

**LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY**  
**FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

**LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY**

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## INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Local Agency Formation Commission of Monterey County  
Salinas, California

We have audited the accompanying financial statements of the Local Agency Formation Commission of Monterey County (Agency), a state mandated regulatory agency, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that

are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Agency, as of June 30, 2021 and 2020, and the respective changes in financial position and, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

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

#### *Other Information*

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. The Agency has elected not to present Management's Discussion and Analysis.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2021, on our consideration of the Agency'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 provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

*Bianchi, Kasawan & Pope, LLP*

Salinas, California  
November 16, 2021

## **BASIC FINANCIAL STATEMENTS**

**LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY**

**STATEMENTS OF NET POSITION**

**JUNE 30, 2021 AND 2020**

**ASSETS AND DEFERRED OUTFLOWS**

	<u>2021</u>	<u>2020</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents - Note 2	\$ 1,199,102	\$ 1,116,087
Prepaid expenses	12,113	23,980
<b>TOTAL CURRENT ASSETS</b>	<u>1,211,215</u>	<u>1,140,067</u>
<b>NON-CURRENT ASSETS</b>		
Net pension asset - Note 6	10,976	8,803
Capital assets - net - Note 3	13,013	22,407
<b>TOTAL NON-CURRENT ASSETS</b>	<u>23,989</u>	<u>31,210</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred pension - Note 6	108,767	143,090
Deferred OPEB - Note 7	6,689	3,371
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>115,456</u>	<u>146,461</u>
	<u>\$ 1,350,660</u>	<u>\$ 1,317,738</u>

**LIABILITIES, DEFERRED INFLOWS AND NET POSITION**

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 15,350	\$ 23,554
Accrued leave	83,469	70,317
<b>TOTAL CURRENT LIABILITIES</b>	<u>98,819</u>	<u>93,871</u>
<b>NON-CURRENT LIABILITIES</b>		
Net OPEB liability - Note 7	90,300	78,626
<b>TOTAL NON-CURRENT LIABILITIES</b>	<u>90,300</u>	<u>78,626</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred pension - Note 6	10,172	14,425
Deferred OPEB - Note 7	46,684	58,295
Deferred fees revenue	61,385	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>118,241</u>	<u>72,720</u>
<b>NET POSITION</b>		
Net investment in capital assets	13,013	22,407
Unrestricted - Note 4	1,030,287	1,050,114
<b>TOTAL NET POSITION</b>	<u>1,043,300</u>	<u>1,072,521</u>
	<u>\$ 1,350,660</u>	<u>\$ 1,317,738</u>

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

**LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY**

**STATEMENTS OF REVENUES, EXPENSES  
AND CHANGE IN NET POSITION**

**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>OPERATING REVENUES</b>		
County contributions	\$ 298,814	\$ 332,016
District contributions	298,814	332,016
City contributions	298,814	332,016
Project fees	71,514	10,717
	<hr/>	<hr/>
<b>TOTAL OPERATING REVENUES</b>	<b>967,956</b>	<b>1,006,765</b>
	<hr/>	<hr/>
<b>OPERATING EXPENSES</b>		
Salaries	541,308	564,094
Employee benefits	238,670	241,318
Accounting and financial services	71,080	54,099
Legal	27,981	14,447
Rent - Note 5	27,934	27,121
Accrued leave	27,625	41,181
Professional services encumbered funds	16,144	19,115
Audit services	14,500	14,000
Equipment rental and furnishings	10,964	9,253
Computer support services	10,647	17,875
Property and general liability insurance	10,592	8,257
Depreciation	9,394	7,758
LAFCO memberships	8,886	5,987
Computer equipment maintenance	8,863	8,952
Telephone	6,335	3,710
Postage and shipping	4,486	5,563
Office supplies	3,709	3,494
Outside printers	2,833	2,081
Consulting services	2,050	-
Professional services	1,197	-
Legal notices	981	1,257
Books and periodicals	963	802
Meeting broadcast services	900	3,150
Training and conferences	650	4,251
Repairs and maintenance	320	160
Human resource services	60	-
Travel	44	4,592
Recruitment advertising encumbered funds	-	606
	<hr/>	<hr/>
<b>TOTAL OPERATING EXPENSES</b>	<b>1,049,116</b>	<b>1,063,123</b>

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



**LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY**

**STATEMENTS OF REVENUES, EXPENSES  
AND CHANGE IN NET POSITION**

**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>INCOME (LOSS) FROM OPERATIONS</b>	\$ (81,160)	\$ (56,358)
<b>NON-OPERATING INCOME</b>		
Fees revenue	38,615	-
Interest	13,324	31,392
<b>TOTAL NON-OPERATING INCOME</b>	<u>51,939</u>	<u>31,392</u>
<b>CHANGE IN NET POSITION</b>	(29,221)	(24,966)
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>1,072,521</u>	<u>1,097,487</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 1,043,300</u>	<u>\$ 1,072,521</u>

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

**LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers, county, districts and cities	\$ 1,067,956	\$ 900,697
Payments to suppliers	(203,814)	(233,742)
Payments to employees	(794,451)	(779,442)
<b>Net cash provided by (used in) operating activities</b>	<u>69,691</u>	<u>(112,487)</u>
<b>CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES</b>		
Purchases of capital assets	-	(5,702)
<b>Net cash used in capital and financing activities</b>	<u>-</u>	<u>(5,702)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	13,324	31,392
<b>Net cash provided by investing activities</b>	<u>13,324</u>	<u>31,392</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	83,015	(86,797)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>1,116,087</u>	<u>1,202,884</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 1,199,102</u>	<u>\$ 1,116,087</u>
<b>Reconciliation of operating income to net cash provided by operating activities -</b>		
Income from operations	\$ (81,160)	\$ (56,358)
<b>Adjustments to reconcile operating income to net cash provided by operating activities -</b>		
Depreciation	9,394	7,758
<b>Changes in assets, deferred inflows of resources, liabilities and deferred outflows of resources:</b>		
(Increase) decrease in prepaid expenses	11,867	(4,527)
(Increase) decrease in net pension asset	(2,173)	27,569
(Increase) decrease in deferred outflows	31,005	(40,903)
Increase (decrease) in accounts payable	(8,204)	12,257
Increase (decrease) in deferred fees revenue	100,000	(106,068)
Increase (decrease) in accrued leave	13,152	25,970
Increase (decrease) in net OPEB liability	11,674	(41,554)
Increase (decrease) in deferred inflows	(15,864)	63,369
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 69,691</u>	<u>\$ (112,487)</u>

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

**FIDUCIARY FUND FINANCIAL STATEMENTS**

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

STATEMENTS OF FIDUCIARY NET POSITION  
PRIVATE-PURPOSE TRUST FUND

JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Restricted cash - Note 1	\$ 346,342	\$ 502,245
<b>TOTAL ASSETS</b>	<u>346,342</u>	<u>502,245</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 176	\$ 13,539
<b>TOTAL LIABILITIES</b>	<u>176</u>	<u>13,539</u>
<b>FIDUCIARY NET POSITION</b>		
Restricted for FORA litigation	<u>\$ 346,166</u>	<u>\$ 488,706</u>

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

**LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY**

**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION  
PRIVATE-PURPOSE TRUST FUND**

**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>ADDITIONS</b>		
Transfer from FORA	\$ -	\$ 500,000
Interest income	4,199	2,245
<b>TOTAL ADDITIONS</b>	<u>4,199</u>	<u>502,245</u>
<b>DEDUCTIONS</b>		
Legal fees	<u>146,739</u>	<u>13,539</u>
<b>CHANGE IN FIDUCIARY NET POSITION</b>	(142,540)	488,706
<b>FIDUCIARY NET POSITION, BEGINNING OF YEAR</b>	<u>488,706</u>	<u>-</u>
<b>FIDUCIARY NET POSITION, END OF YEAR</b>	<u>\$ 346,166</u>	<u>\$ 488,706</u>

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

# LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

### 1. ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES

#### Description of Reporting Entity

Local Agency Formation Commission (LAFCO) is a regulatory agency with countywide jurisdiction, established by state law (Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000) to discourage urban sprawl and to encourage orderly and efficient provision of services, such as water, sewer, fire protection, etc. LAFCO of Monterey County (Agency) is a state mandated agency.

The Agency is responsible for reviewing and approving proposed jurisdictional boundary changes, including annexations and detachments of territory to and/or from cities and special districts, incorporations of new cities, formations of new special districts, consolidations, mergers and dissolutions of existing districts. In addition, the Agency reviews and approves contractual service agreements, determines spheres of influence for each city and district, and initiates proposals involving district consolidation, dissolution, establishment of subsidiary districts, mergers and reorganizations.

The Agency is composed of seven Commissioners: two members from the Board of Supervisors; two representatives from the cities within Monterey County; one public member; and two Independent Special District Members. There are four alternate Commissioners, which reflect the same four membership categories.

#### Basis of Presentation

The Agency's primary operations are accounted for as an enterprise fund. The accounting policies of the Agency conform to accounting principles generally accepted in the United States of America as applicable to governmental units. Such funds are used to account for operations (1) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or fees; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

# LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

### 1. ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (Continued)

#### Fiduciary Fund

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. The accounting used for fiduciary funds is much like that used for enterprise funds.

The Agency utilizes the Private-Purpose Trust Fund to account for resources held in trust for litigation costs arising as a result of the FORA dissolution.

In March 2020, the Agency received \$500,000 from the Fort Ord Reuse Authority (FORA), pursuant to an indemnification agreement to be held in trust in a separate litigation reserve fund. The purpose of the agreement and funds is to provide the Agency with money in the event that the Agency needs to initiate or defend against litigation to ensure the FORA dissolution is properly implemented and to reimburse LAFCO for its reasonable expenses incurred as a result of any such legal action or proceeding. Upon resolution of all litigation, all unexpended legal contingency funds shall be equally returned to the County of Monterey and the Cities of Marina, Seaside, Del Rey Oaks, and Monterey.

#### Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the statement of net position. Net position is segregated into components. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position. Proprietary fund operating revenues, such as fees for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies, grants, and investment earnings, result from nonexchange transactions or ancillary activities.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

# LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

### 1. ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (Continued)

#### **Cash and Investments**

The Agency 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.

Restricted cash held in the fiduciary fund consists of funds restricted for settlement of FORA litigation.

#### **Fair Value Measurements**

The Agency categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All of the Agency's investments are categorized as Level 1 in the hierarchy.

#### **Use of Estimates**

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



LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

1. ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (Continued)

**Capital Assets**

The Agency records its capital assets at cost and depreciates these assets using the MACRS method. Depreciation is based on the following estimated useful lives:

	<u>Years</u>
Office equipment	3 - 5

It is the Agency's policy to capitalize assets with a useful life greater than one year and cost over \$2,000.

Maintenance and minor repairs are charged against income; major renewals and betterments are capitalized and depreciated.

**Net Position**

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources and is classified into three components:

- *Net Investment In Capital Assets* describes the portion of net position which is represented by the current net book value of the Agency's capital assets, less the outstanding balance of any debt issued to finance these assets (if any).
- *Restricted* describes the portion of net position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws or other restrictions which the Agency cannot unilaterally alter.
- *Unrestricted* describes the portion of net position which is not restricted to use.

**LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

**1. ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (Continued)**

**Pension Plan**

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Agency's California Public Employees and Retirement System (CalPERS) Plans and additions to and deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

Government accounting standards requires that the reported results must pertain to liability and asset information within certain defined timeframes.

For this report, the following timeframes are used:

**For the year ended June 30, 2021:**

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

**For the year ended June 30, 2020:**

Valuation Date (VD)	June 30, 2018
Measurement Date (MD)	June 30, 2019
Measurement Period (MP)	July 1, 2018 to June 30, 2019

**LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

**1. ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (Continued)**

**Other Postemployment Benefit (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Agency's OPEB Plan and additions to and deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

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

**For the year ended June 30, 2021:**

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

**For the year ended June 30, 2020:**

Valuation Date (VD)	June 30, 2019
Measurement Date (MD)	June 30, 2019
Measurement Period (MP)	June 30, 2018 to June 30, 2019

**Deferred Outflows and Inflows of Resources**

Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. The Agency has two items related to outflows from changes in the net pension liability (Note 6) and net OPEB liability (Note 7).

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

1. ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (Continued)

Deferred Outflows and Inflows of Resources (Continued)

Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then. The Agency has three items related to inflows from changes in the net pension liability (Note 6), net OPEB liability (Note 7), and deferred fees revenue

In July 2020, the Agency recorded \$100,000 of deferred fees revenue, for funding received from FORA, to implement its administrative oversight role in connection with post-dissolution tasks. The Agency recognized \$38,615 of these deferred fees as fees revenue during the year ended June 30, 2021.

Subsequent Events

Subsequent events were evaluated through November 16, 2021, the date the financial statements were available to be issued.

2. CASH AND CASH EQUIVALENTS

Cash consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Cash in bank	\$ 189,191	\$ 115,927
Cash held in Monterey County Treasury:		
Cash undesignated	253,489	280,775
Cash designated for:		
Litigation reserve	300,037	300,037
Contingency reserve	282,316	270,105
Accrued leave	83,469	70,317
Net OPEB obligation	90,300	78,626
Petty cash	<u>300</u>	<u>300</u>
	<u>\$ 1,199,102</u>	<u>\$ 1,116,087</u>

# LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

### 2. CASH AND CASH EQUIVALENTS (Continued)

#### Agency's Investment Policy

The California Government Code authorizes investments in U.S. Treasury obligations, U.S. District securities, municipal securities, negotiable certificates of deposits, commercial paper, bankers' acceptances, medium-term corporate bonds ("A" or better), asset-backed securities, repurchase agreements, money market funds and local government investment pools. The Agency currently invests its funds in the local government investment pool administered by Monterey County. As of June 30, 2021 and 2020, the investment policy and the investments of the Monterey County pool are in compliance with the California Government Code.

#### Disclosure Relating to Interest Rate Risk

Interest rate risk is the risk of changes in market interest rates adversely affecting the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2021 and 2020, the weighted average maturity of the Monterey County investment portfolio is 604 and 307 days, respectively.

#### Disclosure Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Monterey County investment pool does not have a rating provided by a nationally recognized statistical rating organization. Approximately 84.2% and 84.7%, as of June 30, 2021 and 2020, respectively, of the investment portfolio is comprised of U.S. Treasuries, Federal District securities, Negotiable CDs and other liquid funds.

All of those assets have an investment grade rating. U.S. Treasuries are not specifically rated, but are considered the safest of all investments. The corporate debt (13.1% and 14.3% as of June 30, 2021 and 2020, respectively) is rated in the higher levels of investment grade. All Federal securities have AA ratings or are guaranteed by the U.S. Treasury.

**LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

**2. CASH AND CASH EQUIVALENTS (Continued)**

**Concentration of Credit Risk**

The Monterey County or the Agency investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The Monterey County pool does not include any investments by any one issuer (other than the State of California Local District Investment Fund and the California Asset Management Program – external governmental investment pools) that represents 10% or more of total investments.

**Custodial Credit Risk**

Custodial Credit Risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits. The provisions require a financial institution to secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository. Regulated 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 districts' deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

The Agency periodically maintains cash deposits in two financial institutions, which at times exceed federally insured limits. The Agency has not experienced any losses related to these accounts and believes it is not exposed to any significant credit risk. The Agency's uninsured cash balance was \$0 at June 30, 2021 and 2020.

**3. CAPITAL ASSETS**

Capital asset activity consisted of the following:

	<u>Balance</u> <u>June 30, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2021</u>
Office equipment	\$ 61,450	\$ -	\$ (3,647)	\$ 57,803
Accumulated depreciation	<u>(39,043)</u>	<u>(9,394)</u>	<u>3,647</u>	<u>(44,790)</u>
<b>TOTAL CAPITAL ASSETS – net</b>	<u>\$ 22,407</u>	<u>\$ (9,394)</u>	<u>\$ -</u>	<u>\$ 13,013</u>

**LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

**3. CAPITAL ASSETS (Continued)**

	<u>Balance</u> <u>June 30, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2020</u>
Office equipment	\$ 55,748	\$ 5,702	\$ -	\$ 61,450
Accumulated depreciation	<u>(31,285)</u>	<u>(7,758)</u>	<u>-</u>	<u>(39,043)</u>
<b>TOTAL CAPITAL ASSETS – net</b>	<u>\$ 24,463</u>	<u>\$ (2,056)</u>	<u>\$ -</u>	<u>\$ 22,407</u>

**4. NET POSITION – UNRESTRICTED**

Unrestricted assets consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Designated for litigation	\$ 300,037	\$ 300,037
Designated for contingency	282,316	270,105
Designated for encumbered funds	74,187	79,830
Unrestricted and undesignated	<u>373,747</u>	<u>400,142</u>
	<u>\$ 1,030,287</u>	<u>\$ 1,050,114</u>

**5. LEASE OBLIGATIONS**

In July 2018, the 6<sup>th</sup> Amendment to the original lease agreement for office space was entered into. The amendment provides for an additional five-year term, as well as annual increases in base rent beginning after June 2019. Total office rent expense under this operating lease agreement was \$27,934 and \$27,121 for the years ended June 30, 2021 and 2020, respectively.

Future minimum rental payments required under this lease as of June 30, 2021, are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Amount</u>
2022	\$ 28,772
2023	<u>28,772</u>
	<u>\$ 57,544</u>

# LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

### 6. PENSION PLAN

#### General Information about the Pension Plan

##### *Plan Description*

The Agency participates in a Miscellaneous Pension Plan (Plan), which is a cost-sharing multiple-employer defined benefit pension plan, administered by CalPERS. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS' website at [calpers.ca.gov](http://calpers.ca.gov).

In January 2013, the California Public Employees' Pension Reform Act (PEPRA) took effect which changes the way CalPERS retirement and health benefits are applied, and places compensation limits on members. Individuals hired on or after January 2013 are under PEPRA. All members who do not fall under this category are considered classic members. Classic members will retain existing benefit levels for future service with the same employer.

##### *Benefits Provided*

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



**LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

**6. PENSION PLAN (Continued)**

**General Information about the Pension Plan (Continued)**

***Benefits Provided* (Continued)**

The Plan's provisions and benefits in effect at June 30, 2021 and 2020, are summarized as follows:

Hire date	Prior to <u>January 1, 2013</u>	On or after <u>January 1, 2013</u>
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible	2.0%	2.0%
Required employee contribution rates	7.000%	6.750%
Required employer contribution rates:		
as of June 30, 2021	11.031%	7.732%
as of June 30, 2020	10.221%	6.985%

***Contribution Description***

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. 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 employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

The contribution recognized as part of the pension expense for the Plan were \$84,864 and \$43,722 for the years ended June 30, 2021 and 2020, respectively.

**LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

**6. PENSION PLAN (Continued)**

**General Information about the Pension Plan (Continued)**

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

The Agency's proportionate share of net pension liability/ (asset) was \$(10,976) and \$(8,803) for the years ended June 30, 2021 and 2020, respectively.

The Agency's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, which was rolled forward to June 30, 2021 and 2020, using standard update procedures. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The Agency's proportionate share of the net pension liability for the Plan as of June 30, 2021 and 2020, was as follows:

Proportion – Year ended June 30, 2021	-0.00026%
Proportion – Year ended June 30, 2020	-0.00022%
Change - Decrease	-0.00004%

For the year ended June 30, 2021 and 2020, the Agency recognized pension expense of \$97,772 and \$80,546, respectively.

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

6. PENSION PLAN (Continued)

**Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension** (Continued)

At June 30, 2021 and 2020, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>2021</b>	
	<u>Deferred Outflows of Resources Related to Pension</u>	<u>Deferred Inflows of Resources Related to Pension</u>
Pension contributions subsequent to measurement date	\$ 69,874	\$ -
Change in employer's proportion	12,119	3,636
Changes of assumptions	-	(79)
Difference in employer's contributions and the employer's proportionate share of contributions	27,340	6,289
Net differences between projected and actual earnings on plan investments	-	326
Difference between expected and actual experience	<u>(566)</u>	<u>-</u>
Total	<u>\$ 108,767</u>	<u>\$ 10,172</u>

**LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

**6. PENSION PLAN (Continued)**

**Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension (Continued)**

	<u>2020</u>	
	<u>Deferred Outflows of Resources Related to Pension</u>	<u>Deferred Inflows of Resources Related to Pension</u>
Pension contributions subsequent to measurement date	\$ 84,864	\$ -
Change in employer's proportion	19,647	4,838
Changes of assumptions	(420)	(149)
Difference in employer's contributions and the employer's proportionate share of contributions	39,456	9,783
Net differences between projected and actual earnings on plan investments	154	-
Difference between expected and actual experience	<u>(611)</u>	<u>(47)</u>
Total	<u>\$ 143,090</u>	<u>\$ 14,425</u>

As of June 30, 2021 and 2020, the deferred outflows of resources relate to contributions subsequent to the measurement date of \$69,874 and \$84,864, respectively, will be and was recognized as a reduction of the net pension liability in the years ending June 30, 2021 and 2020, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Amount</u>
2022	\$ 20,401
2023	5,860
2024	2,616
2025	<u>(156)</u>
	<u>\$ 28,721</u>

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

6. PENSION PLAN (Continued)

**Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension** (Continued)

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

The collective total pension liability for the June 30, 2020, measurement period was determined by an actuarial valuation as of June 30, 2019, with update procedures used to roll forward the total pension liability to June 30, 2020. The collective total pension liability was based on the following assumptions:

Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Investment rate of return	7.15%
Inflation	2.50%
Salary increases	Varies by entry age and service
Mortality rate table	Derived using CalPERS membership data for all funds (a)
Post-Retirement benefit increases	Lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter

(a) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

6. PENSION PLAN (Continued)

**Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension** (Continued)

***Actuarial Methods and Assumptions Used to Determine Total Pension Liability*** (Continued)

The June 30, 2018, valuation was rolled forward to determine the June 30, 2019, total pension liability, based on the following actuarial methods and assumptions:

Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.50%
Salary increases	Varies by entry age and service
Mortality rate table	Derived using CalPERS membership data for all funds (a)
Post-Retirement benefit increases	Contract Cola up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

(a) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

***Change of Assumptions***

In 2018, demographic assumptions and the inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate and inflation rate.

# LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

### 6. PENSION PLAN (Continued)

#### **Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension** (Continued)

##### ***Discount Rate***

The discount rate used to measure the total pension liability/asset was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from the plan members will be made at the current member contribution rates and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit 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 the total pension liability.

##### ***Long-term Expected Rate of Return***

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

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

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

6. PENSION PLAN (Continued)

**Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension** (Continued)

***Long-term Expected Rate of Return*** (Continued)

The expected real rates of return by asset class for years ended June 30, 2021 and 2020, are as follows. The rates of return were calculated using the capital assumptions applied to determine the discount rate.

<u>Asset Class (a)</u>	<b>2021</b>		
	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1 - 10(b)</u>	<u>Real Return Years 11+(c)</u>
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	<u>1.0%</u>	0.00%	(0.92)%
Total	<u>100%</u>		

(a) In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-Term investments; Inflation Assets are included in both Global Equity Security and Global Debt Securities.

(b) An expected inflation of 2.00% used for this period

(c) An expected inflation of 2.92% used for this period



LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

6. PENSION PLAN (Continued)

**Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension** (Continued)

***Long-term Expected Rate of Return*** (Continued)

<u>Asset Class (a)</u>	<b>2020</b>		
	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1 - 10(b)</u>	<u>Real Return Years 11+(c)</u>
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	<u>1.0%</u>	0.00%	(0.92)%
Total	<u>100%</u>		

(a) In CalPERS Basic Financial Statements, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(b) An expected inflation of 2.00% used for this period

(c) An expected inflation of 2.92% used for this period

**LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

**6. PENSION PLAN (Continued)**

**Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension (Continued)**

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

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

	<b>2021</b>	<b>2020</b>
Discount Rate 1% Decrease Net Pension Liability (Asset)	6.15% \$193,977	6.15% \$175,036
Current Discount Rate Net Pension Liability (Asset)	7.15% \$(10,976)	7.15% \$(8,803)
Discount Rate 1% Increase Net Pension Liability (Asset)	8.15% \$(180,322)	8.15% \$(160,549)

***Pension Plan Fiduciary Net Position***

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

**LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

**7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**General Information about the OPEB Plan**

***Plan Description and Benefits***

The Agency administers a single-employer defined benefit postemployment healthcare plan. Medical coverage is currently provided through CalPERS as permitted under the Public Employees' Medical and Hospital Care Act (PEMHCA). This coverage requires the employee to satisfy the requirements for retirement under CalPERS: either (a) attainment of age 50 (age 52, if a miscellaneous employee new to PERS on or after January 1, 2013) with 5 years of State or public agency service or (b) an approved disability retirement.

Once eligible, coverage may be continued at the retiree's option for his or her lifetime. A surviving spouse and other eligible dependents may also continue coverage depending on the retirement plan election.

As a PEMHCA employer, the Agency is obligated to contribute toward the cost of retiree medical coverage for the retiree's lifetime or until coverage is discontinued. The Agency maintains a resolution with CalPERS defining the level of the Agency's contribution toward the cost of medical plan premiums for employees and retirees to be the PEMHCA minimum employer contribution (MEC). The MEC was \$143 in 2021, \$139 in 2020 and \$136 in 2019.

CalPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to CalPERS at the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

No assets are accumulated in a trust.

***Employees Covered By Benefit Terms***

At the OPEB liability measurement date of June 30, 2020, the following employees were covered by the benefit terms:

Active employees	4
Inactive employees currently receiving benefit payments	<u>1</u>
	<u>5</u>

**LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

**7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**  
(Continued)

**General Information about the OPEB Plan** (Continued)

***Contributions***

The Agency's Board of Commissioners is currently financing its OPEB liability on a pay-as-you-go basis. However, the Agency does set aside cash funds that are designated for the other postemployment benefit (OPEB) liability. See Note 2.

**Net OPEB Liability**

The Agency's net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2019, that was rolled forward to determine the total OPEB liability, based on the following actuarial methods and assumptions.

***Actuarial Assumptions***

The total OPEB liability measured as of June 30, 2020, was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Funding Method	Entry Age Normal Cost, level percent of pay
Asset Valuation Method	Not Applicable (\$0, plan is not yet funded)
Municipal Bond Index	S & P General Obligation Municipal Bond 20 Year High Grade
Discount Rates	2.66% as of June 30, 2020 2.79% as of June 30, 2019
Participants Valued	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation
Salary Increase Rate	3.0% per year; since benefits do not depend on salary, this is used only to allocate the cost of benefits between service years

**LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

**7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**  
(Continued)

**Net OPEB Liability** (Continued)

***Actuarial Assumptions*** (Continued)

General Inflation Rate            2.5% per year

The total OPEB liability measured as of June 30, 2019, was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Funding Method	Entry Age Normal Cost, level percent of pay
Asset Valuation Method	Market value of assets (\$0, plan is not yet funded)
Municipal Bond Index	S & P General Obligation Municipal Bond 20 Year High Grade
Discount Rates	2.79% as of June 30, 2019 2.98% as of June 30, 2018
Participants Valued	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation
Salary Increase Rate	3.0% per year; since benefits do not depend on salary, this is used only to allocate the cost of benefits between service years
General Inflation Rate	2.5% per year

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

7. **POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

(Continued)

**Changes in the Net OPEB Liability**

The table below shows the changes in the total OPEB liability, the Plan Fiduciary Net Position (i.e. Fair value of Plan assets), and the net OPEB liability during the measurement periods ending on June 30, 2020 and 2019, for the Agency's proportionate share.

	<b>2021</b>		
	<b>Increase (Decrease)</b>		
	Total OPEB Liability	Plan Fiduciary	Net OPEB
	(a)	Net Position	Liability
	(a)	(b)	(a) – (b)
Balance at 6/30/2020	\$ 78,626	\$ -	\$ 78,626
Changes for the year:			
Service cost	10,667	-	10,667
Interest	2,450	-	2,450
Changes of assumptions	1,482	-	1,482
Contributions – Employer	-	2,925	(2,925)
Plan experience	-	-	-
Benefit payments	(2,925)	(2,925)	-
Net Changes	11,674	-	11,674
Balances at 6/30/2021	\$ 90,300	\$ -	\$ 90,300

**LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

**7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**  
(Continued)

**Changes in the Net OPEB Liability** (Continued)

	<b>2020</b>		
	<b>Increase (Decrease)</b>		
	Total OPEB Liability	Plan Fiduciary	Net OPEB
	(a)	Net Position	Liability
	(a)	(b)	(a) – (b)
Balance at 6/30/2019	\$ 120,180	\$ -	\$ 120,180
Changes for the year:			
Service cost	21,510	-	21,510
Interest	4,198	-	4,198
Changes of assumptions	(34,883)	-	(34,883)
Contributions – Employer	-	1,614	(1,614)
Plan experience	(30,765)	-	(30,765)
Benefit payments	(1,614)	(1,614)	-
Net Changes	(41,554)	-	(41,554)
Balances at 6/30/2020	\$ 78,626	\$ -	\$ 78,626

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

The following presents the net OPEB liability of the Agency for the years ended June 30, 2021 and 2020, calculated using the discount rate of 2.66% and 2.79%, respectively. The table also shows what the Agency's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

**LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

**7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**  
(Continued)

**Changes in the Net OPEB Liability** (Continued)

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

	<b>2021</b>	<b>2020</b>
Discount Rate 1% Decrease Net OPEB Liability	1.66% \$103,008	1.79% \$89,638
Current Discount Rate Net OPEB Liability	2.66% \$90,300	2.79% \$78,626
Discount Rate 1% Increase Net OPEB Liability	3.66% \$79,783	3.79% \$69,490

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

The following presents the net OPEB liability of the Agency if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2020 and 2019:

	<b>2021</b>	<b>2020</b>
Healthcare Trend Rate 1% Decrease Net OPEB Liability	4.4% \$77,310	4.4% \$67,315
Healthcare Cost Trend Rate Net OPEB Liability	5.4% \$90,300	5.4% \$78,626
Healthcare Trend Rate 1% Increase Net OPEB Liability	6.4% \$106,240	6.4% \$92,505



**LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

**7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**  
(Continued)

**Recognition of Deferred Outflows and Deferred Inflows of Resources**

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

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

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

Difference between projected and actual trust earnings on OPEB plan investments	5 year straight-line recognition
All other amounts	Straight-line recognition over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits, determined as of the beginning of the Measurement Period.

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the years ended June 30, 2021 and 2020, the Agency recognized OPEB expense of \$2,100 and \$14,448, respectively. At June 30, 2021 and 2020, the Agency, reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

**7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**  
(Continued)

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** (Continued)

	<b>2021</b>	
	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Difference between expected and actual experience	\$ -	\$ 20,695
Changes of assumptions	2,609	25,989
Deferred contributions	<u>4,080</u>	<u>-</u>
	<u>\$ 6,689</u>	<u>\$ 46,684</u>

	<b>2020</b>	
	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Difference between expected and actual experience	\$ -	\$ 25,730
Changes of assumptions	1,721	32,565
Deferred contributions	<u>2,925</u>	<u>-</u>
	<u>\$ 4,646</u>	<u>\$ 58,295</u>

The Agency will recognize the Deferred Contributions in the next fiscal year. In addition, future recognition of these deferred resources is shown below:

<b><u>Year Ending June 30,</u></b>	<b><u>Amount</u></b>
2022	\$ (11,017)
2023	(11,017)
2024	(10,940)
2025	(10,184)
2026	(941)
Thereafter	<u>24</u>
	<u>\$ (44,075)</u>

As of June 30, 2021, the Agency reported net OPEB liability of \$90,300.

As of June 30, 2020, the Agency reported net OPEB liability of \$78,626.

**LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

**8. COMPENSATED ABSENCES (ACCRUED VACATION, PAID-TIME-OFF, SICK LEAVE AND COMPENSATORY TIME)**

**Exempt Employees' Annual Leave**

In lieu of vacation and sick leave benefits, exempt employees of the Agency are eligible for annual leave on a pro-rated basis based on years of completed service. Exempt employees may accrue a maximum of 250 or 850 hours, depending on employment classification. Exempt employees have an option to sell back up to 160 hours of annual leave each year. Annual leave is paid to the employee at the time of separation from Agency employment. Annual leave liability is calculated by using the employee's fiscal year leave balance multiplied by the employee's fiscal year end rate of pay. These benefits are a general description only. Actual benefits are defined in individual employment agreements.

**Vacation and Paid-Time-Off**

Overtime eligible employees of the Agency may accumulate up to 260 hours of unused vacation and paid-time-off (PTO). Vacation and PTO leaves are paid to the employee at the time of separation from Agency employment. Vacation and PTO liabilities are calculated using employee's fiscal year end vacation and PTO leave balances multiplied by the employee's fiscal year end rate of pay. These benefits are a general description only. Actual benefits are defined in individual employment agreements.

**Sick Leave**

Overtime eligible employees can accumulate sick leave indefinitely. Upon retirement or death, unused sick leave is paid up to 30 percent of the employee's base hourly rate of pay, up to a maximum of 1,500 hours. Unused sick leave over the 1,500 hour limit, or any unused sick leave for employees separated from the Agency for other reasons is forfeited. The sick leave liability is calculated using the employee's fiscal year end sick leave balance multiplied by the employee's fiscal year end rate of pay. These benefits are a general description only. Actual benefits are defined in individual employment agreements.

**LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

**8. COMPENSATED ABSENCES (ACCRUED VACATION, PAID-TIME-OFF, SICK LEAVE AND COMPENSATORY TIME) (Continued)**

**Compensatory Time**

Overtime eligible employees can accrue compensatory time-off in lieu of overtime payments. A maximum of 80 hours of compensatory time may be accrued. The compensatory time-off balances are considered current year liabilities. These benefits are a general description only. Actual benefits are defined in individual employment agreements.

**9. PENDING LITIGATION AND CLAIMS**

The Agency was made aware of a complaint, filed in September 2020, naming the City of Del Rey Oaks and FORA. This matter is pending as of the date of this report.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS***



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Commissioners  
Local Agency Formation Commission of Monterey County  
Salinas, 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 financial statements of the Local Agency Formation Commission of Monterey County (Agency), as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated November 16, 2021.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 Agency'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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

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

### ***Purpose of this Report***

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

*Bianchi, Karasau & Pope, LLP*

Salinas, California  
November 16, 2021

**REQUIRED SUPPLEMENTARY INFORMATION**



**LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY**

**SCHEDULE OF PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY / (ASSET)  
Last 10 Years\***

**FOR THE YEAR ENDED JUNE 30, 2021**

Measurement period	Proportion of the Net Pension Liability/ (Asset)	Proportionate Share of the Net Pension Liability/ (Asset)	Covered Employee Payroll	Proportionate Share of the Net Pension Liability / (Asset) as a Percentage of Covered Employee Payroll	Plan's Fiduciary Net Position	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability/ (Asset)
2014	0.00175%	\$ 108,773	\$313,265	34.72%	\$10,639,461,174	81.15%
2015	0.00000%	\$ (109)	\$356,579	(0.031)%	\$10,896,036,068	79.89%
2016	0.00151%	\$ 52,478	\$325,051	16.14%	\$10,923,476,287	75.87%
2017	0.00152%	\$ 59,912	\$375,747	15.94%	\$12,074,499,781	75.39%
2018	0.00097%	\$ (36,372)	\$471,257	(7.72)%	\$13,122,440,092	77.69%
2019	0.00022%	\$ (8,803)	\$494,792	(1.78)%	\$13,979,687,268	77.73%
2020	0.00026%	\$ (10,976)	\$552,897	(1.99)%	\$14,702,361,183	77.71%

**Notes to Schedule:**

**Benefit Changes:**

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

**Changes of assumptions:**

In 2015, amounts reported as changes of assumptions resulted primarily from adjustments to expected retirement ages of general employees.

In 2016, the discount rate was changed from 7.50 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

In 2017, the discount rate was changed from 7.65 percent to 7.15 percent.

In 2018, demographic assumptions and the inflation rate were changed in accordance with the CalPERS Experience Study and review of Actuarial Assumptions December 2017.

In 2020 and 2019, there were no changes in assumption from 2018.

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

**LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY**

**SCHEDULE OF PENSION PLAN CONTRIBUTIONS**

**Last 10 years\***

**FOR THE YEAR ENDED JUNE 30, 2021**

Fiscal Year	Contractually Required Contribution (Actuarially Determined)	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2015	\$31,577	\$31,577	-	\$313,265	10.08%
2016	\$25,095	\$25,095	-	\$356,579	7.04%
2017	\$29,410	\$29,410	-	\$325,051	9.05%
2018	\$36,457	\$36,457	-	\$375,747	9.70%
2019	\$44,686	\$44,686	-	\$471,257	9.48%
2020	\$56,999	\$56,999	-	\$494,792	11.52%
2021	\$69,303	\$69,303	-	\$552,897	12.54%

**Notes to Schedule:**

The actuarial methods and assumptions used to set the actuarially determined contributions for the fiscal year are as follows:

- FYE 2014-2015 - June 30, 2012, actuarial valuation report
- FYE 2015-2016 - June 30, 2013, actuarial valuation report
- FYE 2016-2017 - June 30, 2014, actuarial valuation report
- FYE 2017-2018 - June 30, 2015, actuarial valuation report
- FYE 2018-2019 - June 30, 2016, actuarial valuation report
- FYE 2019-2020 - June 30, 2017, actuarial valuation report
- FYE 2020-2021 - June 30, 2018, actuarial valuation report

Valuation Date	June 30, 2018
Actuarial cost method	Entry age normal cost method
Amortization Method	Level percent of pay, direct rate smoothing
Remaining Amortization Period	Differs by employer rate plan but not more than 30 years
Asset Valuation Method	Market value of assets
Inflation	2.50%
Salary increases	Varies by entry age and service
Discount Rate	7.0% (net of investment and administrative expenses)
Mortality	Derived using CalPERS' Membership Data for all Funds. The post-retirement mortality rates include 15 years of projected on-going mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries

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

**LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY**

**SCHEDULE OF CHANGES IN THE NET  
OPEB LIABILITY AND RELATED RATIOS**

**FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Measurement Period</u>			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability				
Service cost	\$ 10,667	\$ 21,510	\$ 20,247	\$ 21,380
Interest	2,450	4,198	3,598	2,668
Differences between expected and actual experience	-	(30,765)	-	-
Changes of assumptions	1,482	(34,883)	2,423	(5,992)
Benefit payments	<u>(2,925)</u>	<u>(1,614)</u>	<u>(1,566)</u>	<u>(1,518)</u>
Net change in total OPEB liability	11,674	(41,554)	24,702	16,538
Total OPEB liability - beginning	<u>78,626</u>	<u>120,180</u>	<u>95,478</u>	<u>78,940</u>
Total OPEB liability - ending	<u>\$ 90,300</u>	<u>\$ 78,626</u>	<u>\$ 120,180</u>	<u>\$ 95,478</u>
Net OPEB liability as a percentage of covered-employee payroll	15.44%	15.12%	23.98%	22.36%
Covered-employee payroll	\$ 584,706	\$ 520,014	\$ 501,159	\$ 426,985

**Note to Schedule:**

No assets are accumulated in a trust.

Changes of assumptions. Changes of assumptions and other inputs reflect a change in the discount rate each period. The following are the discount rates used in each period:

2017	3.13%
2018	2.98%
2019	2.79%
2020	2.66%

Fiscal year 2018 was the first of implementation, therefore only four years are presented.

**LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY**

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGE  
IN NET POSITION - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2021**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
County contributions	\$ 298,814	\$ 298,814	\$ 298,814	\$ -
District contributions	298,814	298,814	298,814	-
City contributions	298,814	298,814	298,814	-
Project fees	10,000	10,000	71,514	61,514
Fees revenue	60,000	60,000	38,615	(21,385)
Interest	4,410	4,410	13,324	8,914
From unreserved funds*	158,414	158,414	-	(158,414)
<b>TOTAL REVENUES</b>	<b>1,129,266</b>	<b>1,129,266</b>	<b>1,019,895</b>	<b>(109,371)</b>
<b>EXPENSES</b>				
Salaries	587,128	587,128	541,308	45,820
Employee benefits	229,312	229,312	238,670	(9,358)
Accounting and financial services	63,000	63,000	71,080	(8,080)
Other legal expenses	7,875	7,875	27,981	(20,106)
Rent	27,934	27,934	27,934	-
Accrued leave	18,000	18,000	27,625	(9,625)
Audit services	14,700	14,700	14,500	200
Equipment rental and furnishings	23,153	23,153	10,964	12,189
Computer support services	17,640	17,640	10,647	6,993
Property and general liability insurance	9,126	9,126	10,592	(1,466)
Depreciation	-	-	9,394	(9,394)
LAFCO memberships	9,000	9,000	8,886	114
Computer equipment maintenance	11,025	11,025	8,863	2,162
Telephone	7,350	7,350	6,335	1,015
Postage and shipping	3,150	3,150	4,486	(1,336)
Office supplies	7,350	7,350	3,709	3,641
Outside printers	6,300	6,300	2,833	3,467
Consulting services	-	-	2,050	(2,050)
Professional services	60,000	60,000	1,197	58,803
Legal notices	4,410	4,410	981	3,429
Books and periodicals	1,470	1,470	963	507
Meeting broadcast services	4,410	4,410	900	3,510
Training and conferences	5,238	5,238	650	4,588
Repairs and maintenance	420	420	320	100
Human resource services	5,250	5,250	60	5,190
Travel	6,025	6,025	44	5,981
<b>TOTAL EXPENSES</b>	<b>1,129,266</b>	<b>1,129,266</b>	<b>1,032,972</b>	<b>96,294</b>
<b>CHANGE IN BUDGETARY NET POSITION</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(13,077)</b>	<b>\$ (13,077)</b>
<b>BUDGETARY NET POSITION, BEGINNING OF YEAR</b>			<b>1,106,187</b>	
<b>BUDGETARY NET POSITION, END OF YEAR</b>			<b>\$ 1,093,110</b>	

\* Authorized transfer from unreserved funds was not necessary.

Explanation of differences between budgetary and GAAP expenditures:

Total expenditures reported on the Schedule of Revenues, Expenses, and Change in Net Position - Budget and Actual	\$ 1,032,972
Differences - budget to GAAP: encumbered funds	<u>16,144</u>
Total expenditures reported on the Statement of Revenues, Expenses, and Change in Net Position	<u>\$ 1,049,116</u>

The accompanying note is an integral part of this required supplementary information.

**LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY**

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGE  
IN NET POSITION - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2020**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
County contributions	\$ 332,016	\$ 332,016	\$ 332,016	\$ -
District contributions	332,016	332,016	332,016	-
City contributions	332,016	332,016	332,016	-
Project fees	10,000	10,000	10,717	717
Interest	4,200	4,200	31,392	27,192
From unreserved funds*	70,172	70,172	-	(70,172)
<b>TOTAL REVENUES</b>	<b>1,080,420</b>	<b>1,080,420</b>	<b>1,038,157</b>	<b>(42,263)</b>
<b>EXPENSES</b>				
Salaries	587,128	587,128	564,094	23,034
Employee benefits	222,122	222,122	241,318	(19,196)
Accounting and financial services	63,000	63,000	54,099	8,901
Accrued leave	18,000	18,000	41,181	(23,181)
Rent	27,825	27,825	27,121	704
Human resource services	10,500	10,500	-	10,500
Computer support services	16,800	16,800	17,875	(1,075)
Other legal expenses	15,750	15,750	14,447	1,303
Audit services	14,700	14,700	14,000	700
Equipment rental and furnishings	23,100	23,100	9,253	13,847
Computer equipment maintenance	10,500	10,500	8,952	1,548
Property and general liability insurance	6,930	6,930	8,257	(1,327)
Depreciation	-	-	7,758	(7,758)
LAFCO memberships	6,050	6,050	5,987	63
Postage and shipping	3,150	3,150	5,563	(2,413)
Travel	12,050	12,050	4,592	7,458
Training and conferences	10,475	10,475	4,251	6,224
Telephone	7,350	7,350	3,710	3,640
Office supplies	7,350	7,350	3,494	3,856
Meeting broadcast services	4,200	4,200	3,150	1,050
Outside printers	6,300	6,300	2,081	4,219
Legal notices	4,200	4,200	1,257	2,943
Books and periodicals	1,470	1,470	802	668
Recruitment advertisement	1,050	1,050	-	1,050
Repairs and maintenance	420	420	160	260
<b>TOTAL EXPENSES</b>	<b>1,080,420</b>	<b>1,080,420</b>	<b>1,043,402</b>	<b>37,018</b>
<b>CHANGE IN BUDGETARY NET POSITION</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(5,245)</b>	<b>\$ (5,245)</b>
<b>BUDGETARY NET POSITION, BEGINNING OF YEAR</b>			<b>1,111,432</b>	
<b>BUDGETARY NET POSITION, END OF YEAR</b>			<b>\$ 1,106,187</b>	

\* Authorized transfer from unreserved funds was not necessary.

Explanation of differences between budgetary and GAAP expenditures:

Total expenditures reported on the Schedule of Revenues, Expenses, and Change in Net Position - Budget and Actual	\$ 1,043,402
Differences - budget to GAAP: encumbered funds	19,721
Total expenditures reported on the Statement of Revenues, Expenses, and Change in Net Position	<u>\$ 1,063,123</u>

The accompanying note is an integral part of this required supplementary information.

**LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

**JUNE 30, 2021 AND JUNE 30, 2020**

**1. BUDGETARY REPORTING**

The Agency adopts an annual budget. The budget includes expenditures and the means of financing them and is used for planning purposes. Budgeted amounts are as originally adopted or as amended by the Agency.