

To the Board of Commissioners
Los Angeles Local Agency Formation Commission
Pasadena, California

We have audited the financial statements of the Los Angeles Local Agency Formation Commission (the Commission) as of and for the year ended June 30, 2024 and have issued our report thereon dated October 21, 2024. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated June 19, 2024, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Commission solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm, have complied with all relevant ethical requirements regarding independence.

We identified self-review threats to independence as a result of non-attest services provided. Those non-attest services included the preparation of the financial statements and recording journal entries detected during the audit process. To mitigate the risk, management has compared the draft financial statements and footnotes to the underlying accounting records to verify accuracy and has reviewed a disclosure checklist to ensure footnotes are complete and accurate.

Additionally, we utilize a quality control reviewer to perform a second review of journal entries and the financial statements. We believe these safeguards are sufficient to reduce the independence threats to an acceptable level.

Significant Risks Identified

During the planning of the audit, we identified the risk of errors in the Other Post Employment Benefit (OPEB) Liability as a significant risk, due to the new valuation for the fiscal year ended June 30, 2024. As a result, we reviewed the assumptions for reasonableness and tested the underlying census data provided to the actuary to calculate the balance.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Commission is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during fiscal year 2024. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

- Management's estimate of transactions related to net pension liabilities based on actuarial information. We evaluated the key factors and assumptions used to develop the amounts by the actuary and determined that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of transactions related to net OPEB liabilities based on actuarial information. We evaluated the key factors and assumptions used to develop the amounts by the actuary and determined that it is reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- The Pension Plan disclosures in note 5 to the financial statements.
- The OPEB Plan disclosures in note 6 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. We did not identify any uncorrected financial statement misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. We did not identify any material misstatements as a result of our audit procedures.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Commission's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the letter dated October 21, 2024.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that they regularly consult with Eide Bailly LLP regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Commission, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may

affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Commission's auditors.

Restriction on Use

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

Davis Lane LLP

Irvine, California
October 21, 2024

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

BASIC FINANCIAL STATEMENTS

Year ended June 30, 2024

(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, 2024

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Independent Auditor’s Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Los Angeles Local Agency Formation Commission (the “Commission”), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Commission’s basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Los Angeles Local Agency Formation Commission as of June 30, 2024, and the changes in its net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission’s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis, Schedule of Plan Proportionate Share of the Net Pension Liability, Schedule of Plan Contributions – Defined Benefit Pension Plan, Schedule of Changes in Net OPEB Liability and Related Ratios, Schedule of Proportionate Share of the Net OPEB Liability, Schedule of Plan Contributions – Defined Benefit OPEB Plan, Schedule of Collective OPEB Expense – Defined Benefit OPEB Plan, and the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual: General Fund* be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Summarized Comparative Information

We have previously audited the Commission's June 30, 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 13, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2024 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 the effectiveness of 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
October 21, 2024

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LOS ANGELES LOCAL AGENCY FORMATION COMMISSION

Management's Discussion and Analysis

Year ended June 30, 2024

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, 2024. 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 statements** present 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.

LOS ANGELES LOCAL AGENCY FORMATION COMMISSION

Management's Discussion and Analysis

Year ended June 30, 2024 (Continued)

Reporting the Commission's Major Funds

Governmental Funds – All of the Commission's basis services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called *modified accrual accounting*, which measures case and other *current financial* that can readily be converted to cash. The government fund statements provide a detailed short- term view of the Commission's general government operations and basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Commission's programs. We describe the relationship or differences between *governmental funds* in a reconciliation following the fund statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

Table 1
Statements of Net Position
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>	<u>Change</u>	<u>%</u>
ASSETS & DEFERRED OUTFLOWS:				
Current assets	\$ 2,461,762	2,210,614	251,148	11.36%
Capital assets, net	452,232	203,899	248,333	121.79%
Total assets	<u>2,913,994</u>	<u>2,414,513</u>	<u>499,481</u>	<u>20.69%</u>
Deferred outflows of resources	<u>861,585</u>	<u>723,565</u>	<u>138,020</u>	<u>19.07%</u>
LIABILITIES, DEFERRED INFLOWS & NET POSITION:				
Current liabilities	325,483	244,380	81,103	33.19%
Long-term liabilities	<u>1,871,125</u>	<u>1,519,815</u>	<u>351,310</u>	<u>23.12%</u>
Total liabilities	<u>2,196,608</u>	<u>1,764,195</u>	<u>432,413</u>	<u>24.51%</u>
Deferred inflows of resources	<u>422,310</u>	<u>435,546</u>	<u>(13,236)</u>	<u>-3.04%</u>
Investment in capital assets	<u>(67,274)</u>	<u>(53,265)</u>	<u>(14,009)</u>	<u>26.30%</u>
Unrestricted	<u>1,223,935</u>	<u>991,602</u>	<u>232,333</u>	<u>23.43%</u>
Total net position	<u>\$ 1,156,661</u>	<u>938,337</u>	<u>218,324</u>	<u>23.27%</u>

Total assets have increased by \$499,481, or 20.69%, primarily due to an increase in the Commission's net position. This is due to the increase in filing fee revenue and interest revenue offset by the amortization of the right to use assets for property and equipment. Current liabilities have increased by 33.19% primarily due to increase in lease liabilities relating to the office lease extension. Long-term liabilities have increased by 23.12% due to an increase in the Commission's net pension liability of \$206,000, as well as an increase in lease liabilities relating to the office lease extension of \$184,301, offset by a decrease in net

LOS ANGELES LOCAL AGENCY FORMATION COMMISSION

Management’s Discussion and Analysis

Year ended June 30, 2024 (Continued)

OPEB obligations of \$41,000. Net position increased 23.27% with the change in net position for the year ended June 30, 2024, of \$218,324.

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, 2024 and 2023

	<u>2024</u>	<u>2023</u>	<u>Change</u>	<u>%</u>
REVENUES:				
Apportionment	\$ 1,641,842	1,641,843	(1)	0.00%
Charges for services	224,827	179,338	45,489	25.36%
Investment income (loss)	117,340	52,964	64,376	121.55%
Total Revenues	<u>1,984,009</u>	<u>1,874,145</u>	<u>109,864</u>	<u>5.86%</u>
EXPENSES:				
General government	1,759,625	1,685,905	73,720	4.37%
Interest	6,060	7,235	(1,175)	100.00%
Total Expenses	<u>1,765,685</u>	<u>1,693,140</u>	<u>72,545</u>	<u>4.28%</u>
Change in net position	218,324	181,005	37,319	20.62%
NET POSITION:				
Beginning of year	938,337	757,332	181,005	23.90%
End of year	<u>\$ 1,156,661</u>	<u>938,337</u>	<u>218,324</u>	<u>23.27%</u>

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. In fiscal year 2024, revenue increased by \$109,864 primarily due to filing fees and investment income. Effective July 1, 2023, the Commission’s Filing Fee Schedule was increased for the first time since 2006 causing overall filing fee revenue to increase. Also, the rate of return for investment income reached a historic high of 4.21%. Expenses increased by \$72,545 primarily due to pension and lease obligations, the latter mostly related to the office lease.

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.

LOS ANGELES LOCAL AGENCY FORMATION COMMISSION

Management’s Discussion and Analysis

Year ended June 30, 2024 (Continued)

The fund balance of the General Fund increased by \$218,324 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 revenue for FY 2023-24 was more than the budgeted amounts due to an increase in the Commission’s Filing Fee Schedule effective July 1, 2023 and a consistent flow of applications filed for processing.

Expenditures

Overall, total General Fund expenditures were approximately \$341,799 over budget, due to nonbudgeted year-end adjustments under GASB 87 including: principal payments, interest payments, and capital outlay related to office, copier, and postage machine leases.

CAPITAL ASSETS

**Table 3
Capital Assets
June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>	<u>Change</u>
Leasehold improvements	\$ 8,125	8,125	-
Office equipment	13,565	13,565	-
Right to use asset	<u>792,469</u>	<u>407,859</u>	<u>384,610</u>
Capital assets	814,159	429,549	384,610
Accumulated depreciation	<u>(361,927)</u>	<u>(225,650)</u>	<u>(136,277)</u>
Capital assets, net	<u><u>\$ 452,232</u></u>	<u><u>203,899</u></u>	<u><u>248,333</u></u>

At the end of fiscal year 2024, the Commission’s investment in capital assets amounted to \$452,232 (net of accumulated depreciation). This investment in capital assets includes equipment, tenant improvements and the right to use asset for a building lease. (See Note 3 for further information).

LOS ANGELES LOCAL AGENCY FORMATION COMMISSION

Management's Discussion and Analysis

Year ended June 30, 2024 (Continued)

LONG-TERM LIABILITIES

**Table 4
Long-term liabilities
June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>	<u>Change</u>
Compensated absences	\$ 175,989	172,089	3,900
Lease payable	519,506	257,164	262,342
Total long-term liabilities	<u>\$ 695,495</u>	<u>429,253</u>	<u>266,242</u>

Long-term liabilities are not due and payable in the current period. The compensated absences liability represents the value of unused vacation and pay that employees have accrued as of the end of the fiscal year. Additional information on long-term liabilities may be found in Note 4 of the Notes to Financial Statements.

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, 2024
(With comparative information for the prior year)**

	Governmental Activities	
	2024	2023
Assets:		
Cash and investments (note 2)	\$ 2,331,253	2,098,982
Accounts receivable	6,020	4,005
Interest receivable	9,913	8,963
Prepaid expenses	114,576	98,664
Capital assets, net (note 3)	<u>452,232</u>	<u>203,899</u>
Total assets	<u>2,913,994</u>	<u>2,414,513</u>
Deferred outflow of resources:		
Deferred outflows - pension contributions (note 5)	200,421	177,274
Deferred outflows - pension actuarial (note 5)	434,000	317,000
Deferred outflows - OPEB contribution (note 6)	21,721	220,353
Deferred outflows - OPEB actuarial (note 6)	<u>205,443</u>	<u>8,938</u>
Total deferred outflow of resources	<u>861,585</u>	<u>723,565</u>
Liabilities:		
Accounts payable	39,846	16,430
Unearned revenue	-	22,246
Long-term liabilities:		
Due within one year:		
Compensated absences (note 4)	85,355	83,463
Lease liability (note 4)	200,282	122,241
Due beyond one year:		
Compensated absences (note 4)	90,634	88,626
Lease liability (note 4)	319,224	134,923
Net OPEB liability (note 6)	337,267	378,266
Net pension liability (note 5)	<u>1,124,000</u>	<u>918,000</u>
Total liabilities	<u>2,196,608</u>	<u>1,764,195</u>
Deferred inflow of resources:		
Deferred inflow of resources - pension actuarial (note 5)	38,000	94,000
Deferred inflow of resources - OPEB actuarial (note 6)	<u>384,310</u>	<u>341,546</u>
Total deferred inflow of resources	<u>422,310</u>	<u>435,546</u>
Net position:		
Net investment in capital assets	(67,274)	(53,265)
Unrestricted	<u>1,223,935</u>	<u>991,602</u>
Total net position	<u>\$ 1,156,661</u>	<u>938,337</u>

See accompanying notes to the basic financial statements

**LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES
Statement of Activities
June 30, 2024
(With comparative information for the prior year)**

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Position - Governmental Activities	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2024	2023
Governmental activities:						
General government	\$ 1,759,625	224,827	-	-	(1,534,798)	(1,506,567)
Interest	<u>6,060</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,060)</u>	<u>(7,235)</u>
Total governmental activities	<u>\$ 1,765,685</u>	<u>224,827</u>	<u>-</u>	<u>-</u>	<u>(1,540,858)</u>	<u>(1,513,802)</u>
General revenues:						
Apportionment					1,641,842	1,641,843
Investment income					<u>117,340</u>	<u>52,964</u>
Total general revenues					<u>1,759,182</u>	<u>1,694,807</u>
Change in net position					218,324	181,005
Net position, beginning of year					<u>938,337</u>	<u>757,332</u>
Net position, end of year					<u>\$ 1,156,661</u>	<u>938,337</u>

See accompanying notes to the basic financial statements

**LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES
Governmental Funds
Balance Sheet
June 30, 2024
(With comparative information for the prior year)**

		General Fund	
		2024	2023
<u>Assets</u>			
Cash and investments		\$ 2,331,253	2,098,982
Accounts receivable		6,020	4,005
Interest receivable		9,913	8,963
Prepaid expenses		114,576	98,664
Total assets		\$ 2,461,762	2,210,614
<u>Liabilities and Fund Balance</u>			
Liabilities:			
Accounts payable		\$ 39,846	16,430
Unearned revenue		-	22,246
Total liabilities		39,846	38,676
Fund balance:			
Nonspendable:			
Prepaid expenses		114,576	98,664
Unassigned		2,307,340	2,073,274
Total fund balance		2,421,916	2,171,938
Total liabilities and fund balance		\$ 2,461,762	2,210,614

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, 2024**

Fund balance of governmental fund		\$ 2,421,916
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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		814,159
Accumulated depreciation		(361,927)

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		(175,989)
Lease liability		(519,506)
Net OPEB liability		(337,267)
Net pension liability		(1,124,000)

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		222,142
Deferred outflows - actuarial		639,443
Deferred inflows - actuarial		(422,310)

Net position of governmental activities		<u>\$ 1,156,661</u>
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**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, 2024
(With comparative information for the prior year)**

	General Fund	
	2024	2023
Revenues:		
Apportionment	\$ 1,641,842	1,641,843
Filing fees	224,619	179,000
Charges for services	208	338
Investment income	117,340	52,964
Total revenues	1,984,009	1,874,145
Expenditures:		
Current:		
General government:		
Salaries and benefits	1,293,329	1,189,614
Services and supplies	166,198	149,857
Professional service charges	146,176	233,154
Debt Service:		
Principal	122,268	115,944
Interest	6,060	7,235
Capital outlay	384,610	869
Total expenditures	2,118,641	1,696,673
Excess (deficiency) of revenues over/(under) expenditures	(134,632)	177,472
Other Financing Sources (Uses):		
Proceeds from leases	384,610	-
Net change in fund balance	249,978	177,472
Fund balances at beginning of year	2,171,938	1,994,466
Fund balances at end of year	\$ 2,421,916	2,171,938

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, 2024**

Net changes in fund balances - total governmental funds \$ 249,978

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	(136,277)
Capital outlay	384,610

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	(9,853)
Net change in net OPEB obligation	(3,892)
Net change in lease liability	122,268
Proceeds from lease	(384,610)
Net change in compensated absences	<u>(3,900)</u>
 Change in net position of governmental activities	 <u>\$ 218,324</u>

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

Notes to the Basic Financial Statements

Year ended June 30, 2024

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.

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

**Notes to the Basic Financial Statements
Year ended June 30, 2024**

(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 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, 2024.

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.

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

**Notes to the Basic Financial Statements
Year ended June 30, 2024**

(Continued)

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).

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

**Notes to the Basic Financial Statements
Year ended June 30, 2024**

(Continued)

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 a 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.

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

**Notes to the Basic Financial Statements
Year ended June 30, 2024**

(Continued)

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.

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

**Notes to the Basic Financial Statements
Year ended June 30, 2024**

(Continued)

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
Right to use asset	The estimated life of the leased asset or the contract term, whichever is shorter

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. Leases

The Commission is a lessee for right to use assets as detailed in Footnote 4. The Commission recorded a lease payable in the financial statements.

At the commencement of the lease, the Commission initially measures the lease payable at the present value of payments expected to be paid during the lease term. Subsequently, the lease payable is reduced by the principal portion of lease payments made.

Key estimates and judgments include how the Commission determines the discount rate it uses to discount the expected lease receipts and payments to present value, lease term and lease receipts.

- The Commission used the estimated borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.

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

**Notes to the Basic Financial Statements
Year ended June 30, 2024**

(Continued)

1) Summary of Significant Accounting Policies (Continued)

h. Compensated Absences

Permanent Commission employees earn from approximately 8 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 (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, 2022
Measurement Date (MD)	June 30, 2023
Measurement Period (MP)	July 1, 2022 to June 30, 2023

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, 2023
Measurement Date (MD)	June 30, 2023
Measurement Period (MP)	July 1, 2022 to June 30, 2023

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

**Notes to the Basic Financial Statements
Year ended June 30, 2024**

(Continued)

1) Summary of Significant Accounting Policies (Continued)

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, 2024, consist of the following:

Demand deposits	\$ 117,282
Cash held by the County of Los Angeles	<u>2,213,971</u>
Total	<u>\$ 2,331,253</u>

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.

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

**Notes to the Basic Financial Statements
Year ended June 30, 2024**

(Continued)

2) Cash and Investments (Continued)

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, 2024, 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.

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. The California Government Code and the Commission's Investment Policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2024, the Commission's deposits with financial institutions did not exceed federal depository insurance limits.

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 \$2,213,971 as of June 30, 2024. This investment is not required to be categorized within the fair value hierarchy.

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

**Notes to the Basic Financial Statements
Year ended June 30, 2024**

(Continued)

3) Capital Assets

Capital asset activity for the year ended June 30, 2024 was as follows:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
Capital assets:				
Right to use asset	\$ 407,859	384,610	-	792,469
Office equipment	13,565	-	-	13,565
Tenant improvements	8,125	-	-	8,125
Total capital assets	<u>429,549</u>	<u>384,610</u>	<u>-</u>	<u>814,159</u>
Less accumulated depreciation for:				
Right to use asset	(212,087)	(134,269)	-	(346,356)
Office equipment	(9,907)	(1,195)	-	(11,102)
Tenant improvements	(3,656)	(813)	-	(4,469)
Total accumulated depreciation	<u>(225,650)</u>	<u>(136,277)</u>	<u>-</u>	<u>(361,927)</u>
Total capital assets, net	<u>\$ 203,899</u>	<u>248,333</u>	<u>-</u>	<u>452,232</u>

4) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2024 was as follows:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024	Due in one Year
Compensated absences	172,089	84,405	(80,505)	175,989	85,355
Lease payable					
Office space	244,898	384,610	(118,570)	510,938	196,470
Equipment	12,266	-	(3,698)	8,568	3,812
Total lease payable	<u>257,164</u>	<u>384,610</u>	<u>(122,268)</u>	<u>519,506</u>	<u>200,282</u>
Total long-term liabilities	<u>\$ 429,253</u>	<u>469,015</u>	<u>(202,773)</u>	<u>695,495</u>	<u>285,637</u>

The Commission entered into a lease for office space on August 11, 2011. The current lease term began December 1, 2021 and expires February 28, 2027, with a cancellation option effective on and as of November 30, 2024. The Commission is required to make monthly fixed payments ranging from \$9,884 to \$10,486, with a discount rate of 3%. As of June 30, 2024, the lease payable is \$510,938.

The Commission entered into two lease agreements for office equipment through April 2027. The Commission is required to make monthly fixed payments ranging from \$156 to \$179, with a discount rate of 3%. As of June 30, 2024, the lease payable is \$8,568.

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

**Notes to the Basic Financial Statements
Year ended June 30, 2024**

(Continued)

4) Long-term Liabilities (Continued)

Future lease payable requirements are as follows:

Year ended June 30	Principal	Interest	Total
2025	\$ 200,282	6,974	207,256
2026	128,084	6,879	134,963
2027	134,196	3,428	137,624
2028	56,944	375	57,319
	<u>\$ 519,506</u>	<u>17,656</u>	<u>537,162</u>

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.

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

**Notes to the Basic Financial Statements
Year ended June 30, 2024**

(Continued)

5) Pension Plan (Continued)

The Plan's provisions and benefits in effect at June 30, 2024, are summarized as follows:

	General		
	Prior to January 1, 2013	If elected, on or after January 4, 1982 and before November 28, 2012	On or After January 1, 2013
Hire date			
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%	9.08%
Required employer contribution rates	24.16%	24.30%	23.96%

(1) Based on age at entry into the Plan

b. 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.

c. 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, 2023, 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, 2022.

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

**Notes to the Basic Financial Statements
Year ended June 30, 2024**

(Continued)

5) Pension Plan (Continued)

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: 06/30/2023	\$ 918,000
Balance at: 06/30/2024	1,124,000
Net change during 2024	\$ 206,000

The Commission's proportionate share of the net pension liability for the Plan as of June 30, 2022 and 2023 was as follows:

	General
Proportion – June 30, 2022	0.00673%
Proportion – June 30, 2023	0.00769%
Change – Increase (Decrease)	0.00096%

For the year ended June 30, 2024, the Commission recognized pension expense of \$210,274. At June 30, 2024, 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	\$ 200,421	-
Differences between actual and expected experience	128,000	-
Change in assumptions	187,000	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	111,000	(38,000)
Net differences between projected and actual earnings on plan investments	8,000	-
Total	\$ 634,421	(38,000)

The deferred outflows of resources related to contributions subsequent to the measurement date of \$200,421 will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2025.

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

**Notes to the Basic Financial Statements
Year ended June 30, 2024**

(Continued)

5) Pension Plan (Continued)

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
2024	\$ 80,026
2025	(9,231)
2026	204,229
2027	71,247
2028	28,443
Thereafter	21,286

Actuarial Assumptions

The total pension liabilities in the June 30, 2022 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, 2022, 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 Pub-2010 mortality tables and using MP-2021 Ultimate Projection Scale. See June 30, 2022, funding 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 0.13 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.

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

**Notes to the Basic Financial Statements
Year ended June 30, 2024**

(Continued)

5) Pension Plan (Continued)

The long-term expected rate of return on pension plan investments is based on inflation expectations and nominal return expectations developed by Meketa for each asset class. In the case of the total portfolio and broad asset groupings (e.g., Growth, Credit), returns are calculated using a portfolio approach that first calculates nominal expected returns by incorporating target weights, nominal expected returns, and volatility and correlations estimates for each asset class, adjusted by the defined return period. Nominal expected returns for each asset class are converted to real expected returns by adjusting them for inflation, using a base inflation rate assumption of 2.75 percent. A simple weighted sum of asset class returns will not yield the results shown on the table given the process followed to adjust for inflation, the compounding to a given time period, and the impact of volatility and correlations to the portfolio.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>2023 Weighted average Long- term Expected Real Rate of Return</u>
Growth	53.00%	6.20%
Credit	11.00%	3.10%
Real Asset and Inflation Hedges	17.00%	3.70%
Risk Reduction and Mitigation	19.00%	1.10%
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:

	Discount Rate - 1% (6.13%)	Current Discount Rate (7.13%)	Discount Rate + 1% (8.13%)
Commission's proportionate share of the Net Pension Liability (Asset)	\$2,026,000	\$1,124,000	\$377,000

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 the Basic Financial Statements
Year ended June 30, 2024**

(Continued)

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, 2022, were used in the actuarial valuation:

Active employees	6
Inactive – receiving benefits	3
Inactive – not receiving benefits	<u>1</u>
Total participants	<u>10</u>

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 no additional contribution to CERBT during the fiscal year ending June 30, 2024.

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.

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

**Notes to the Basic Financial Statements
Year ended June 30, 2024**

(Continued)

6) Other Post-Employment Benefits Plan (Continued)

d. Actuarial Methods and Assumptions Used to Determine OPEB Liability

The June 30, 2024 OPEB liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Individual Entry Age Normal
Actuarial Assumptions:	
Discount Rate	6.25%
Inflation	2.50%
Payroll Increase	2.75%
Mortality Table	2022 LACERA Mortality for General Employees

e. Discount Rate

Discount Rate	6.25%
Long-term expected rate of return, net of investment expenses	6.25%

A discount rate of 6.25% was used in the valuation. The interest rate used in the prior valuation was 6.25%. 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 50 basis points.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Assumed Real Rate of Return</u>
All Equities	34.00%	7.545%
All Fixed Income	41.00%	4.250%
Real Estate (REITs)	17.00%	7.250%
All Commodities	3.00%	7.545%
Currency Bonds		
TIPS	<u>5.00%</u>	3.000%
Total	<u>100.00%</u>	

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.

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

**Notes to the Basic Financial Statements
Year ended June 30, 2024**

(Continued)

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, 2022	\$ 988,711	610,445	378,266
Changes in the Year:			
Service cost	39,024	-	39,024
Interest on the total OPEB liability	62,379	21,737	40,642
Administrative expenses	-	(175)	175
Employer contributions	-	20,316	(20,316)
Benefit payments	(20,316)	(20,316)	-
Experience (gains)/losses	(125,919)	-	(125,919)
Changes in assumptions	25,395	-	25,395
Net Changes	<u>(19,437)</u>	<u>21,562</u>	<u>(40,999)</u>
Balance at June 30, 2023 (Measurement Date)	<u>\$ 969,274</u>	<u>632,007</u>	<u>337,267</u>

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 6.25 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.25 percent) or 1 percentage-point higher (7.25 percent) than the current rate:

	Discount Rate - 1% (5.25%)	Current Discount Rate (6.25%)	Discount Rate + 1% (7.25%)
Net OPEB Liability	\$510,632	\$337,267	\$197,063

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	\$167,263	\$337,267	\$557,982

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

**Notes to the Basic Financial Statements
Year ended June 30, 2024**

(Continued)

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, 2024, the Commission recognized an expense of \$20,316 for the OPEB Plan. At June 30, 2024, 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	\$ 21,721	-
Changes in assumption	101,584	199,310
Differences between expected and actual experience	40,165	185,000
Net difference between projected and actual earnings on OPEB plan investments	63,694	-
Totals	\$ 227,164	384,310

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

**Notes to the Basic Financial Statements
Year ended June 30, 2024**

(Continued)

6) Other Post-Employment Benefits Plan (Continued)

The Commission reported \$21,721 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, 2025. Other amounts reported as deferred outflows or inflows of resources related to OPEB will be recognized as OPEB expense as follows:

<u>Fiscal Year</u> <u>Ended June 30:</u>	<u>Deferred</u> <u>Outflows/(Inflows)</u> <u>of Resources</u>
2025	\$ (37,534)
2026	(38,211)
2027	(22,889)
2028	(36,309)
2029	(9,813)
Thereafter	(34,111)

7) Deficit of Expenditures over Appropriations

Surplus of expenditures over appropriations in the Commission’s governmental fund is as follows:

	<u>Expenditures</u>	<u>Appropriations</u>	<u>Deficit</u>
General Fund	\$2,118,641	1,776,842	(341,799)

8) Insurance

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 Commission 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, 2024, insurance coverage limits per occurrence were as follows; workers compensation \$5,000,000. Under JPRIMA for the year ended June 30, 2024, 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:	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Proportion of the Collective Net Pension Liability	0.00769%	0.00673%	0.00661%	0.00672%	0.00713%
Proportionate share of the Collective Net Pension Liability	\$ 1,124,000	918,000	482,000	1,214,000	857,000
Covered Payroll	\$ 772,382	684,119	622,232	621,077	633,905
Proportionate share of the Collective Net Pension Liability as a percentage of covered payroll	136.34%	134.20%	77.46%	195.47%	135.19%
Plan Fiduciary Net Position as a percentage of the total Pension Liability	83.48%	83.75%	90.92%	76.40%	82.91%

Notes to Schedule:

Benefit Changes – There were no changes in benefits.

Changes in Assumptions – For the measurement period ended June 30, 2023, there were no change in assumptions.

**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:	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Proportion of the Collective Net Pension Liability	0.00695%	0.00621%	0.00775%	0.00907%	0.00800%
Proportionate share of the Collective Net Pension Liability	\$ 748,000	701,000	806,000	703,000	580,000
Covered Payroll	\$ 597,839	507,467	564,082	594,657	575,750
Proportionate share of the Collective Net Pension Liability as a percentage of covered payroll	125.12%	138.14%	142.89%	118.22%	100.74%
Plan Fiduciary Net Position as a percentage of the total Pension Liability	83.96%	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, 2023, there were no change in assumptions.

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

Fiscal Year:	<u>2023-24</u>	<u>2022-23</u>	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>
Actuarially Determined Contribution	\$ 200,421	177,274	147,648	132,752	120,583
Contributions in Relation to the Actuarially Determined Contribution	<u> (200,421) </u>	<u> (177,274) </u>	<u> (147,648) </u>	<u> (132,752) </u>	<u> (120,583) </u>
Contribution Deficiency (Excess)	<u> \$ - </u>	<u> - </u>	<u> - </u>	<u> - </u>	<u> - </u>
Covered Payroll	\$ 824,479	772,382	684,119	622,232	621,077
Contributions as a Percentage of Covered Payroll	24.31%	22.95%	21.58%	21.33%	19.42%

Notes to Schedule:

Fiscal Year End June 30, 2024

Valuation Date June 30, 2022

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-2021 Projection to 2027.

**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	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Total OPEB liability:					
Service cost	\$ 39,024	33,504	31,731	30,732	103,250
Interest on the total OPEB liability	62,379	57,336	59,702	55,473	50,774
Actual benefit payments from employer	(20,316)	(19,946)	(26,055)	(21,194)	(22,000)
Expected minus actual benefit payments	-	-	-	(4,971)	2,000
Experience (gains)/losses	(125,919)	-	(105,617)	-	76,365
Changes in assumptions	<u>25,395</u>	<u>75,169</u>	<u>32,653</u>	<u>-</u>	<u>(372,195)</u>
Net Change in Total OPEB Liability	(19,437)	146,063	(7,586)	60,040	(161,806)
Total OPEB liability - beginning of year	<u>988,711</u>	<u>842,648</u>	<u>850,234</u>	<u>790,194</u>	<u>952,000</u>
Total OPEB liability - End of Year (a)	<u><u>969,274</u></u>	<u><u>988,711</u></u>	<u><u>842,648</u></u>	<u><u>850,234</u></u>	<u><u>790,194</u></u>
Plan Fiduciary Net Position:					
Expected investment income (loss)	21,737	(60,066)	44,457	15,028	-
Administrative expenses	(175)	(119)	(82)	(106)	(43)
Employer contributions as benefit payments	20,316	219,946	226,055	21,194	22,000
Actual benefit payments from employer	(20,316)	(19,946)	(26,055)	(21,194)	(22,000)
Investment gains/(losses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,412)</u>	<u>-</u>
Net change in plan fiduciary net position	21,562	139,815	244,375	11,510	(43)
Plan fiduciary net position - beginning of year	<u>610,445</u>	<u>470,630</u>	<u>226,255</u>	<u>214,745</u>	<u>200,698</u>
Plan fiduciary net position - end of year (b)	<u><u>\$ 632,007</u></u>	<u><u>610,445</u></u>	<u><u>470,630</u></u>	<u><u>226,255</u></u>	<u><u>214,745</u></u>
Net OPEB liability - ending (a)-(b)	<u><u>337,267</u></u>	<u><u>378,266</u></u>	<u><u>372,018</u></u>	<u><u>623,979</u></u>	<u><u>575,449</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	65.20%	61.74%	55.85%	26.61%	27.18%
Covered - employee payroll	\$ 772,382	\$ 684,119	\$ 622,232	621,077	633,905
Net OPEB liability as a percentage of covered payroll	43.67%	55.29%	59.79%	100.28%	90.78%

Notes to schedule:

Changes in assumptions:

None in 2022 or 2023. In 2022 the interest assumption changed from 6.75% to 6.25%. 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 2019 was the first year OPEB was reported as a multiple employer agent plan, therefore only five years are shown.

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

Measurement Date:	<u>June 30, 2018</u>	<u>June 30, 2017</u>
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 began reporting OPEB as a multiple employer agent plan for 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:	<u>2023-24</u>	<u>2022-23</u>	<u>2021-22</u>	<u>2020-21</u>
Actuarially Determined Contribution	\$ 21,721	20,316	20,353	26,055
Contributions in Relation to the Actuarially Determined Contribution	<u>(21,721)</u>	<u>(20,316)</u>	<u>(220,353)</u>	<u>(226,055)</u>
Contribution Deficiency (Excess)	\$ <u> - </u>	<u> - </u>	<u>(200,000)</u>	<u>(200,000)</u>
Covered Payroll	\$ 824,479	772,382	684,119	622,232
Contributions as a Percentage of Covered Payroll	2.63%	2.63%	32.21%	36.36%

Notes to Schedule:

Fiscal Year End June 30, 2024

Valuation Date June 30, 2022

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Inflation	2.50%
Investment Rate of Return	6.25% long term rate
Discount Rate	6.25%
Mortality	2022 LACERA Mortality for General Employees

* - Fiscal year 2018 was the first year of implementation, therefore only 7 years are shown.

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

Fiscal Year:	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>
Actuarially Determined Contribution	\$ 21,194	22,000	23,000
Contributions in Relation to the Actuarially Determined Contribution	(21,194)	(22,000)	(223,000)
Contribution Deficiency (Excess)	\$ _____ -	_____ -	(200,000)
Covered Payroll	\$ 621,077	633,905	594,840
Contributions as a Percentage of Covered Payroll	3.41%	3.47%	37.49%

Notes to Schedule:

Fiscal Year End June 30, 2024

Valuation Date June 30, 2022

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Inflation	2.50%
Investment Rate of Return	6.25% long term rate
Discount Rate	6.25%
Mortality	2022 LACERA Mortality for General Employees

* - Fiscal year 2018 was the first year of implementation, therefore only 7 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	<u>2022-23</u>	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>
Total Proportionate Share of Collective OPEB Expense	\$ <u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>

* - Fiscal year 2018 was the first year of implementation, therefore only seven 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 *
(Continued)**

Measurement Period	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>
Total Proportionate Share of Collective OPEB Expense	<u> -</u>	<u> 126,000</u>	<u> 106,000</u>

* - Fiscal year 2018 was the first year of implementation, therefore only seven 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, 2024**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Apportionment	\$ 1,641,842	1,641,842	1,641,842	-
Filing fees	120,000	120,000	224,619	104,619
Charges for services	-	-	208	208
Investment income (loss)	15,000	15,000	117,340	102,340
Total revenues	1,776,842	1,776,842	1,984,009	207,167
Expenditures:				
Current:				
General government:				
Salaries and benefits	1,308,882	1,308,882	1,293,329	15,553
Services and supplies	275,800	275,800	166,198	109,602
Professional service charges	192,160	192,160	146,176	45,984
Debt Service:				
Principal	-	-	122,268	(122,268)
Interest	-	-	6,060	(6,060)
Capital outlay	-	-	384,610	(384,610)
Total expenditures	1,776,842	1,776,842	2,118,641	(341,799)
Excess (deficiency) of revenues over (under) expenditures	-	-	(134,632)	(134,632)
Proceeds from leases	-	-	384,610	384,610
Net change in fund balances	-	-	249,978	249,978
Fund balances at beginning of year	2,033,940	2,033,940	2,171,938	216,946
Fund balances at end of year	\$ 2,033,940	2,033,940	2,421,916	466,924

See accompanying notes to the required supplementary information.

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

Notes to the Required Supplementary Information

Year ended June 30, 2024

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.

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

	<u>Expenditures</u>	<u>Appropriations</u>	<u>Deficit</u>
General Fund	\$2,118,641	2,118,641	(341,799)

The deficit of expenditures over appropriations is due to more expenditures recorded for the extension of the office lease at 80 South Lake Avenue.

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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, 2024, 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 21, 2024.

Report on 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 or significant deficiencies may exist that have not been identified.

Report on 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.

A handwritten signature in blue ink that reads "Davis Fan" followed by a stylized flourish.

Irvine, California
October 21, 2024