

**LOCAL AGENCY FORMATION COMMISSION  
FOR THE COUNTY OF LOS ANGELES**

**BASIC FINANCIAL STATEMENTS**

**For the Fiscal Year Ended June 30, 2016**

**(With Independent Auditor's Report Thereon)**

LOCAL AGENCY FORMATION COMMISSION  
FOR THE COUNTY OF LOS ANGELES

Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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The Commission Members  
Local Agency Formation Commission  
for the County of Los Angeles  
Pasadena, California

## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Local Agency Formation Commission for the County of Los Angeles (the Commission) as of June 30, 2016, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Commission, as of June 30, 2016, 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.

Commission Members  
Local Agency Formation Commission  
for the County of Los Angeles  
Page Two

Other Matters

*Prior Year Comparative Financial Statements*

The financial statements of the Commission as of and for the year ended June 30, 2015 were audited by other auditors whose report dated February 1, 2016 expressed an unmodified opinion on those statements. That report included an emphasis of matter paragraph indicating that the Commission implemented Governmental Accounting Standards Board (GASB) Statements 68 and 71, which required retrospective application resulting in a reduction of \$660,000 on beginning net position. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, Schedule of the Plan's Proportioned Share of the Net Pension Liability, the Schedule of Plan Contributions, and the Schedule of Funding Progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 23, 2016, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Commission's internal control over financial reporting and compliance.



Irvine, California  
November 23, 2016

LOS ANGELES COUNTY  
LOCAL AGENCY FORMATION COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2016

The following discussion and analysis of the financial performance of the Los Angeles County Local Agency Formation Commission (the Commission) provides an overview of the Commission's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the financial statements identified in the accompanying table of contents.

Using the Accompanying Financial Statements

This annual report consists of a series of financial statements. The statement of Net Position and the Statement of Activities provide information about the activities of the Commission as a whole and present a longer-term view of the Commission's finances.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of two parts – *management's discussion and analysis* (this section), and the *basic financial statements*.

The *government-wide financial statements* provide both *long-term* and *short-term* information about the Commission's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Reporting the Commission as a Whole

The accompanying **government-wide financial statement** presents financial data for the Commission as a whole. One of the most important questions asked about the Commission's finances is, "Is the Commission as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Commission as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Commission's net position and changes in them. You can think of the Commission's net position – the difference between assets and liabilities – as one way to measure the Commission's financial health, or *financial position*. Over time, *increases and decreases* in the Commission's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, such as changes in the Commission's revenues, to assess the *overall health* of the Commission. Indeed, a reduction in net position is assumed in the budget process. The prior year end fund balance is relied on as a funding source for the current year budget.

LOS ANGELES COUNTY  
LOCAL AGENCY FORMATION COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)

For the Fiscal Year Ended June 30, 2016

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

A summary of the government-wide *Statement of Net Position* follows:

Table 1  
Statement of Net Position  
June 30, 2016 and 2015

	2016	2015	Change	%
<b>ASSETS:</b>				
Current assets	\$ 1,211,057	\$ 934,490	\$ 276,567	30%
Deferred outflows of resources	277,093	211,988	65,105	31%
Capital assets, net	11,077	14,415	(3,338)	-23%
Total Assets	<u>1,499,227</u>	<u>1,160,893</u>	<u>338,334</u>	<u>29%</u>
<b>LIABILITIES AND NET POSITION</b>				
<b>LIABILITIES:</b>				
Current liabilities	52,708	46,464	6,244	13%
Deferred inflows of resources	145,000	243,000	(98,000)	-40%
Long-term liabilities	1,272,252	1,085,701	186,551	17%
Total Liabilities	<u>1,469,960</u>	<u>1,375,165</u>	<u>94,795</u>	<u>7%</u>
<b>NET POSITION:</b>				
Net investment in capital assets	11,077	14,415	(3,338)	-23%
Unassigned	18,190	(228,687)	246,877	-108%
Total Net Position	<u>\$ 29,267</u>	<u>\$ (214,272)</u>	<u>\$ 243,539</u>	<u>-114%</u>

Total Assets increased by \$338,334, or 29%, due to an increase in cash collected in assessments, and an increase in Deferred Outflows of Resources related the Commission's pension plan. Current Liabilities and Long-term Liabilities increased by 13% and 17% respectively. The increase in Current Liabilities is due to the timing of expense payments, and the increase in Long-term Liabilities is due to the increase in the Commission's Net Pension Obligation in FY 15/16.

LOS ANGELES COUNTY  
LOCAL AGENCY FORMATION COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
For the Fiscal Year Ended June 30, 2016

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

A summary of the government-wide *Statement of Activities* follows:

The increase or decrease in net position can provide an indication as to whether the overall financial position of the Commission improved or deteriorated during the year.

Table 2  
Statement of Activities  
June 30, 2016 and 2015

	2016	2015	Change	%
<b>REVENUES:</b>				
Assessments	\$ 1,288,508	\$ 1,161,843	\$ 126,665	11%
Charges for services	154,756	105,515	49,241	47%
Interest and other revenues	11,355	7,697	3,658	48%
Total Revenues	<u>1,454,619</u>	<u>1,275,055</u>	<u>179,564</u>	<u>14%</u>
<b>EXPENSES:</b>				
General government	1,211,080	1,228,913	(17,833)	-1%
Other expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>0%</u>
Total Expenses	<u>1,211,080</u>	<u>1,228,913</u>	<u>(17,833)</u>	<u>-1%</u>
Excess of Revenues Over (Under) Expenses	<u>\$ 243,539</u>	<u>\$ 46,142</u>	<u>\$ 197,397</u>	<u>428%</u>
Net Position - Beginning of Year, As Restated	<u>(214,272)</u>	<u>(260,414)</u>	<u>46,142</u>	<u>-18%</u>
Net Position - End of Year	<u><u>\$ 29,267</u></u>	<u><u>\$ (214,272)</u></u>	<u><u>\$ 243,539</u></u>	<u><u>-114%</u></u>

Assessments increased by 11% due to the increase in assessment approved by the Commission for FY 15/16. Charges for Services increased in due to increased Commission demands and activity in FY 15/16. Expenses decreased slightly from FY 14/15 to FY 15/16. As a result of the increase in revenues and slight decrease in expenses, Net Position at the end of the year increased by \$197,397 from the prior year.

LOS ANGELES COUNTY  
LOCAL AGENCY FORMATION COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
For the Fiscal Year Ended June 30, 2016

**MAJOR FUNDS**

**Major Governmental Funds.** The **General Fund** is the only fund of the Commission, and is considered to be a proprietary fund for financial reporting purposes.

**GENERAL FUND BUDGET**

Major deviations between the budget of the General Fund and its operating results are as follows:

Revenues

- Revenues related to Filing Fees were over budget by over \$70,000 due to more Commission activity than anticipated.

Expenses

- Salaries and Benefits, Office Expenses, and Professional Fees were under budget. Overall, total expenses were approximately \$87,000 under budget.

**CAPITAL ASSETS**

Capital Assets – Governmental Activities

Years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>	<u>Change</u>
Office Equipment	\$ 4,095	\$ 3,871	\$ 224
Furniture and Fixtures	\$ 1,012	\$ 3,441	\$ (2,429)
Tenant Improvements	\$ 5,970	\$ 7,103	\$ (1,133)
Total	<u>\$ 11,077</u>	<u>\$ 14,415</u>	<u>\$ (3,338)</u>

At the end of fiscal year 2016, the Commission's investment in capital assets amounted to \$11,077 (net of accumulated depreciation). This investment in capital assets includes equipment, furniture & fixtures and tenant improvements. (See Note 3 for further information.)



LOS ANGELES COUNTY  
LOCAL AGENCY FORMATION COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)

For the Fiscal Year Ended June 30, 2016

**LONG-TERM LIABILITIES**

Long-term Liabilities  
Years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>	<u>Change</u>
Compensated Absences	\$ 72,260	\$ 74,026	\$ (1,766)

Long-term liabilities, such as *Compensated Absences* are not due and payable in the current period. Additional information on long-term liabilities may be found in Note 6 of the Notes to Financial Statements.

**CONDITIONS AFFECTING CURRENT FINANCIAL POSITION**

Management is unaware of any conditions, which could have a significant impact on the Commission's current financial position, net position or operating results in terms of past, present and future.

**CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Executive Officer, Paul Novak at 80 South Lake Avenue, Suite 870, Pasadena, CA 91101.

LOS ANGELES LOCAL AGENCY FORMATION COMMISSION  
Statement of Net Position  
June 30, 2016  
(With comparative information for the prior year)

	Governmental Activities	
	2016	2015
<b>Assets:</b>		
Cash and investments (note 2)	\$ 1,188,290	912,580
Interest receivable	1,408	-
Prepaid expenses	13,127	13,678
Security deposits	8,232	8,232
Capital assets, net (note 3)	11,077	14,415
Total assets	<u>1,222,134</u>	<u>948,905</u>
<b>Deferred outflow of resources:</b>		
Deferred outflows - contributions	106,091	116,988
Deferred outflows - actuarial	171,002	95,000
Total deferred outflow of resources	<u>277,093</u>	<u>211,988</u>
<b>Liabilities:</b>		
Accounts payable	12,439	6,231
Long-term liabilities (notes 4, 6 and 7):		
Due within one year:		
Compensated absences	35,768	36,633
Deferred rent obligation	4,501	3,600
Due beyond one year:		
Compensated absences	36,492	37,393
Deferred rent obligation	51,714	56,214
Net OPEB obligation	481,046	412,094
Net pension liability	703,000	580,000
Total liabilities	<u>1,324,960</u>	<u>1,132,165</u>
<b>Deferred inflow of resources:</b>		
Deferred inflow of resources - actuarial	<u>145,000</u>	<u>243,000</u>
<b>Net position (deficit):</b>		
Investment in capital assets	11,077	14,415
Unrestricted	<u>18,190</u>	<u>(228,687)</u>
Total net position	<u>\$ 29,267</u>	<u>(214,272)</u>

See accompanying notes to the basic financial statements

LOS ANGELES LOCAL AGENCY FORMATION COMMISSION

Statement of Activities

For the Fiscal Year Ended June 30, 2016

(With comparative information for the prior year)

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets - Governmental Activities</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>2016</u>	<u>2015</u>
Governmental activities:						
General government	\$ 1,211,080	154,756	-	-	(1,056,324)	(1,123,398)
Total governmental activities	\$ 1,211,080	154,756	-	-	(1,056,324)	(1,123,398)
General revenues:						
Apportionment						1,288,508 1,161,843
Investment income						11,355 7,697
Total general revenues						1,299,863 1,169,540
Change in net position						243,539 46,142
Net position (deficit), beginning of year						(214,272) (260,414)
Net position (deficit), end of year						\$ 29,267 (214,272)

See accompanying notes to the basic financial statements

LOS ANGELES LOCAL AGENCY FORMATION COMMISSION  
Governmental Funds  
Balance Sheet  
June 30, 2016

	<u>Assets</u>	<u>General Fund</u>
Cash and investments		\$ 1,188,290
Interest receivable		1,408
Prepaid expenses		13,127
Security deposits		<u>8,232</u>
Total assets		<u>\$ 1,211,057</u>
	<u>Liabilities and Fund Balance</u>	
Liabilities:		
Accounts payable		\$ <u>12,439</u>
Total liabilities		<u>12,439</u>
Fund balance:		
Nonspendable:		
Prepaid expenses		13,127
Unassigned		<u>1,185,491</u>
Total fund balance		<u>1,198,618</u>
Total liabilities and fund balance		<u>\$ 1,211,057</u>

See accompanying notes to the basic financial statements

LOS ANGELES LOCAL AGENCY FORMATION COMMISSION  
Governmental Funds  
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
June 30, 2016

Fund balances of governmental funds \$ 1,198,618

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

Capital Related Items

When capital assets (property, plant, equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the Statement of Net Position includes those capital assets among the assets of the Commission as a whole.

Capital assets	152,524
Accumulated depreciation	(141,447)

Long-Term Liability Transactions

Long-term liabilities applicable to the Commission's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the Statement of Net Position.

Compensated absences	(72,260)
Deferred rent obligation	(56,215)
Net OPEB obligation	(481,046)
Net pension liability	(703,000)

Deferred Outflows and Inflows of Resources

Certain deferred outflows and inflows of resources are not due and payable in the current period and are not current assets or financial resources, therefore these items are not reported in the governmental funds.

Deferred outflows - contributions	106,091
Deferred outflows - actuarial	171,002
Deferred inflows - actuarial	<u>(145,000)</u>

Net position of governmental activities	<u>\$ 29,267</u>
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LOS ANGELES LOCAL AGENCY FORMATION COMMISSION  
Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Fiscal Year Ended June 30, 2016

Revenues:	<u>General Fund</u>
Apportionment	\$ 1,288,508
Filing fees	148,979
Charges for services	5,777
Investment income	11,355
Total revenues	<u>1,454,619</u>
Expenditures:	
General government:	
Salaries and employee benefits	858,971
Office expense	258,995
Professional fees	66,294
Total expenditures	<u>1,184,260</u>
Excess (deficiency) of revenues over (under) expenditures	<u>270,359</u>
Net change in fund balances	270,359
Fund balances at beginning of year	<u>928,259</u>
Fund balances at end of year	<u>\$ 1,198,618</u>

See accompanying notes to the basic financial statements

LOS ANGELES LOCAL AGENCY FORMATION COMMISSION  
Governmental Funds  
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances  
to the Statement of Activities  
For the Fiscal Year Ended June 30, 2016

Net changes in fund balances - total governmental funds	\$ 270,359
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Amounts reported for governmental activities in the Statement of Activities are different because:

Capital Related Items

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital expenditures and disposals	2,998
Depreciation expense	(6,335)

Long-Term Liability Transactions

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

Net change in net pension liability	40,105
Net change in net OPEB obligation	(68,952)
Net change in deferred rent obligation	3,599
Net change in compensated absences	<u>1,765</u>
Change in net position of governmental activities	<u>\$ 243,539</u>

LOCAL AGENCY FORMATION COMMISSION  
FOR THE COUNTY OF LOS ANGELES

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

1) Summary of Significant Accounting Policies

a. Description of the Reporting Entity

The Local Agency Formation Commission for the County of Los Angeles (the "Commission") was established by state law, "The Knox-Nisbet Act of 1963", to discourage urban sprawl and encourage the orderly formation and development of local government agencies. The Commission is responsible for coordinating logical and timely changes in local governmental boundaries, including annexations and detachments of territory, incorporation of cities, formation of special districts as well as consolidations, mergers, and dissolutions of districts, among others.

The Commission is governed by Commissioners composed of nine regular members: two members from the County Board of Supervisors, two city representatives, one City of Los Angeles representative, two special district representatives and two public members, one of which represents the San Fernando Valley Statistical area. Since implementation of the Cortese-Knox-Hertzberg Local Government Reorganization Act in 2001, the Commission has operated as a legally separate and independent entity from the County government. This means it can incur debt, set and modify its own budget and fees, enter into contracts, and sue and be sued in its own name.

The accompanying financial statements reflect the financial activities of the Commission. The Commission has no component units.

b. Basis of Accounting and Measurement Focus

The *basic financial statements* of the Commission are composed of the following:

- (a) Government-wide financial statements
- (b) Fund financial statements
- (c) Notes to the basic financial statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Commission.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a function or segment. Program revenues include charges for services that are restricted to meeting the operational or capital requirements of a particular function or segment. Assessments, investment income, and other items not properly included among program revenues are reported instead as general revenues.



LOCAL AGENCY FORMATION COMMISSION  
FOR THE COUNTY OF LOS ANGELES

Notes to Financial Statements

(Continued)

1) Summary of Significant Accounting Policies, (Continued)

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *Basis of accounting* refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the *accrual basis of accounting*, revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as expenditures.

Fund Financial Statements

In the fund financial statements, governmental funds are presented using the *modified accrual basis of accounting*. Revenues are recognized when they become *measurable* and *available* as net current assets. *Measurable* means that the amounts can be estimated or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The Commission uses an availability period of 60 days for all revenues.

Charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent normally collected within the availability period. Other revenue items are considered to be measurable and available where cash is received from the government.

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Due to the nature of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current position, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

LOCAL AGENCY FORMATION COMMISSION  
FOR THE COUNTY OF LOS ANGELES

Notes to Financial Statements

(Continued)

1) Summary of Significant Accounting Policies, (Continued)

Amounts expended to acquire capital assets are recorded as *expenditures* in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as *other financing sources* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

Governmental Fund Balances

Fund balances are reported in the fund statements in the following classifications:

*Nonspendable Fund Balance*

Nonspendable Fund Balance – this includes amounts that cannot be spent because they are either not spendable in form (such as inventory) or legally or contractually required to be maintained intact (such as endowments).

*Spendable Fund Balance*

Restricted Fund Balance – this includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation. If the Commission action limiting the use of funds is included in the same action (legislation) that created (enables) the funding source, then it is restricted.

Committed Fund Balance – this includes amounts that can be used only for the specific purposes determined by a formal action of the Commission. It includes legislation (Commission action) that can only be overturned by new legislation requiring the same type of voting consensus that created the original action. Therefore, if the Commission action limiting the use of the funds is separate from the action (legislation) that created (enables) the funding source, then it is committed, not restricted. The Commission considers a resolution, to constitute a formal action of the Board of Commissioners for the purposes of establishing committed fund balance.

Assigned Fund Balance – this includes amounts that are designated or expressed by the Commission, but does not require a formal action like a resolution or ordinance. The Commission may delegate the ability of an employee or committee to assign uses of specific funds, for specific purposes. Such delegation of authority has not yet been granted.

Unassigned Fund Balance – this includes the remaining spendable amounts which are not included in one of the other classifications.

Net Position Flow Assumption – Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

LOCAL AGENCY FORMATION COMMISSION  
FOR THE COUNTY OF LOS ANGELES

Notes to Financial Statements

(Continued)

1) Summary of Significant Accounting Policies, (Continued)

Fund Balance Flow Assumption – Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as a separate column in the fund financial statements.

The Commission reports the following major governmental fund:

The General Fund is used to account for resources traditionally associated with the organization, which are not required legally or by sound financial management to be accounted for in another fund.

b. Cash and Investments

For purposes of the statement of cash flows, the Commission considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Investments are reported in the accompanying balance sheet at fair value, except for certain certificates of deposit and investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

c. Fair Value Measurements

Certain assets and liabilities are required to be reported at fair value. The fair value framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

LOCAL AGENCY FORMATION COMMISSION  
FOR THE COUNTY OF LOS ANGELES

Notes to Financial Statements

(Continued)

1) Summary of Significant Accounting Policies, (Continued)

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly and fair value is determined through the use of models or other valuation methodologies including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are inactive;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable input reflect the Commission's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). These unobservable inputs are developed based on the best information available in the circumstances and may include the Commission's own data.

d. Capital Assets

Capital assets are recorded at cost for purchases in excess of \$1,000. Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet. Estimated useful lives of the assets are as follows:

Office equipment	3 - 5 years
Furniture and fixtures	3 - 5 years
Tenant improvements	10 years

b. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Commission reports a deferred outflow related to pensions resulting from actuarial calculations.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Commission reports a deferred inflow related to pensions resulting from actuarial calculations.

LOCAL AGENCY FORMATION COMMISSION  
FOR THE COUNTY OF LOS ANGELES

Notes to Financial Statements

(Continued)

1) Summary of Significant Accounting Policies, (Continued)

c. Deferred Rent Obligation

The Commission's policy is to average any defined rental escalations or rent concessions over the term of the related lease in order to provide a level recognition of rent expense. The Commission's total accrued rent obligation was \$56,215 at June 30, 2016.

d. Compensated Absences

Permanent Los Angeles LAFCO employees earn from 10 to 20 vacation days a year, depending upon their length of employment, and 12 sick days a year. Upon termination or retirement, permanent employees are entitled to receive compensation at their current base salary for all unused vacation leave and 50% of unused sick leave, up to the maximum hours specified in individual employment contracts.

e. 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 Commission's Los Angeles County Employees Retirement Association (LACERA) 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 LACERA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. LACERA audited financial statements are publicly available reports that can be obtained at LACERA's website under Forms and Publications.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2014
Measurement Date (MD)	June 30, 2015
Measurement Period (MP)	June 30, 2014 to June 30, 2015

h. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from the estimates.



LOCAL AGENCY FORMATION COMMISSION  
FOR THE COUNTY OF LOS ANGELES

Notes to Financial Statements

(Continued)

1) Summary of Significant Accounting Policies, (Continued)

i. Prior Year Data

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Commission's prior year financial statements, from which this selected financial data was derived. Certain minor reclassifications of prior year data have been made in order to enhance their comparability with current year figures.

2) Cash and Investments

Cash and investments as of June 30, 2016, consist of the following:

Demand Deposits	\$ 44,614
Cash held by the County of Los Angeles	1,143,676
Total	<u>\$ 1,188,290</u>

Investments Authorized by California Government Code and the Commission's Investment Policy

The table below identifies the investment types that are authorized for the Commission by the California Government Code Section 53601 or the Commission's investment policy, where more restrictive. The table also identifies certain provisions of the California Government Code (or the Commission's investment policy if more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the Commission, rather than the general provisions of the California Government Code or the Commission's investment policy.

<u>Type of Investment</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury securities	5 years	100%	none
Federal agency securities	5 years	100%	none
Bankers' acceptances	180 days	40%	30%
Commercial paper	180 days	25%	10%
Negotiable CDs	5 years	30%	none
Repurchase agreements	90 days	50%	none
Corporate bonds	5 years	30%	none
Mutual funds	n/a	15%	10%
Local Agency Investment Fund (LAIF)	n/a	none	100%

Each of the maximums included in the table on the previous page are based upon state law requirements or investment policy requirements whichever is more restrictive.

LOCAL AGENCY FORMATION COMMISSION  
FOR THE COUNTY OF LOS ANGELES

Notes to Financial Statements

(Continued)

2) Cash and Investments, (Continued)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As of June 30, 2016, the Commission's funds are held as short-term deposits in the Los Angeles County Treasury Pool.

Disclosures Relating to Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of June 30, 2016, the Commission had no investments subject to credit risk.

Disclosures Relating to Custodial Credit Risk

Custodial credit risk as the risk that the Commission will not be able to (a) recover deposits if the depository financial institution fails, or (b) recover the value of investments or collateral securities that are in the possession of an outside party if the counterparty to the investment or deposit transaction fails.

Fair Value Measurement

The Los Angeles County Treasury Pool is a pooled investment fund program governed by the Los Angeles County Board of Supervisors, and is administered by the County Treasurer. Investments in the pool are highly liquid as deposits and withdrawals can be made at any time without penalty. The Commission's fair value of its share in the pool is the same value of the pool shares, which amounted to \$943,676 as of June 30, 2016. Information on the pool's use of derivative securities in its investment portfolio is not available.

The Commission categorizes its fair value investments within the fair value hierarchy established by generally accepted accounting principles. The Commission has the following recurring fair value measurements as of June 30, 2016:

Fair Value Hierarchy

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Los Angeles County Treasury Pool	\$ -	943,676	-	943,676
Total investments	\$ -	943,676	-	943,676

LOCAL AGENCY FORMATION COMMISSION  
FOR THE COUNTY OF LOS ANGELES

Notes to Financial Statements

(Continued)

3) Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balance at July 1, 2015	Additions	Deletions	Balance at June 30, 2016
Capital assets:				
Office equipment	\$ 49,423	2,998	-	52,421
Furniture and fixtures	65,957	-	-	65,957
Tenant improvements	11,328	-	-	11,328
Total capital assets	<u>126,708</u>	<u>2,998</u>	<u>-</u>	<u>129,706</u>
Less accumulated depreciation for:				
Office equipment	(45,552)	(2,774)	-	(48,326)
Furniture and fixtures	(62,516)	(2,429)	-	(64,945)
Tenant improvements	(4,225)	(1,133)	-	(5,358)
Total accumulated depreciation	<u>(112,293)</u>	<u>(6,336)</u>	<u>-</u>	<u>(118,629)</u>
Total capital assets, net	<u>\$ 14,415</u>	<u>(3,338)</u>	<u>-</u>	<u>11,077</u>

4) Compensated Absences Payable

Compensated absences payable activity for the year ended June 30, 2016, was as follows:

Compensated absences payable at beginning of year	\$ 74,026
Compensated absences payable earned	47,210
Compensated absences payable used	<u>(48,976)</u>
Compensated absences payable at end of year	<u>\$ 72,260</u>

Compensated absences expected to be paid within one year is \$35,768 at June 30, 2016.



LOCAL AGENCY FORMATION COMMISSION  
FOR THE COUNTY OF LOS ANGELES

Notes to Financial Statements

(Continued)

5) Pension Plan

a. General Information about the Pension Plan

Plan Description

The Los Angeles County Employees Retirement Association (LACERA) was established under the County Employees Retirement Law of 1937. LACERA operates as a cost-sharing, multi-employer defined benefit pension plan (the Plan) and provides benefits to employees of the County of Los Angeles as well as four other entities, including LAFCO that are not part of the County's reporting entity. Benefits are authorized in accordance with the County Employees Retirement Law, the by-laws and procedures adopted by LACERA's Boards of Retirement and Investments and County Board of Supervisors' resolutions.

Benefits Provided

LACERA provides retirement, disability, death benefits and cost of living adjustments to eligible employees. Eligibility to participate in the retirement plan is determined by having completed thirty days of credited service. The retirement benefits within the plan are tiered based on the date of LACERA membership.

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

	General		
	If elected, on or after January 4, 1982		
Hire date	Prior to January 1, 2013	and before November 28, 2012	On or After January 1, 2013
Plan name	Plan	Plan E	Plan G
Benefit vesting schedule	5 years of service	10 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-70	55-70	52 - 67
Monthly benefits, as a % of eligible compensation	1.18% - 2.43%	0.75% - 2.0%	1.0%- 2.5%
Required employee contribution rates (1)	4.83% - 10.94%	0%	7.63%
Required employer contribution rates	19.74%	20.95%	19.53%

(1) Based on age at entry into the Plan

LOCAL AGENCY FORMATION COMMISSION  
FOR THE COUNTY OF LOS ANGELES

Notes to Financial Statements

(Continued)

5) Pension Plan, (Continued)

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 is determined annually on an actuarial basis as of June 30. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Commission is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

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

The Commission's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2015, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The Commission's proportionate share of the net pension liability was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The following table shows the Commission's proportionate share of the net pension liability over the measurement period:

Total Pension Liability

Balance at: 12/31/2014	\$580,000
Balance at: 12/31/2015	703,000
Net change during 2015	123,000

The Commission's proportionate share of the net pension liability for the Plan as of June 30, 2014 and 2015 was as follows:

	<u>General</u>
Proportion – June 30, 2014	0.0080%
Proportion – June 30, 2015	0.0091%
Change – Increase (Decrease)	0.0011%

LOCAL AGENCY FORMATION COMMISSION  
FOR THE COUNTY OF LOS ANGELES

Notes to Financial Statements

(Continued)

5) Pension Plan, (Continued)

For the year ended June 30, 2016, the Commission recognized pension expense of \$80,000. At June 30, 2016, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to Measurement date	\$ 106,091	-
Differences between actual and expected experience	-	(58,000)
Change in assumptions	-	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	171,002	-
Net differences between projected and actual earnings on plan investments	-	(87,000)
Total	<u>\$ 277,093</u>	<u>(145,000)</u>

The deferred outflows of resources related to contributions subsequent to the measurement date of \$106,091 will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2017	\$ (18,798)
2018	(18,800)
2019	(18,800)
2020	41,400
2021	18,000
Thereafter	23,000
Total	<u>\$ 26,002</u>

LOCAL AGENCY FORMATION COMMISSION  
FOR THE COUNTY OF LOS ANGELES

Notes to Financial Statements

(Continued)

5) Pension Plan, (Continued)

Actuarial Assumptions

The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method

Actuarial Assumptions:

Discount Rate	7.63%
Inflation	3.00%
Payroll Growth	3.00%
Projected Salary Increase (1)	3.50%
Investment Rate of Return	7.50%
Mortality (2)	

(1) Depending on age, service and type of employment

(2) Various rates based on RP-2000 mortality tables and using static projection of improvements to 2025 using Projection Scale AA.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuation were based on the results of the 2014 Investigation of Experience report. Further details of the report can found on the LACERA website.

Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2015, was 7.63%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.50%, net of all expenses, increased by 0.13% to be gross of administrative expenses. The projection of cash flows used to determine the discount rate assumed that Plan contributions will continue to be made in accordance with the current funding policy. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members.

LOCAL AGENCY FORMATION COMMISSION  
FOR THE COUNTY OF LOS ANGELES

Notes to Financial Statements

(Continued)

5) Pension Plan, (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block approach in which a median (or expected) geometric rate of return is developed for each major asset class. The median rates are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target allocation percentages. Estimates of the median geometric rates of return for each major asset class at the time the asset allocation targets were selected are shown in the table. The asset class return assumptions are presented on a nominal basis, and all assumptions incorporate a base inflation rate assumption of 2.35 percent.

Asset Class	Target Allocation	Weighted Average Long-Term Expected Rate of Return (Geometric)	
		Asset Class	Expected Alpha
Global Equity	48.50%	7.50%	0.10%
Fixed Income	22.50%	3.50%	0.20%
Real Estate	10.00%	6.05%	0.00%
Private Equity	11.00%	9.85%	4.00%
Commodities	3.00%	4.35%	0.75%
Hedge Funds	3.00%	5.50%	0.00%
Cash	2.00%	1.75%	0.25%
Total	<u>100.00%</u>		

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

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

	1% Decrease 6.63%	Current Discount Rate 7.63%	1% Increase 8.63%
Net Pension Liability	\$ 1,360,000	\$ 703,000	\$ 154,000

Pension Plan Fiduciary Net Position

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

LOCAL AGENCY FORMATION COMMISSION  
FOR THE COUNTY OF LOS ANGELES

Notes to Financial Statements

(Continued)

6) Other Post-Employment Benefits Plan

a. Plan Description

The Commission provides a defined benefit healthcare plan to retirees in accordance with the benefits provided by the Los Angeles County Retirement Association. Spouses are also covered throughout their lives. The Commission pays 4% of the annual premiums for each year of service of the retiree. The retiree is responsible for payment of the remaining premiums. Retirees must have worked a minimum of 10 years with the Commission in order to be eligible for these benefits.

b. Funding Policy

As of June 30, 2016, the Commission has not established a trust account or equivalent that contains an irrevocable transfer of assets dedicated to providing benefits to retirees in accordance with the terms of the plan and that are legally protected from creditors. The Commission's contribution is currently based on a projected pay-as-you-go funding method, that is, benefits are payable when due. For the fiscal years ended June 30, 2016, 2015 and 2014, those costs totaled \$12,854, \$10,907, and \$6,561, respectively.

c. Annual OPEB Cost and Net OPEB Obligation

The Annual Required Contribution (ARC) was calculated based on the Alternative Measurement Method which is applicable to employers with fewer than 100 plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The Commission uses a 30 year amortization period.

The following table shows the components of the Commission's annual OPEB, the cost amount of benefits and/or insurance premiums paid, and the changes in the Commission's Net OPEB obligation for the year ended June 30, 2016:

Annual required contribution	\$ 81,470
Interest on net OPEB obligation	20,650
Adjustment to annual required contribution	<u>(20,314)</u>
Annual OPEB cost	81,806
Pay-as-you-go cost	<u>(12,854)</u>
Increase in net OPEB obligation	68,952
Net OPEB obligation - beginning of year	<u>412,094</u>
Net OPEB obligation - end of year	<u>\$ 481,046</u>

LOCAL AGENCY FORMATION COMMISSION  
FOR THE COUNTY OF LOS ANGELES

Notes to Financial Statements

(Continued)

6) Other Post-Employment Benefits Plan, (Continued)

d. Three-Year Trend Information

The Commission's annual OPEB cost, the percentage of annual OPEB costs contributed to the plan and the net OPEB obligation for 2016 and the preceding two years are as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percent of Annual OPEB Contribution</u>	<u>Net OPEB Obligation</u>
2014	\$ 81,687	8.03%	\$ 341,253
2015	81,748	13.34%	412,094
2016	81,806	15.71%	481,871

e. Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the Plan is not funded. The actuarial accrued liability for benefits was \$711,231, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$711,231. The covered payroll (annual payroll of active employees covered by the plan) was \$545,832 and the ratio of the UAAL to the covered payroll was 130.30%.

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 rates of employee turnover, retirement, mortality, as well as economic assumptions regarding claim costs per retiree, healthcare inflation and interest rates. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The following statistics and assumptions were used in the actuarial valuation:

No. of active employees	7
Average age of active, eligible employees	45
Assumed retirement age	65
Actuarial cost method	Entry age
Amortization method	Level % of payroll over a 30-year period
Discount rate	5%
Payroll growth rate	2%
Healthcare cost trend	3%

LOCAL AGENCY FORMATION COMMISSION  
FOR THE COUNTY OF LOS ANGELES

Notes to Financial Statements

(Continued)

7) Commitments

The Commission has entered into office space and equipment leases under long-term lease agreements expiring through November 2021. Future minimum rental payment under non-cancelable leases are as follows:

Year Ended June 30	Amount
2017	\$ 86,700
2018	89,301
2019	91,980
2020	94,739
2021	97,582
2022	41,158
Total	<u>\$ 501,460</u>

Total rent expense for the year ended June 30, 2016 amounted to \$104,306.



## REQUIRED SUPPLEMENTARY INFORMATION

LOCAL AGENCY FORMATION COMMISSION  
FOR THE COUNTY OF LOS ANGELES  
Schedule of Proportionate Share of the Net Pension Liability  
Last Ten Fiscal Years \*

	Measurement Date	
	6/30/2015	6/30/2014
Proportion of the Collective Net Pension Liability	0.0091%	0.0080%
Proportionate Share of the Collective Net Pension Liability	\$703,000	\$580,000
Covered-Employee Payroll	\$564,082	\$575,750
Proportionate Share of the Collective Net Pension Liability as percentage of covered-employee payroll	124.63%	100.74%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.30%	86.80%

Notes to Schedule:

Benefit Changes – There were no changes in benefits

Changes in Assumptions – There were no changes in assumptions

\* - Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

**LOCAL AGENCY FORMATION COMMISSION  
FOR THE COUNTY OF LOS ANGELES**  
Schedule of Contributions – Defined Benefit Pension Plan  
Last Ten Fiscal Years \*

	Fiscal Year 2015-16	Fiscal Year 2014-15
Actuarially Determined Contribution	\$ 106,091	\$ 116,988
Contributions in Relation to the Actuarially Determined Contribution	(106,091)	(116,988)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
 Covered Payroll	 \$ 564,082	 \$ 594,657
 Contributions as a Percentage of Covered- Employee Payroll	 18.81%	 19.67%

Notes to Schedule:

Fiscal Year End 6/30/2016

Valuation Date 6/30/2014

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll
Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Inflation	3.00%
Salary increases	3.50% depending on age, service and type of employment
Investment Rate of Return	7.50%, net of pension plan investment expenses
Retirement Age	50-67 years
Mortality	Various rates based on RP-2000 mortality tables and using static projection of improvements to 2025 using Projection Scale AA.

\* - Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

LOCAL AGENCY FORMATION COMMISSION  
FOR THE COUNTY OF LOS ANGELES  
Schedule of Funding Progress - Other Post Employment Benefits Plan  
Last Three Actuarial Valuation Dates

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) Entry Age (a)	Actuarial Value of Assets (AVA) (b)	Unfunded Actuarial Accrued Liability (UAAL) (a) - (b)	Funded Ratio AVA (b)/(a)	Annual Covered Payroll [c]	UAAL as a % of Covered Payroll ((a)- (b))/[c])
7/1/2009	\$ 680,973	\$ -	\$ 680,973	0.00%	\$ 531,926	128.02%
7/1/2012	748,249	-	748,249	0.00%	423,900	176.52%
7/1/2013	711,231	-	711,231	0.00%	545,832	130.30%

**LOS ANGELES LOCAL AGENCY FORMATION COMMISSION**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2016**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Apportionment	\$ 1,288,508	1,288,508	1,288,508	-
Filing fees	75,000	75,000	148,979	73,979
Charges for services	700	700	5,777	5,077
Investment income	7,500	7,500	11,355	3,855
Total revenues	<u>1,371,708</u>	<u>1,371,708</u>	<u>1,454,619</u>	<u>82,911</u>
<b>Expenditures:</b>				
General government:				
Salaries and benefits	901,600	901,600	858,971	42,629
Service and supplies	281,400	281,400	258,995	22,405
Professional fees	88,000	88,000	66,294	21,706
Total expenditures	<u>1,271,000</u>	<u>1,271,000</u>	<u>1,184,260</u>	<u>86,740</u>
Excess (deficiency) of revenues over (under) expenditures	<u>100,708</u>	<u>100,708</u>	<u>270,359</u>	<u>169,651</u>
Net change in fund balances	100,708	100,708	270,359	169,651
Fund balances at beginning of year	<u>928,259</u>	<u>928,259</u>	<u>928,259</u>	-
Fund balances at end of year	<u>\$ 1,028,967</u>	<u>1,028,967</u>	<u>1,198,618</u>	<u>169,651</u>

LOCAL AGENCY FORMATION COMMISSION  
FOR THE COUNTY OF LOS ANGELES

Notes to the Required Supplementary Information

For the Fiscal Year Ended June 30, 2016

(1) Budgetary Reporting

The Commission adopted an annual budget prepared on the modified accrual basis for the General Fund, which is consistent with generally accepted accounting principles (GAAP). The adopted budget can be amended by the Commission to change both appropriations and estimated revenues as unforeseen circumstances come to management's attention. Increases and decreases in revenue and appropriations and transfers between funds require the Commission's approval. However, the Executive Officer may authorize changes within funds. Expenditures may not exceed total appropriations at the individual fund level. It is the practice of the management to review the budget with the Commission on a quarterly basis and, if necessary, recommend changes.

**INDEPENDENT AUDITORS' 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**

The Commission Members  
Local Agency Formation Commission  
for the County of Los Angeles  
Pasadena, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Local Agency Formation Commission for the County of Los Angeles (the Commission), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated November 23, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Commission'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 Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of Commission'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 Commission'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 Commission'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 Commission'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 Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Irvine, California  
November 23, 2016