51,344, respectively.

Pension Liability, Pension Expense and Deferred Outflows/Inflows of Resources: As of June 30, the LAFCO reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	2021	2020	2019
Total Net Pension Liability	\$ 528,211	\$ 533,949	\$ 594,380

The LAFCO’s net pension liability for each risk pool is measured as the proportionate share of the net pension liability. The net pension liability for the Plan was measured as of June 30, 2020, 2019 and 2018 using an annual actuarial valuation as of June 30, 2019, 2018 and 2017 rolled forward to June 30, 2020, 2019, and 2018, respectively using standard update procedures as required by GASB Statement No. 68. 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 risk pools relative to the projected contributions of all participating employers, actuarially determined. The LAFCO’s proportionate share of the net pension liability for each risk pool as of June 30 was as follows:

YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2021, 2020 and 2019

NOTE D – PENSION PLAN (Continued)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Proportion - June 30, 2020	0.2156%		
Proportion - June 30, 2021	0.2002%		
Change - Increase (Decrease)	-0.0154%		
Proportion - June 30, 2019		0.2565%	
Proportion - June 30, 2020		0.2156%	
Change - Increase (Decrease)		-0.0409%	
Proportion - June 30, 2018			0.2769%
Proportion - June 30, 2019			0.2565%
Change - Increase (Decrease)			-0.0204%

For the years ended June 30, 2021, 2020, and 2019 the LAFCO recognized pension expense of \$9,292, \$59,862 and \$148,041 for the Plan respectively. At June 30, the LAFCO reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	<u>2021</u>		<u>2020</u>		<u>2019</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 67,676		\$ 56,310		\$ 51,334	
Differences between actual and expected experience	15,043		17,207		5,622	\$ (1,559)
Changes in assumptions				\$ (4,021)	28,670	(9,569)
Differences between the employer's contributions and the employer's proportionate share of contributions						
Change in employer's proportion		\$ (61,498)		(86,549)		(36,661)
Net differences between projected and actual earnings on plan investments	7,848			(6,524)	2,569	
Total	<u>\$ 90,567</u>	<u>\$ (61,498)</u>	<u>\$ 73,517</u>	<u>\$ (97,094)</u>	<u>\$ 88,195</u>	<u>\$ (47,789)</u>

The amount reported as deferred outflows of resources related to contributions subsequent to the measurement date above will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized as pension expense as follows:

Measurement Years Ended June 30:	<u>2021</u>	<u>2020</u>	<u>2019</u>
2020			\$ 21,910
2021		\$ (42,853)	(16,938)
2022	\$ (40,791)	(36,147)	(12,424)
2023	(6,556)	(1,905)	(3,476)
2024	4,385	1,018	
thereafter	<u>4,355</u>		
Total	<u>\$ (38,607)</u>	<u>\$ (79,887)</u>	<u>\$ (10,928)</u>

YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2021, 2020 and 2019

NOTE D – PENSION PLAN (Continued)

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 average expected remaining service lives of all members in the plan, including retired members, which was 3.0 to 3.1 years.

Actuarial Assumptions: The total pension liability at June 30 was determined using the following actuarial assumptions.

	2021	2020	2019
Valuation Date	June 30, 2019	June 30, 2018	June 30, 2017
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method		
Actuarial Assumptions:			
Discount Rate	7.15%	7.15%	7.15%
Inflation	2.625%	2.50%	2.50%
Projected Salary Increase	0.4% to 8.5% (1)	3.2% to 12.2% (1)	3.30% to 14.20% (1)
Payroll Growth	2.875%	3.00%	3.00%
Mortality Rate	(2)	(2)	(2)
Post Retirement Increase	(3)	2.00%	2.00%

(1) Varies by entry age, service, and type of employment.

(2) The mortality table used was developed based on CalPERS's specific data. The probabilities of mortality are based on the most recent CalPERS Experience Study. The table includes 15 years of mortality improvement using 90% of Scale MP-2016 (2021) or 20 years of mortality improvements using Society of Actuaries Scale BB published by the Society of Actuaries (2020 and 2019). For more details on this table, please refer to the experience study report available on CalPERS website at www.calpers.ca.gov.

(3) The lesser of contract COLS or 2.5% until purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter.

Changes in Assumptions: The demographic assumptions were changed in accordance with the CalPERS Experience Study and Review of Actuarial Assumptions in December 2017.

Discount Rate: The discount rate used to measure the total pension liability was 7.15% for each year. To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.15% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15% is applied to all plans in the Public Employees' Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS website under the GASB 68 section.

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

YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2021, 2020 and 2019

NOTE D – PENSION PLAN (Continued)

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the PERF asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) 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 PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The tables below reflect the long-term expected real rate of return by asset class as of the measurement date, net of administrative expenses:

Asset Class	2021			2020			2019		
	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	50.0%	4.80%	5.98%	50.0%	4.80%	5.98%	50.0%	4.80%	5.98%
Global Fixed Income	28.0%	1.00%	2.62%	28.0%	1.00%	2.62%	28.0%	1.00%	2.62%
Inflation Sensitive	0.0%	0.77%	1.81%	0.0%	0.77%	1.81%	0.0%	77.00%	1.81%
Private Equity	8.0%	6.30%	7.23%	8.0%	6.30%	7.23%	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%	13.0%	3.75%	4.93%	13.0%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%	1.00%	0.00%	-0.92%	1.00%	0.00%	-0.92%
Total	100.0%			100.0%			100.0%		

(a) An expected inflation of 2.0% used for this period.
 (b) An expected inflation of 2.92% used for this period.

Sensitivity of the Proportionate Share 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:

	2021	2020	2019
1% Decrease	6.15%	6.15%	6.15%
Net Pension Liability	\$ 738,709	\$ 753,282	\$ 843,073
Current Discount Rate	7.15%	7.15%	7.15%
Net Pension Liability	\$ 528,211	\$ 533,949	\$ 594,380
1% Increase	8.15%	8.15%	8.15%
Net Pension Liability	\$ 354,080	\$ 352,587	\$ 388,743

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

Deferred Compensation Plan: Employees are eligible to voluntarily participate in the County’s pre-tax deferred compensation program under Section 457 of the Internal Revenue Code. Employees are eligible for matching contributions depending on their bargaining unit.

YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2021, 2020 and 2019

NOTE E – OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Description: The LAFCO is a cost-sharing participant in the County of Yolo Retiree Healthcare Plan (the Plan), a single-employer defined benefit other postemployment benefits (OPEB) plan, which provides medical and dental 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 from Yolo County. Medical and dental insurance benefits for retirees are continued for County employees based on current labor agreements. The LAFCO staff have been provided these benefits as a matter of practice. Information about the Plan may be found in the County of Yolo Annual Comprehensive Financial Report (ACFR) at yolocounty.org under Government – Financial Services - Publications. In order to fund the retiree health benefits, the County established an irrevocable trust with Public Agency Retirement Services (PARS). PARS issues a separate annual financial report that may be obtained by writing to PARS at 4350 Von Karman Ave., Suite 100 Newport Beach, CA 92660 or by calling 800-540-6369.

Benefits Provided: The contribution requirements of participating employers and plan members are established and may be amended by the County of Yolo Board of Supervisors subject to Memoranda of Understanding with each of the bargaining units. Currently the County and the LAFCO are required to contribute a monthly contribution towards a retiree's health insurance premiums of between \$266 and \$833 per month, depending on the bargaining unit.

Contributions: In May 2011 and December 2014, respectively, the County adopted resolutions establishing a Section 115 Irrevocable Trust and a plan to pre-fund the OPEB liability in the Trust. The contribution requirements are established by Memoranda of Understanding with the employee bargaining units and may be amended by agreements between the County and the bargaining units. The LAFCO's contributions were 7.95% of annual covered payroll during the years ended June 30, 2021, 2020 and 2019. The LAFCO's Contributions to the OPEB plan were \$17,642, \$15,543, and \$15,826 during the years ended June 30, 2021, 2020 and 2019, respectively. Employees are not required to contribute to the OPEB plan.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources: At June 30, 2021, 2020 and 2019, the LAFCO reported a net OPEB liability of \$109,913, \$120,029 and \$146,880, respectively for its proportionate share of the net OPEB liability of the County OPEB plan. The net OPEB liability at June 30, 2021, 2020 and 2019 was measured as of December 31, 2020, 2019 and 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020 for the year ended June 30, 2021 and as of June 30, 2018 for the years ended June 30, 2020 and 2019. The LAFCO's proportion of the net OPEB liability was based on a projection of the LAFCO's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating agencies, actuarially determined. At December 31, 2021, 2020 and 2019 the LAFCO's proportion of the County plan was .1672%, .1821%, and .2144%, respectively.

YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2021, 2020 and 2019

NOTE E – OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)

For the years ended June 30, 2021, 2020 and 2019, the LAFCO recognized OPEB expense of \$60, \$11,036, and \$7,257. At June 30, the LAFCO reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$ 17,642	
Changes of assumptions		\$ (2,886)
Differences between actual and expected experience	3,465	(3,835)
Changes in proportion		(27,641)
Net differences between projected and actual earnings on plan investments	918	
Total	<u>\$ 22,025</u>	<u>\$ (34,362)</u>
	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$ 15,543	
Changes of assumptions		\$ (2,671)
Differences between actual and expected experience		(5,105)
Changes in proportion		(27,192)
Net differences between projected and actual earnings on plan investments		(378)
Total	<u>\$ 15,543</u>	<u>\$ (35,346)</u>
	2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$ 15,826	
Changes of assumptions		\$ (4,288)
Differences between actual and expected experience		(8,197)
Net differences between projected and actual earnings on plan investments		(800)
Total	<u>\$ 15,826</u>	<u>\$ (13,285)</u>

The amounts reported as deferred outflows of resources above described as contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2021, 2020 and 2019

NOTE E – OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)

Year ended June 30:	2021	2020	2019
2020			\$ (2,869)
2021		\$ (5,862)	(2,766)
2022	\$ (6,492)	(5,860)	(2,932)
2023	(6,654)	(5,773)	(3,175)
2024	(7,115)	(5,950)	(1,543)
2025	(6,360)	(6,191)	
2026	(3,358)	(5,710)	
	<u>\$ (29,979)</u>	<u>\$ (35,346)</u>	<u>\$ (13,285)</u>

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

	2021	2020	2019
Valuation Date	June 30, 2020	June 30, 2018	June 30, 2018
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018
Actuarial Cost Method	Entry Age Normal Cost Method		
Actuarial Assumptions:			
Discount Rate	6.75%	6.75%	6.75%
Inflation	2.75%	2.75%	2.75%
Investment Rate of Return	6.75%	6.75%	6.50%
Mortality Rate	CalPERS 1997-2015 Experience Study		
Mortality Improvement	Mortality projected fully generational with Scale MP-2019	Mortality projected fully generational with Scale MP-2017	Mortality projected fully generational with Scale MP-2017
Salary increases	Aggregate- 3.0% Merit- CalPERS 1997-2015 Experience Study		
Medical Trend			
Non-Medicare			
Initial	7.0% in 2022	7.5% in 2020	7.5% in 2020
Decreasing to an ultimate rate of	4.0% in 2076	4.0% in 2076	4.0% in 2076
Medicare (Non-Kaiser)			
Initial	6.1% in 2022	6.5% in 2020	6.5% in 2020
Decreasing to an ultimate rate of	4.0% in 2076	4.0% in 2076	4.0% in 2076
Medicare (Kaiser)			
Initial	5.0% in 2022		
Decreasing to an ultimate rate of	4.0% in 2076		

Mortality information was derived from data collected during 1997 to 2015 CalPERS Experience Study dated December 2017 and post-retirement mortality information was derived from the 2007 to 2015 CalPERS Experience Study which assumed future mortality improvements using Society of Actuaries (SOA) Scale MP-19 for 2021 and Scale MP-17 for 2020 and 2019. The Experience Study Reports may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications.

YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2021, 2020 and 2019

NOTE E – OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)

The long-term expected rate of return on OPEB 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 long-term 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 allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

2021		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	73%	4.82%
Fixed income	20%	1.47%
REITS	2%	3.76%
Cash	5%	0.06%
Total	100%	

2020		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	73%	4.82%
Fixed income	20%	1.47%
REITS	2%	3.76%
Cash	5%	0.06%
Total	100%	

2019		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	73%	4.82%
Fixed income	20%	1.47%
REITS	2%	3.76%
Cash	5%	0.06%
Total	100%	

Discount Rate: The discount rate used to measure the total OPEB liability was 6.75% at June 30, 2021, 2020 and 2019. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at contractually 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.

YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2021, 2020 and 2019

NOTE E – OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)

Sensitivity of the District’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate: The following presents the LAFCO’s proportionate share of the net OPEB liability, as well as what the LAFCO’s proportionate share of the net OPEB 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 discount rate:

	2021		
	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
Net OPEB liability (asset)	\$ 124,838	\$ 109,913	\$ 97,159
	2020		
	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
Net OPEB liability (asset)	\$ 136,182	\$ 120,029	\$ 106,252
	2019		
	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
Net OPEB liability (asset)	\$ 165,314	\$ 146,880	\$ 131,171

Sensitivity of the District’s Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the LAFCO’s proportionate share of the net OPEB liability, as well as what the LAFCO’s proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point than the current healthcare cost trend rates:

	2021		
	1% Decrease	Healthcare Cost Trend Rates	1% Decrease
Net OPEB liability (asset)	\$ 103,819	\$ 109,913	\$ 116,636
	2020		
	1% Decrease	Healthcare Cost Trend Rates	1% Decrease
Net OPEB liability (asset)	\$ 112,960	\$ 120,029	\$ 127,923
	2019		
	1% Decrease	Healthcare Cost Trend Rates	1% Decrease
Net OPEB liability (asset)	\$ 139,512	\$ 146,880	\$ 155,057

OPEB Plan Fiduciary Net Position: Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued County financial report.

YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2021, 2020 and 2019

NOTE F – 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 General and Auto Liability coverage through the California Joint Powers Risk Management Authority for the years ended June 30, 2021, 2020 and 2019 and the District is provided with excess Worker’s Compensation coverage through the Public Risk Innovation, Solutions and Management for the year ended June 30, 2021 and through the California State Association of Counties-Excess Insurance for the years ended June 30, 2020 and 2019. 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:

Coverage 2021	YCPARMIA	Excess	Deductible
General and Auto Liability	\$ 500,000	\$ 40,000,000	\$ 5,000
Worker's Compensation	500,000	Statutory	1,000
Coverage 2020	YCPARMIA	Excess	Deductible
General and Auto Liability	\$ 500,000	\$ 40,000,000	\$ 5,000
Worker's Compensation	500,000	Statutory	1,000
Coverage 2019	YCPARMIA	Excess	Deductible
General and Auto Liability	\$ 500,000	\$ 40,000,000	\$ 5,000
Worker's Compensation	1,000,000	Statutory	1,000

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 G – RELATED PARTY TRANSACTIONS

The County of Yolo provided legal services, information systems support, office space, surplus furniture, accounting and human resource services and miscellaneous services to the LAFCO as follows:

	2021	2020	2019
Legal services	\$ 7,176	\$ 7,933	\$ 14,478
Information systems support	10,137	9,072	7,244
Miscellaneous services	6,266	1,658	8,023
Total	\$ 23,579	\$ 18,663	\$ 29,745

Office space, surplus furniture and accounting and human resource services are provided by the County free of charge.

YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2021, 2020 and 2019

NOTE H – NEW PRONOUNCEMENTS

In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the lease guidance, unless specifically excluded in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. This Statement addresses a number of practice issues identified during the implementation of certain GASB Statements, including 1) the effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-03, *Leases*, for interim financial statements; 2) reporting of intra-entity transfers between a primary government employer and a component unit defined benefit pension plan or defined benefit OPEB plan; 3) the applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits; 4) the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements; 5) measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; 6) reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; 7) reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature; and 8) terminology used to refer to derivative instruments. This Statement is applicable for items 1) and 7) above upon its issuance and is effective for the other items above for reporting periods beginning after June 15, 2021.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA). This Statement 1) defines the term SBITA; 2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; 3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs to a SBITA; and 4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITA are based on the standards established in Statement No. 87, *Leases*, as amended. This statement is effective for fiscal years beginning after June 15, 2022.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. This Statement requires for the purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution plan, a defined contribution OPEB plan, or an other employee benefit plan (for example, certain Section 457 plans, the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform. This Statement also requires that the financial burden criterion in

YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2021, 2020 and 2019

NOTE H – NEW PRONOUNCEMENTS (Continued)

paragraph 7 of Statement No. 84, *Fiduciary Activities*, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively. This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities.

The LAFCO will fully analyze the impact of these Statements prior to the effective dates above.

REQUIRED SUPPLEMENTARY INFORMATION

YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues:				
County of Yolo	\$ 195,121	\$ 195,121	\$ 195,121	
City of West Sacramento	66,974	66,974	66,974	
City of Davis	66,612	66,612	66,612	
City of Woodland	55,514	55,514	55,514	
City of Winters	6,021	6,021	6,021	
Federal - COVID relief			5,221	\$ 5,221
Charges for services	4,000	4,000	17,165	13,165
Use of money	3,000	3,000	1,902	(1,098)
TOTAL REVENUES	397,242	397,242	414,530	17,288
EXPENDITURES				
Salaries and benefits	394,073	394,073	391,111	2,962
Professional services	37,000	37,000	14,121	22,879
Office	14,421	14,421	12,457	1,964
Information technology	12,288	12,288	10,526	1,762
General and administrative	6,500	6,500	7,169	(669)
Training, transportation and travel	12,000	12,000		12,000
Miscellaneous	250	250	9,117	(8,867)
TOTAL EXPENDITURES	476,532	476,532	444,501	32,031
NET CHANGE IN FUND BALANCE	\$ (79,290)	\$ (79,290)	(29,971)	\$ 49,319
Fund balance at beginning of year			<u>266,693</u>	
FUND BALANCE AT END OF YEAR			<u><u>\$ 236,722</u></u>	

YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues:				
County of Yolo	\$ 207,700	\$ 207,700	\$ 207,700	
City of West Sacramento	67,863	67,863	67,863	
City of Davis	70,423	70,423	70,423	
City of Woodland	62,627	62,627	62,627	
City of Winters	6,787	6,787	6,787	
Charges for services	4,000	4,000	56,548	\$ 52,548
Use of money	3,000	3,000	9,033	6,033
TOTAL REVENUES	422,400	422,400	480,981	58,581
EXPENDITURES				
Salaries and benefits	356,610	356,610	349,938	6,672
Professional services	52,000	52,000	16,636	35,364
Office	10,390	10,390	6,859	3,531
Information technology	11,006	11,006	9,072	1,934
General and administrative	6,020	6,020	5,469	551
Training, transportation and travel	12,700	12,700	4,473	8,227
Miscellaneous	1,250	1,250	7,509	(6,259)
TOTAL EXPENDITURES	449,976	449,976	399,956	50,020
NET CHANGE IN FUND BALANCE	\$ (27,576)	\$ (27,576)	81,025	\$ 108,601
Fund balance at beginning of year			<u>185,668</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 266,693</u>	

YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues:				
County of Yolo	\$ 216,713	\$ 216,713	\$ 216,713	
City of West Sacramento	69,885	69,885	69,885	
City of Davis	75,991	75,991	75,991	
City of Woodland	63,758	63,758	63,758	
City of Winters	7,078	7,078	7,078	
Charges for services	4,000	4,000	24,532	\$ 20,532
Use of money	1,500	1,500	8,592	7,092
TOTAL REVENUES	438,925	438,925	466,549	27,624
EXPENDITURES				
Salaries and benefits	349,232	349,232	340,685	8,547
Professional services	62,000	62,000	28,085	33,915
Office	10,225	10,225	7,553	2,672
Information technology	9,808	9,808	7,244	2,564
General and administrative	5,600	5,600	5,899	(299)
Training, transportation and travel	12,700	12,700	7,336	5,364
Miscellaneous	1,250	1,250	4,455	(3,205)
TOTAL EXPENDITURES	450,815	450,815	401,257	49,558
NET CHANGE IN FUND BALANCE	\$ (11,890)	\$ (11,890)	65,292	\$ 77,182
Fund balance at beginning of year			<u>120,376</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 185,668</u>	

YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2021

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY - MISCELLANEOUS PLAN (UNAUDITED)**

Last 10 Years

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Proportion of the net pension liability at measurement date	0.2002%	0.2156%	0.2565%	0.2769%	0.2780%	0.2769%	0.2429%
Proportionate share of the net pension liability	\$ 528,211	\$ 533,949	\$ 594,380	\$ 648,101	\$ 577,272	\$ 299,432	\$ 394,276
Covered payroll - plan measurement period	\$ 195,530	\$ 199,065	\$ 231,331	\$ 221,618	\$ 129,685	\$ 172,567	\$ 170,268
Proportionate share of the net pension liability as percentage of covered payroll	270.14%	268.23%	256.94%	292.44%	445.13%	173.52%	231.56%
Plan fiduciary net position	\$ 1,081,658	\$ 1,123,596	\$ 1,277,219	\$ 1,298,858	\$ 1,194,070	\$ 772,213	\$ 1,056,733
Plan fiduciary net position as a percentage of the total pension liability	67.19%	67.79%	68.24%	66.71%	67.41%	72.05%	72.83%

Notes to Schedule:

Changes in assumptions: The discount rate changed from 7.50% in 2015 to 7.65% in 2016 and 2017 and 7.15% in 2018 valuations.

The covered payroll was revised to represent the covered payroll during the measurement period during 2021.

SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN - MISCELLANEOUS PLAN (UNAUDITED)

Last 10 Years

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution (actuarially determined)	\$ 67,676	\$ 56,310	\$ 51,334	\$ 51,760	\$ 51,962	\$ 48,648	\$ 39,538
Contributions in relation to the actuarially determined contributions	(67,676)	(56,310)	(51,334)	(51,760)	(51,962)	(48,648)	(39,538)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll - employer fiscal year	\$ 221,582	\$ 195,530	\$ 199,065	\$ 231,331	\$ 221,618	\$ 129,685	\$ 172,567
Contributions as a percentage of covered payroll	30.54%	28.80%	25.79%	22.37%	23.45%	37.51%	22.91%

Notes to schedule:

Date contributions rates were computed:	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012
Valuation date:	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Measurement date:	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

Benefit changes: There were no changes to benefit terms.

Methods and assumptions used to Determine contribution rates:

Actuarial method	Entry Age Normal Cost Method						
Amortization method	Level percentage of payroll, closed						
Remaining amortization period	Varies by rate plan, but not more than 30 years						
Asset valuation method	Market value						
Inflation	2.625%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	Varies depending on entry age and service.						
Investment rate of return and discount rate	7.25%	7.375%	7.50%	7.50%	7.50%	7.50%	7.50%
Retirement age	50-67 years. Probabilities of retirement are based on the most recent CalPERS Experience Study.						
Mortality	Most recent CalPERS Experience Study.						

Omitted Years: GASB Statement No. 68 was implemented during the year ended June 30, 2015. No information was available prior to this date. Future years will be reported prospectively as they become available.

YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2021

SCHEDULE OF THE PROPORTIONATE SHARE OF THE OPEB PLAN (UNAUDITED)

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Proportion of the net OPEB liability at measurement date	0.1672%	0.1821%	0.2144%	0.2293%
Proportionate share of the net OPEB liability	\$ 109,913	\$ 120,029	\$ 146,880	\$ 172,754
Covered payroll - plan measurement period	\$ 195,530	\$ 199,065	\$ 231,331	\$ 228,532
Proportionate share of the net OPEB liability as percentage of covered payroll	56.21%	60.30%	63.49%	75.59%
Plan fiduciary net position	\$ 33,253	\$ 29,077	\$ 24,405	\$ 15,260
Plan fiduciary net position as a percentage of the total OPEB liability	23.23%	19.50%	14.25%	8.12%

Notes to Schedule:

Changes in assumptions: The health trend rates described in the next table represent changes in assumptions.

SCHEDULE OF CONTRIBUTIONS TO THE OPEB PLAN (UNAUDITED)

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Contractually determined contribution - employer fiscal year	\$ 17,642	\$ 15,543	\$ 15,826	\$ 17,628
Contributions in relation to the contractually determined contributions	(17,642)	(15,543)	(15,826)	(17,628)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll - employer fiscal year	\$ 221,582	\$ 195,530	\$ 199,065	\$ 223,020
Contributions as a percentage of covered-employee payroll	7.96%	7.95%	7.95%	7.90%

Notes to Schedule:

Valuation date	June 30, 2020	June 30, 2018	June 30, 2018	June 30, 2016
Measurement period - fiscal year ended	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Cost Method			
Amortization method	Level percentage of payroll			
Remaining amortization period in years	13	14	15	16
Asset valuation method	Investment gains and losses spread over 5 years			
Inflation	2.75%	2.75%	3.00%	3.00%
Salary increases	3.00%	3.00%	3.00%	3.25%
Payroll growth	3.00%	3.00%	3.00%	3.00%
Healthcare cost-trend rate:				
Non-Medicare				
Initial rate	7.50%	7.50%	6.50%	6.50%
Decreasing to	4.00%	4.00%	5.00%	5.00%
Medicare (Non-Kaiser)				
Initial rate	6.50%	6.50%	6.70%	6.70%
Decreasing to	4.00%	4.00%	5.00%	5.00%
Medicare (Kaiser)				
Initial rate	5.00%			
Decreasing to	4.00%			
Retirement age	Based on most recent CalPERS Experience Study			
Mortality	Based on most recent CalPERS Experience Study			
Discount rate and investment rate of return	6.75%	6.75%	6.75%	6.50%

Omitted years: GASB Statement No. 75 was implemented during the year ended June 30, 2018. No information was available prior to this date. Information will be added prospectively as it becomes available until 10 years are reported.

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 year ended June 30, 2021, 2020, and 2019 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 19, 2022.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Richardson & Company, LLP

January 19, 2022