Davis Farr LLP
18201 Von Karman Avenue | Suite 1100 | Irvine, CA 92612
Main: 949.474.2020 | Fax: 949.263.5520

To the Board of Commissioners
Los Angeles Local Agency Formation Commission

We have audited the financial statements of the governmental activities, and each major fund of the Local Agency Formation Commission of the County of Los Angeles ("Commission") for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 10, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Commission are described in Note 1 to the financial statements. The application of existing policies was not changed during fiscal year ended June 30, 2021. We noted no transactions entered into by the Commission during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Commission's financial statements was judgements involving the funded status of the OPEB and pension liabilities. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements are Footnote 5: Pension Plan and Footnote 6: OPEB Plan. The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no misstatements detected as a result of our audit procedures.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 29, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the *Management Discussion and Analysis, budgetary comparison information, the Schedule of the Plan's Proportionate Share of the Net Pension Liability, the Schedule of Plan Contributions for the Defined Benefit Pension Plan, the Schedule of the Proportionate Share of the Net OPEB Liability, the Schedule of Plan Contributions for the Defined Benefit OPEB Plan and the Schedule of Collective OPEB Expense for the Defined Benefit OPEB Plan* which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

DavisFarr LLP

Irvine, California
October 29, 2021

LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES

BASIC FINANCIAL STATEMENTS

Year ended June 30, 2021

(With Independent Auditor's Report Thereon)

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LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES

Basic Financial Statements

Year ended June 30, 2021

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DavisFarr
CERTIFIED PUBLIC ACCOUNTANTS

Davis Farr LLP
18201 Von Karman Avenue | Suite 1100 | Irvine, CA 92612
Main: 949.474.2020 | Fax: 949.263.5520

Independent Auditor's Report

The Commission Members
Los Angeles Local Agency Formation Commission
Pasadena, California

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, 2021, 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 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 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 opinions.

Opinions

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

Report on Summarized Comparative Information

We have previously audited the Commission's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 23, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management Discussion and Analysis, budgetary comparison information, the Schedule of the Plan's Proportionate Share of the Net Pension Liability, the Schedule of Plan Contributions for the Defined Benefit Pension Plan, the Schedule of Changes in Net OPEB Liability and Related Ratios, the Schedule of the Proportionate Share of the Net OPEB Liability, the Schedule of Plan Contributions for the Defined Benefit OPEB Plan and the Schedule of Collective OPEB Expense for the Defined Benefit OPEB Plan* 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 October 29, 2021 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

DavisFarr LLP

Irvine, California
October 29, 2021

The following management's 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, 2021. 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 information.

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 have been considered 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.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

Table 1
Statements of Net Position
June 30, 2021 and 2020

	2021	2020	Change	%
ASSETS & DEFERRED OUTFLOWS:				
Current assets	$ 2,057,482	$ 2,031,609	$ 25,873	1.27%
Capital assets, net	10,296	16,072	(5,776)	-35.94%
Total assets	2,067,778	2,047,681	20,097	0.98%
Deferred outflows of resources	1,008,021	545,702	462,319	84.72%
LIABILITIES, DEFERRED INFLOWS & NET POSITION:				
Current liabilities	103,814	112,837	(9,023)	-8.00%
Long-term liabilities	1,915,771	1,502,213	413,558	27.53%
Total liabilities	2,019,585	1,615,050	404,535	25.05%
Deferred inflows of resources	552,566	620,898	(68,332)	-11.01%
Investment in capital assets	10,296	16,072	(5,776)	-35.94%
Unrestricted	493,352	341,363	151,989	44.52%
Total net position	$ 503,648	$ 357,435	$ 146,213	40.91%

Total assets have increased by $20,097, or 0.98%, primarily due to an increase in the Commission's cash and investments. Current liabilities have decreased by 8.00% primarily due to a decrease in accounts payable. Long-term liabilities have increased by 27.53% due to an increase in the Commission's net pension liability. Net position increased 40.91% with the change in net position for the year ended June 30, 2021, of $146,213.

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
Statements of Activities
For the Years Ended June 30, 2021 and 2020

	2021	2020	Change	%
REVENUES:				
Assessments	$1,539,253	$ 1,539,253	$ -	0.00%
Charges for services	93,744	215,222	(121,478)	-56.44%
Investment income (loss)	(1,352)	51,046	(52,398)	-102.65%
Total Revenues	1,631,645	1,805,521	(173,876)	-9.63%
EXPENSES:				
General government	1,485,432	1,703,602	(218,170)	-12.81%
Total Expenses	1,485,432	1,703,602	(218,170)	-12.81%
Change in net position	146,213	101,919	44,294	43.46%
NET POSITION:				
Beginning of year	357,435	255,516	101,919	39.89%
End of year	$ 503,648	$ 357,435	$ 146,213	40.91%

Assessments remained the same, and Charges for services decreased due to a decrease in filing fees and in apportionment dues. Expenses decreased by $218,170 primarily due to a decrease in municipal service reviews, as well as pension obligations.

MAJOR FUNDS

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

The fund balance of the General Fund increased by $40,493 during the fiscal year.

GENERAL FUND BUDGET

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

Revenues

Filing Fees revenues are budgeted based on prior year amounts, although they are generally unpredictable from year to year. Most filing fees submitted to this LAFCO office are for annexation to sanitation districts, followed by water districts for wastewater services and water services, respectively. Fee revenues for FY 20-21 were less than the budgeted amounts due to a decrease in activity.

Expenditures

Overall, total General Fund expenditures were approximately $32,400 over budget, primarily due a contribution made to OPEB Trust during the fiscal year, which is included as a salaries and benefits expenditure in the governmental funds.

CAPITAL ASSETS

Table 3
Capital Assets
June 30, 2021 and 2020

	2021	2020	Change
Leasehold improvements	$ 19,454	$ 19,454.00	$ -
Office equipment	20,277	20,277	-
Capital assets	39,731	39,731	-
Accumulated depreciation	(29,435)	(23,659)	(5,776)
Capital assets, net	$ 10,296	$ 16,072	$ (5,776)

At the end of fiscal year 2021, the Commission's investment in capital assets amounted to $10,296 (net of accumulated depreciation). This investment in capital assets includes equipment, and tenant improvements. (See Note 3 for further information)

LONG-TERM LIABILITIES

Table 4
Long-term liabilities
June 30, 2021 and 2020

	2021	2020	Change
Compensated Absences	$ 151,053	$ 122,044	$ 29,009

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 4 of the Notes to Financial Statements.

CONDITIONS AFFECTING CURRENT FINANCIAL POSITION

At the end of first quarter of calendar year 2020, the United States and global economy suffered a major decline due to the impact of the COVID-19 virus. This economic decline may affect the Commission's operations and investment earnings for the remainder of the calendar year 2021 and beyond. However, the potential impact to the Commission is unknown at this time.

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.

LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES
Statement of Net Position
June 30, 2021
(With comparative information for the prior year)

	Governmental Activities	
	2021	2020
Assets:		
Cash and investments (note 2)	$ 1,944,603	1,928,822
Accounts receivable	-	74
Interest receivable	1,441	3,246
Prepaid expenses	103,206	91,235
Security deposits	8,232	8,232
Capital assets, net (note 3)	10,296	16,072
Total assets	2,067,778	2,047,681
Deferred outflow of resources:		
Deferred outflows - pension contributions (note 5)	132,752	120,583
Deferred outflows - pension actuarial (note 5)	572,000	318,000
Deferred outflows - OPEB contribution (note 6)	226,055	21,194
Deferred outflows - OPEB actuarial (note 6)	77,214	85,925
Total deferred outflow of resources	1,008,021	545,702
Liabilities:		
Accounts payable	23,644	38,264
Long-term liabilities:		
Due within one year:		
Compensated absences (note 4)	73,261	59,191
Deferred rent obligation	6,909	15,382
Due beyond one year:		
Compensated absences (note 4)	77,792	62,853
Deferred rent obligation	-	6,911
Net OPEB liability (note 6)	623,979	575,449
Net pension liability (note 5)	1,214,000	857,000
Total liabilities	2,019,585	1,615,050
Deferred inflow of resources:		
Deferred inflow of resources - pension actuarial (note 5)	172,000	186,000
Deferred inflow of resources - OPEB actuarial (note 6)	380,566	434,898
Total deferred inflow of resources	552,566	620,898
Net position:		
Investment in capital assets	10,296	16,072
Unrestricted	493,352	341,363
Total net position	$ 503,648	357,435

LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES
Statement of Activities
Year ended June 30, 2021
(With comparative information for the prior year)

		Program Revenues			Net (Expense) Revenue and Changes in Net Position - Governmental Activities	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2021	2020
Governmental activities:						
General government	$ 1,485,432	93,744	-	-	(1,391,688)	(1,488,380)
Total governmental activities	$ 1,485,432	93,744	-	-	(1,391,688)	(1,488,380)
General revenues:						
Apportionment					1,539,253	1,539,253
Investment income					(1,352)	51,046
Total general revenues					1,537,901	1,590,299
Change in net position					146,213	101,919
Net position, beginning of year					357,435	255,516
Net position, end of year					$ 503,648	357,435

See accompanying notes to the basic financial statements

LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES
Governmental Funds
Balance Sheet
June 30, 2021
(With comparative information for the prior year)

	General Fund	
	2021	2020
Assets		
Cash and investments	$ 1,944,603	1,928,822
Accounts receivable	-	74
Interest receivable	1,441	3,246
Prepaid expenses	103,206	91,235
Security deposits	8,232	8,232
Total assets	$ 2,057,482	2,031,609
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	$ 23,644	38,264
Total liabilities	23,644	38,264
Fund balance:		
Nonspendable:		
Prepaid expenses and deposits	111,438	99,467
Unassigned	1,922,400	1,893,878
Total fund balance	2,033,838	1,993,345
Total liabilities and fund balance	$ 2,057,482	2,031,609

See accompanying notes to the basic financial statements

LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES
Governmental Funds
Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Position
June 30, 2021

Fund balances of governmental funds	$ 2,033,838
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	39,731
Accumulated depreciation	(29,435)
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	(151,053)
Deferred rent obligation	(6,909)
Net OPEB liability	(623,979)
Net pension liability	(1,214,000)
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	358,807
Deferred outflows - actuarial	649,214
Deferred inflows - actuarial	(552,566)
Net position of governmental activities	$ 503,648

See accompanying notes to the basic financial statements

LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES
Governmental Funds
Statement of Revenues, Expenditures and
Changes in Fund Balances
Year ended June 30, 2021
(With comparative information for the prior year)

	General Fund	
	2021	2020
Revenues:		
Apportionment	$ 1,539,253	1,539,253
Filing fees	90,450	213,720
Charges for services	3,294	1,502
Investment income	(1,352)	51,046
Total revenues	1,631,645	1,805,521
Expenditures:		
Current:		
General government:		
Salaries and benefits	1,196,576	1,172,782
Services and supplies	236,842	245,227
Professional service charges	157,734	349,548
Capital outlay	-	7,581
Total expenditures	1,591,152	1,775,138
Excess (deficiency) of revenues over/(under) expenditures	40,493	30,383
Net change in fund balance	40,493	30,383
Fund balances at beginning of year	1,993,345	1,962,962
Fund balances at end of year	$ 2,033,838	$ 1,993,345

See accompanying notes to the basic financial statements

LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
Year ended June 30, 2021

Net changes in fund balances - total governmental funds	40,493

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.

Depreciation expense	(5,776)

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	(76,831)
Net change in net OPEB obligation	201,952
Net change in deferred rent obligation	15,384
Net change in compensated absences	(29,009)
Change in net position of governmental activities	$ 146,213

See accompanying notes to the basic financial statements

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 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.

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 resource's 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.

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

Net Investment in Capital Assets – This component of net position is not available for spending as it represents net assets already invested in capital assets less than related debt and accumulated depreciation.

Restricted Net Position – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by laws through constitutional provisions or enabling legislation. There is no Restricted Net Position at June 30, 2021.

Unrestricted Net Position – This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

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.

1) Summary of Significant Accounting Policies (Continued)

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 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.

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).

1) Summary of Significant Accounting Policies (Continued)

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.

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.

1) **Summary of Significant Accounting Policies (Continued)**

c. Cash and Investments

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.

d. 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.

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 inputs 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.

e. 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.

1) **Summary of Significant Accounting Policies (Continued)**

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

f. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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 deferred outflows related to the pension and OPEB liabilities resulting from actuarial calculations and pension and OPEB contributions made subsequent to the measurement date.

In addition to liabilities, the statement of net 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 deferred inflows related to the pension and OPEB liabilities resulting from actuarial calculations.

g. 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 deferred rent obligation was $6,909 at June 30, 2021.

h. Compensated Absences

Permanent Commission employees earn from approximately 5 to 16 vacation days a year and approximately 5 to 10 sick days a year, depending on their length of employment. 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.

i. 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

1) Summary of Significant Accounting Policies (Continued)

(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, 2019
Measurement Date (MD)	June 30, 2020
Measurement Period (MP)	July 1, 2019 to June 30, 2020

j. Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of Commission's plan (Plan) additions to/deductions from the OPEB Plan's fiduciary net position have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Valuation Date (VD)	June 30, 2019
Measurement Date (MD)	June 30, 2020
Measurement Period (MP)	July 1, 2019 to June 30, 2020

k. 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 affect certain reported amounts and disclosures. Accordingly, actual results could differ from the estimates.

l. 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.

2) Cash and Investments

Cash and investments as of June 30, 2021, consist of the following:

Demand deposits	$ 108,423
Cash held by the County of Los Angeles	1,836,180
Total	$ 1,944,603

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

The Los Angeles Local Agency Formation Commission (Commission) has the authority to invest surplus funds required for the immediate needs of the Commission. The Commission has delegated its Executive Officer the authority to invest such funds in the following Investment Funds:

Los Angeles County Treasury Pooled Investment Funds, which is administered by the County Treasurer as delegated by the County Board of Supervisors.

Local Agency Investment Fund of the State Treasury (LAIF). LAIF is a voluntary program created by statute in 1977 and is administered by the California State Treasurer.

CalTRUST is a Joint Power Authority (JPA) created in 2005 by the League of California Cities and the California State Association of Counties' Finance Corporation to pool local agency assets for investing purposes. The JPA is administered by a Board of Trustees consisting of local agency professionals.

Investments that are not consistent with this Investment Policy are prohibited. The Commission shall not engage in leveraged investing, including but not limited to margin accounts, hedging, or any form of borrowing for the purpose of investing.

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, 2021, 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. The Los Angeles County Treasury Pool is not rated.

2) Cash and Investments (Continued)

Disclosures Relating to Custodial Credit Risk

Custodial credit risk is 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 $1,836,180 as of June 30, 2021. This investment is not required to be categorized within the fair value hierarchy.

3) Capital Assets

Capital asset activity for the year ended June 30, 2021 was as follows:

	Balance at July 1, 2020	Additions	Deletions	Balance at June 30, 2021
Capital assets:				
Office equipment	$ 20,277	-	-	20,277
Tenant improvements	19,454	-	-	19,454
Total capital assets	39,731	-	-	39,731
Less accumulated depreciation for:				
Office equipment	(12,550)	(3,831)	-	(16,381)
Tenant improvements	(11,109)	(1,945)	-	(13,054)
Total accumulated depreciation	(23,659)	(5,776)	-	(29,435)
Total capital assets, net	$ 16,072	(5,776)	-	10,296

4) Compensated Absences Payable

Compensated absences payable activity for the year ended June 30, 2021, was as follows:

Compensated absences payable at beginning of year	$ 122,044
Compensated absences payable earned	55,027
Compensated absences payable used	(26,018)
Compensated absences payable at end of year	$ 151,053

Compensated absences expected to be paid within one year is $73,261 at June 30, 2021.

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 the Commission 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.

5) Pension Plan (Continued)

The Plan's provisions and benefits in effect at June 30, 2021, are summarized as follows:

	General		
Hire date	Prior to January 1, 2013	If elected, on or after January 4, 1982 and before November 28, 2012	On or After January 1, 2013
Plan name	Plan D	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)	5.76% - 12.22%	0%	9.11%
Required employer contribution rates	20.94%	24.49%	20.84%

(1) Based on age at entry into the Plan

5) Pension Plan (Continued)

a. *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, 2020, 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, 2019. 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:

	Net Pension Liability
Balance at: 06/30/2019	$ 857,000
Balance at: 06/30/2020	1,214,000
Net change during 2020	357,000

The Commission's proportionate share of the net pension liability for the Plan as of June 30, 2019 and 2020 was as follows:

	General
Proportion – June 30, 2019	0.00713%
Proportion – June 30, 2020	0.00672%
Change – Increase (Decrease)	0.00041%

5) Pension Plan (Continued)

For the year ended June 30, 2021, the Commission recognized pension expense of $209,583. At June 30, 2021, 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
Contributions subsequent to the measurement date	$132,752	-
Changes in assumptions	258,000	-
Differences between expected and actual experience	85,000	25,000
Changes in proportion	96,000	147,000
Net difference between projected and actual earnings on plan investments	133,000	-
Totals	$704,752	172,000

The deferred outflows of resources related to contributions subsequent to the measurement date of $132,752 will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30	Amount
2022	$ 54,000
2023	77,000
2024	82,000
2025	93,000
2026	40,000
Thereafter	54,000

5) Pension Plan (Continued)

Actuarial Assumptions

The total pension liabilities in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions:

Actuarial Cost Method	Individual Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.13%
Investment Rate of Return	7.00%
Inflation	2.75%
Cost of Living Adjustments (1)	
Mortality (2)	

(1) As noted in the June 30, 2019, actuarial valuation, with one modification: STAR COLA benefits are assumed to be substantively automatic at the 80% purchasing power level until the STAR reserve is projected to be insufficient to pay further STAR benefits.
(2) Various rates based on RP-2010 mortality tables and using MP-2014 Ultimate Projection Scale. See June 30, 2019, actuarial valuation for details.

Discount Rate

The discount rate to measure the total pension liability is 7.13 percent. The rate reflects the long-term assumed rate of return on assets for funding purposes of 7.00 percent, net of all expenses, increased by .13 percent, gross administrative expenses.

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employer's will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the plan's fiduciary net position was projected to be sufficient to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block approach in which best-estimate ranges of expected future real rates of returns (expected return, net of investment expenses 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 inflation. The target allocation and best estimates of the geometric real rates of return for each major asset class are summarized in the following table. The asset class return assumptions

5) Pension Plan (Continued)

are presented on a real basis, after the effects of inflation, and all assumptions incorporate a base inflation rate assumption of 2.75 percent.

Asset Class	Target Allocation	2020 Weighted average Long- term Expected Real Rate of Return
Growth	47.00%	5.90%
Credit	12.00%	2.50%
Real Asset and Inflation Hedges	17.00%	3.70%
Risk Reduction and Mitigation	24.00%	0.60%
Total	100.00%	

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:

	Discount Rate – 1% (6.13%)	Current Discount Rate (7.13%)	Discount Rate + 1% (8.13%)
Commission’s proportionate share of the Net Pension Liability	$1,913,000	$1,214,000	$636,000

Pension Plan Fiduciary Net Position

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

6) Other Post-Employment Benefits Plan

a. Plan Description

The Commission provides a defined benefit healthcare plan to retirees. 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. Employees Covered

The following employee statistics as of June 30, 2019, were used in the actuarial valuation:

Active employees	6
Inactive – receiving benefits	4
Inactive – not receiving benefits	0
Total participants	10

c. Contributions

During the fiscal year ending June 30, 2018, the Commission opened a trust account with California Employers' Retiree Benefits Trust (CERBT) dedicated to providing benefits to retirees in accordance with the terms of the plan and that are legally protected from creditors. The commission made an additional $200,000 contribution to CERBT during the fiscal year ending June 30, 2021.

CERBT is administered by the California Public Employees' Retirement System (CalPERS). The CERBT consists of participating employers of the State of California, public agencies and schools. CalPERS is governed by the Board of Administration that is responsible for the management and control of CalPERS, including the exclusive control of the administration of and investment of CERBT.

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.

6) Other Post-Employment Benefits Plan (Continued)

d. Actuarial Methods and Assumptions Used to Determine OPEB Liability

The June 30, 20 OPEB liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Individual Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.00%
Inflation	3.25%
Payroll Increase	3.25%
Mortality Table	Society of Actuaries Pub-2010 Mortality for Active and Retired Employees with MP-2019 Projection to 2025

e. Discount Rate

Discount Rate	7.00%
Long-term expected rate of return, net of investment expenses	7.00%

A discount rate of 7.00% was used in the valuation. The interest rate used in the prior valuation was 7.00%. The actuary assumed that all contributions are from the employer. The actuary used historic 35-year real rates of return for each asset class along with assumed long-term inflation assumption to set the discount rate. The actuary offset the expected investment return by investment expenses of 20 basis points.

The following is the assumed asset allocation and assumed rate of return for each asset class:

Asset Class	Target Allocation	Assumed Real Rate of Return
All Equities	40.00%	8.295%
All Fixed Income	43.00%	5.000%
Real Estate (REITs)	8.00%	8.000%
All Commodities Currency Bonds	4.00%	8.295%
TIPS	5.00%	3.750%
Total	100.00%	

The actuary looked at rolling periods of time for all asset classes in combination to appropriately reflect correlation between asset classes. That means that the average returns for any asset class do not necessarily reflect the averages over time individually but reflect the return for the asset class for the portfolio average. The actuary used geometric means.

6) Other Post-Employment Benefits Plan (Continued)

f. Changes in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net Position Liability (Asset)
Balance at June 30, 2019	$ 790,194	214,745	575,449
Changes in the Year:			
Service cost	30,732	-	30,732
Interest on the total OPEB liability	55,473	15,028	40,445
Administrative expenses	-	(106)	106
Employer contributions as benefit payments	-	21,194	(21,194)
Actual benefit payments from employer	(21,194)	(21,194)	-
Expected minus actual benefit payments	(4,971)	-	(4,971)
Investment gains/(losses)	-	(3,412.00)	3,412
Changes in assumptions	-	-	-
Net Changes	60,040	11,510	48,530
Balance at June 30, 2020 (Measurement Date)	$ 850,234	226,255	623,979

g. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Plan as of the Measurement Date, calculated using the discount rate of 7.00 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.00 percent) or 1 percentage-point higher (8.00 percent) than the current rate:

	Discount Rate – 1% (6.00%)	Current Discount Rate (7.00%)	Discount Rate + 1% (8.00%)
Net OPEB Liability	$762,311	623,979	511,102

The following presents the net OPEB liability of the Plan as of the Measurement Date, calculated using the changes in the healthcare cost trend rate as well as what the net OPEB liability would be if it were calculated using the healthcare cost trend rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	Trend Rate 1% Decrease	Current Healthcare Cost Trend Rate	Trend Rate 1% Increase
Net OPEB Liability	$479,517	623,979	811,394

6) Other Post-Employment Benefits Plan (Continued)

h. Amortization of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts are first amortized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred inflows and deferred outflows to be recognized in future OPEB expense.

The amortization period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on OPEB plan investments	5-year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lifetime (EARSL)

i. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the Commission recognized an expense of $24,123 for the OPEB Plan. At June 30, 2021, the Commission reported deferred outflows of resources and deferred inflows of resources related to the OPEB plan as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to the measurement date	$226,055	-
Changes in assumptions	-	373,841
Differences between expected and actual experience	74,485	4,412
Net difference between projected and actual earnings on OPEB plan investments	2,729 -	2,313
Totals	$303,269	380,566

6) Other Post-Employment Benefits Plan (Continued)

The Commission reported $226,055 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2022. Other amounts reported as deferred outflows or inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Fiscal Year Ended June 30:	Deferred Outflows/(Inflows) of Resources
2022	$ (47,180)
2023	(47,180)
2024	(47,177)
2025	(46,893)
2026	(47,573)
Thereafter	(67,349)

7) Commitments

The Commission has entered into office space and equipment leases under long-term lease agreements through November 2021. Additionally, the Commission extended the term of their lease for an additional period of sixty-three (63) months, commencing on December 1, 2021, and continuing through and expiring on February 28, 2027. As the extension commences subsequent to June 30, 2021 the schedule below reflects only the future rental obligations that existed at June 30, 2021. Future minimum rental payments under non-cancelable leases are as follows:

Year Ended June 30	Amount
2021	$ 41,158
Total	$ 41,158

Total rent expense for the year ended June 30, 2021, amounted to $94,409.

8) Excess Expenditures over Appropriations

Excess of expenditures over appropriations in the Commission's governmental fund is as follows:

	Expenditures	Appropriations	Excess
General Fund	$1,558,753	1,591,152	32,399

9) <u>Insurance</u>

The Commission is exposed to various risks including loss or damage to property, general liability, and injuries to employees. To address this risk the Commission participates in a risk pool with Special District Risk Management Authority (SDRMA) for workers compensation coverage and Joint Powers Risk and Insurance Management Authority (JPRIMA) for general liability coverage. Under SDRMA for the year ended June 30, 2021, insurance coverage limits per occurrence were as follows; workers compensation $5,000,000. Under JPRIMA for the year ended June 30, 2021, insurance coverage limits per occurrence were as follows; general liability $1,000,000, per occurrence and 10,000,000 aggregate, and Public Officials and Management Liability $1,000,000, per occurrence and $10,000,000 aggregate.

Liabilities are recorded when it is probable that a loss has been incurred, and the amount for claims can be reasonably estimated net of the respective insurance coverage. There have been no significant reductions in insurance coverage from the prior year and there have been no settled claims in excess of insurance coverage in any of the past three years.

REQUIRED SUPPLEMENTARY INFORMATION

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

Measurement Date:	June 30, 2020	June 30, 2019	June 30, 2018
Proportion of the Collective Net Pension Liability	0.00672%	0.00713%	0.00695%
Proportionate share of the Collective Net Pension Liability	$ 1,214,000	857,000	748,000
Covered Payroll	$ 621,077	633,905	597,839
Proportionate share of the Collective Net Pension Liability as a percentage of covered payroll	195.47%	135.19%	125.12%
Plan Fiduciary Net Position as a percentage of the total Pension Liability	76.40%	82.91%	83.96%

Notes to Schedule:

Benefit Changes – There were no changes in benefits.

Changes in Assumptions – For the measurement period ended June 30, 2020, the discount rate was changed from 7.38% to 7.13%.

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

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

Measurement Date:	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Proportion of the Collective Net Pension Liability	0.00621%	0.00775%	0.00907%	0.00800%
Proportionate share of the Collective Net Pension Liability	$ 701,000	806,000	703,000	580,000
Covered Payroll	$ 507,467	564,082	594,657	575,750
Proportionate share of the Collective Net Pension Liability as a percentage of covered payroll	138.14%	142.89%	118.22%	100.74%
Plan Fiduciary Net Position as a percentage of the total Pension Liability	82.37%	81.75%	86.30%	86.80%

Notes to Schedule:

Benefit Changes – There were no changes in benefits.

Changes in Assumptions – For the measurement period ended June 30, 2020, the discount rate was changed from 7.38% to 7.13%.

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

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

Fiscal Year:	2020-21	2019-20	2018-19
Actuarially Determined Contribution	$ 132,752	120,583	118,911
Contributions in Relation to the Actuarially Determined Contribution	(132,752)	(120,583)	(118,911)
Contribution Deficiency (Excess)	$ -	-	-
Covered Payroll	$ 622,232	621,077	633,905
Contributions as a Percentage of Covered Payroll	21.33%	19.42%	18.76%

Notes to Schedule:

Fiscal Year End	June 30, 2021
Valuation Date	June 30, 2018

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age
Remaining Amortization Period	30 years
Inflation	2.75%
Investment Rate of Return	7.00%, net of pension plan investment expenses
Retirement Age	50-67 years
Mortality	Society of Actuaries Pub-2010 Mortality for Active and Retired Employees with MP-2019 Projection to 2025.

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

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

Fiscal Year:	2017-18	2016-17	2015-16	2014-15
Actuarially Determined Contribution	$ 106,432	84,079	106,091	116,988
Contributions in Relation to the Actuarially Determined Contribution	(106,8432	(84,079)	(106,091)	(116,988)
Contribution Deficiency (Excess)	$ -	-	-	-
Covered Payroll	$ 597,839	507,467	564,082	594,657
Contributions as a Percentage of Covered Payroll	17.80%	16.56%	18.81%	19.67%

Notes to Schedule:

Fiscal Year End — June 30, 2021

Valuation Date — June 30, 2018

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age
Remaining Amortization Period	30 years
Inflation	2.75%
Investment Rate of Return	7.00%, net of pension plan investment expenses
Retirement Age	50-67 years
Mortality	Society of Actuaries Pub-2010 Mortality for Active and Retired Employees with MP-2019 Projection to 2025.

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

LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES
Schedule of Changes in the Net OPEB Liability and Related Ratios
Last Ten Fiscal Years*

Measurement date	June 30, 2020	June 30, 2019
Total OPEB liability:		
Service cost	$ 30,732.00	103,250
Interest on the total OPEB liability	55,473	50,774
Actual benefit payments from employer	(21,194)	(22,000)
Expected minus actual benefit payments	(4,971)	2,000
Experience (gains)/losses	-	76,365
Changes in assumptions	-	(372,195)
Net Change in Total OPEB Liability	60,040	(161,806)
Total OPEB liability - beginning of year	790,194	952,000
Total OPEB liability - End of Year (a)	850,234.00	790,194
Plan Fiduciary Net Position:		
Expected investment income	$ 15,028.00	-
Administrative expenses	(106)	(43)
Employer contributions as benefit payments	21,194	22,000
Actual benefit payments from employer	(21,194)	(22,000)
Investment gains/(losses)	(3,412)	-
Net change in plan fiduciary net position	11,510	14,047
Plan fiduciary net position - beginning of year	214,745	200,698
Plan fiduciary net position - end of year (b)	$ 226,255.00	214,745
Net OPEB liability - ending (a)-(b)	$ 623,979.00	575,449
Plan fiduciary net position as a percentage of the total OPEB liability	26.61%	27.18%
Covered - employee payroll	$ 621,077.00	$ 633,905.00
Net OPEB liability as a percentage of covered payroll	100.28%	90.78%

Notes to schedule:

Changes in assumptions:

None in 2020. In 2019 the interest assumption changed from 5.11% to 7.00%. The medical trend rate was updated from a schedule to 4.0% in all years. The participation rate was changed to 90% from a schedule based on years of service.

* - Fiscal year 2020 was the first year OPEB was reported as a multiple employer agent plan, therefore only two years are shown.

FOR THE COUNTY OF LOS ANGELES
Schedule of Proportionate Share of the Net OPEB Liability
Last Ten Fiscal Years *

Measurement Date:	June 30, 2018	June 30, 2017
Proportion of the Collective Total OPEB Liability	0.00385%	0.00355%
Proportionate Share of the Collective Total OPEB Liability	$ 952,000	940,000
Covered - Employee Payroll	$ 594,840	504,171
Proportionate Share of the Collective Total OPEB Liability as Percentage of Covered – Employee Payroll	160.04%	186.44%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	3.60%	0.00%

* Fiscal year 2018 was the first year of implementation. Only two years of information are shown because the Commission now reports OPEB a multiple employer agent plan as of the measurement period ending June 30, 2019.

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

Fiscal Year:	2020-21	2019-20	2018-19	2017-18
Actuarially Determined Contribution	$ 26,055	21,194	22,000	23,000
Contributions in Relation to the Actuarially Determined Contribution	(226,055)	(21,194)	(22,000)	(223,000)
Contribution Deficiency (Excess)	(200,000)	-	-	(200,000)
Covered Payroll	$ 622,232	621,077	633,905	594,840
Contributions as a Percentage of Covered Payroll	36.36%	3.41%	3.47%	37.49%

Notes to Schedule:

Fiscal Year End	June 30, 2021
Valuation Date	June 30, 2019

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Inflation	3.25%
Investment Rate of Return	7.00% long term rate
Discount Rate	7.00%
Mortality	Society of Actuaries Pub-2010 Mortality for Active Employees with MP-2019 Projection to 2025

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

LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES
Schedule of Collective OPEB Expense – Defined Benefit OPEB Plan
Last Ten Fiscal Years *

Measurement Period	2019-20	2018-19	2017-18	2016-17
Total Proportionate Share of Collective OPEB Expense	$ -	-	126,000	106,000

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

LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Apportionment	$ 1,539,253	1,539,253	1,539,253	-
Filing fees	100,000	100,000	90,450	(9,550)
Charges for services	4,500	4,500	3,294	(1,206)
Investment income	15,000	15,000	(1,352)	(16,352)
Total revenues	1,658,753	1,658,753	1,631,645	(27,108)
Expenditures:				
Current:				
General government:				
Salaries and benefits	1,056,809	1,056,809	1,196,576	(139,767)
Services and supplies	262,844	262,844	236,842	26,002
Professional service charges	239,100	239,100	157,734	81,366
Total expenditures	1,558,753	1,558,753	1,591,152	(32,399)
Excess (deficiency) of revenues over (under) expenditures	100,000	100,000	40,493	(59,507)
Net change in fund balances	100,000	100,000	40,493	(59,507)
Fund balances at beginning of year	1,993,345	1,993,345	1,993,345	-
Fund balances at end of year	$ 2,093,345	2,093,345	2,033,838	(59,507)

See accompanying notes to the required supplementary information

Notes to the Required Supplementary Information

Year ended June 30, 2021

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.

Excess of expenditures over appropriations in the Commission's governmental fund is as follows:

	Expenditures	Appropriations	Excess
General Fund	$1,558,753	1,591,152	32,399

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Davis Farr LLP
18201 Von Karman Avenue | Suite 1100 | Irvine, CA 92612
Main: 949.474.2020 | Fax: 949.263.5520

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*

The Commission Members
Los Angeles Local Agency Formation Commission
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, 2021, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated October 29, 2021.

Internal Control over Financial Reporting

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

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 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 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.

DavisFarr LLP

Irvine, California
October 29, 2021