

AGENDA
LAFCO Budget & Finance Committee
Meeting

2023
Committee

Chair

Mary Ann Leffel

Special District Member

Glenn Church

County Member

Ian Oglesby

City Member

Counsel

Reed Gallogly

General Counsel

Executive Officer

Kate McKenna, AICP

Wednesday, November 8, 2023
2:00 p.m. – 4:00 p.m.

LAFCO OFFICE
132 W. Gabilan Street, Suite #102
Salinas, California

This meeting will be conducted in person at the LAFCO Office. The public may attend the meeting or participate remotely by Zoom app.

132 W. Gabilan Street, #102
Salinas, CA 93901

P. O. Box 1369
Salinas, CA 93902

Voice: 831-754-5838

Instructions for Remote Public Participation

1. **To View or Participate in the Meeting:** Use the Zoom app on your smart phone, laptop, tablet or desktop and click on this link: <https://montereycty.zoom.us/j/99655513855>

The meeting ID is: [996 5551 3855](https://montereycty.zoom.us/j/99655513855). There is no password. To make a public comment, please “Raise your Hand.”

2. **To Participate by Phone:** Please call: +1 669 900 6833
Enter the meeting ID: [996 5551 3855](https://montereycty.zoom.us/j/99655513855) when prompted. There is no participant code – just enter the meeting id and the pound sign # after the recording prompts you. To make a public comment by phone, please push *9 on your phone keypad.
3. **To Make Remote Public Comments Via Email:** Written comments can be emailed to the Clerk to the Commission at: malukis@monterey.lafco.ca.gov. Please include the following Subject Line: “Public Comment – Agenda Item #__”. Written comments must be received by noon on the day of the meeting. All submitted comments will be provided to the Committee for consideration, compiled as part of the record, and may be read into the record.

PLEASE NOTE: If all Committee Members are present in person, public participation by Zoom is for convenience only and is not required by law. If the Zoom feed is lost for any reason, the meeting may be paused while a fix is attempted but the meeting may continue at the discretion of the Chairperson.

AGENDA

BUDGET & FINANCE COMMITTEE MEETING

Wednesday, November 8, 2023

Call to Order

Roll Call

Public Comments

Anyone may address the Committee briefly concerning items not already on the agenda.

Old Business

1. [Consider Report on Litigation Reserve Fund \(Account #7290\) \(Continued from September 18, 2023 Budget & Finance Committee Meeting\).](#)
Recommended Action: Discuss report and provide direction.
(CEQA: Not a Project under California Environmental Quality Act Guidelines Section 15378).
2. [Consider Report on Pension & OPEB Liability Information \(Continued from September 18, 2023 Budget & Finance Committee Meeting\).](#)
Recommended Action: Discuss report and provide direction.
(CEQA: Not a Project under California Environmental Quality Act Guidelines Section 15378).

New Business

3. [Consider Draft Annual Audit Report for Fiscal Year Ending June 30, 2023.](#)
Recommended Actions: Discuss draft annual audit report and recommend Commission approval.
(CEQA: Not a Project under California Environmental Quality Act Guidelines Section 15378).
4. [Consider Draft Year-End Financial Statements for Fiscal Year Ending June 30, 2023.](#)
Recommended Actions: Discuss draft financial statements and recommend Commission approval.
(CEQA: Not a Project under California Environmental Quality Act Guidelines Section 15378).
5. [Consider Draft Financial Statements for Quarter One Period Ending September 30, 2023.](#)
Recommended Action: Discuss draft financial statements and recommend Commission approval.
(CEQA: Not a Project under California Environmental Quality Act Guidelines Section 15378).
6. [Consider Draft Balance Sheet as of October 31, 2023 and Draft Income Statement through October 31, 2023.](#)
Recommended Action: Discuss draft balance sheet and income statement and recommend Commission approval.
(CEQA: Not a Project under California Environmental Quality Act Guidelines Section 15378).

Executive Officer Announcements

The Principal Analyst may provide oral or written announcements about current LAFCO activities, for information only.

Adjournment

The Political Reform Act requires that a participant in a LAFCO of Monterey County proceeding who has a financial interest in a change of organization or reorganization proposal and who has made a campaign contribution of more than \$250 to any commissioner in the past year must disclose the contribution. If you are affected, please notify the Commission's staff before the meeting.

Pursuant to Government Code Section 54957.5, public records that relate to open session agenda items that are distributed to a majority of the Commission less than seventy-two (72) hours prior to the meeting will be made available to the public on the LAFCO of Monterey County website at www.monterey.lafco.ca.gov.

AMERICANS WITH DISABILITIES ACT (ADA): All regular and special meeting agendas and associated reports are available at www.monterey.lafco.ca.gov. Any person with a disability under the ADA may receive a copy of the agenda or associated reports upon request. Any person with a disability covered under the ADA may also request a disability-related modification or accommodation, including auxiliary aids or services, to participate in a public meeting. Requests for copies of meeting documents and accommodations shall be made with LAFCO of Monterey County staff at (831) 754-5838 at least three business days prior to the respective meeting.

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

KATE McKENNA, AICP
Executive Officer

LOCAL AGENCY FORMATION COMMISSION
P.O. Box 1369
Salinas, CA 93902
Telephone (831) 754-5838
132 W. Gabilan Street, Suite 102
Salinas, CA 93901
www.monterey.lafco.ca.gov

DATE: November 8, 2023
TO: Chair and Members of the Budget and Finance Committee
FROM: Kate McKenna, AICP, Executive Officer
PREPARED BY: Jonathan Brinkmann, Senior Analyst
SUBJECT: **Report on Litigation Reserve Fund**
CEQA: Not a Project under California Environmental Quality Act Guidelines Section 15378

SUMMARY OF RECOMMENDATION:

Discuss report and provide direction.

EXECUTIVE OFFICER'S REPORT:

Background

This is a continued discussion item from the Budget and Finance Committee meetings of May 8 and September 18. At the May meeting, the Committee received a staff recommendation to replenish the LAFCO Litigation Reserve. The Committee provided direction to postpone action on this request until after the suit filed by the Monterey Peninsula Water Management District against LAFCO has received a final court decision. The court hearing was held September 21. A final court decision has not been issued as of this writing. LAFCO General Counsel Reed Gallogly will attend this meeting to provide information and answer questions.

Discussion

The Commission's policy is to fund the Litigation Reserve at \$300,000. Since the start of the litigation in April 2022, defense costs related to the MPWMD case have drawn down the reserve balance. As of October 31, 2023, total defense costs were approximately \$188,000 and the Litigation Reserve remaining fund balance was approximately \$112,000.

Staff anticipates another update and a possible recommendation for replenishment at the next Committee meeting, or sooner if necessary. Restoring the Litigation Reserve to the established policy level can be accomplished by transferring funds from equity in the Unreserved Fund account.

Respectfully Submitted,



Kate McKenna, AICP
Executive Officer

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

KATE MCKENNA, AICP
Executive Officer

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DATE: November 8, 2023
TO: Chair and Members of the Budget and Finance Committee
FROM: Kate McKenna, AICP, Executive Officer
PREPARED BY: Jonathan Brinkmann, Senior Analyst
SUBJECT: Report on Pension and OPEB Liability Information
CEQA: Not a Project under California Environmental Quality Act Guidelines Section 15378

SUMMARY OF RECOMMENDATION:

Discuss report and provide direction.

EXECUTIVE OFFICER'S REPORT:

Background

This is a follow up discussion item from the Budget and Finance Committee meeting on September 18 related to pension and Other Postemployment Benefits (OPEB). At that meeting, Committee members requested additional information regarding LAFCO's Net Pension Liability (reported on the balance sheet), CalPERS Annual Valuation Reports for Classic and PEPRA plans, and OPEB Actuarial Report information.

Discussion

Following is information regarding the September 18 Budget and Finance Committee discussion and questions on the follow-up topics of: Unfunded Accrued Liability, Net Pension Liability, Unfunded Termination Liability, Additional Discretionary Payments, and OPEB Liability. LAFCO staff will present this information at the meeting with the support of Mr. Mike Briley, CPA, CGMA, Managing Principal at CLA, and Ms. Karen Campbell, CPA, Senior Audit Manager at BKP (LAFCO's accounting and audit firms, respectively).

Unfunded Accrued Liability

In September, the Committee recommended payment of, and the Commission subsequently authorized, the lumpsum payoff of LAFCO's annual Unfunded Accrued Liability (UAL) in the amounts of \$139,857.48 (CalPERS Classic Misc. Plan) and \$12,641.43 (CalPERS PEPRA Misc. Plan), for a total of \$152,498.91. These amounts are shown under Attachment 1. The purpose of these payments is to meet LAFCO's annually identified pension obligation based on its two pension risk pools (CalPERS Classic Misc. and CalPERS PEPRA Misc. Plans). LAFCO's practice is to pay off any current unfunded accrued pension liabilities on an annual basis. Available equity in the Unreserved Fund Balance was used to make these payments. LAFCO's payment practice helps to manage LAFCO's pension plan obligations. LAFCO's CalPERS Classic Misc. Plan and PEPRA Misc. Plan funded status were reported to be 92.9% and 94.5%, respectively.

Account 2400 (Net Pension Liability – LAFCO Balance Sheet)

On September 18, Committee members asked for information about the \$57,558.59 shown under Account 2400 of LAFCO's Balance Sheet. The purpose of this number is to meet Governmental Accounting Standards Board (GASB) 68. The GASB (an independent, private sector organization) establishes accounting and financial reporting standards for U.S. State and local governments. GASB 68 establishes standards for measuring and recognizing pension liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. Using annual CalPERS reports, this amount is calculated annually in August by CLA (and is audited by LAFCO's auditor) and is shown on LAFCO's monthly balance sheet and quarterly financial statements throughout the year, as follows.

Long Term Liabilities	
2400 – Net Pension Liability/(Asset) (GASB 68)	\$57,558.59

LAFCO's Net Pension Liability is calculated using the CalPERS Governmental Accounting Standards Board (GASB) 68 prescribed template. As a starting point for this calculation, annually, CalPERS provides information in its 'GASB 68 Accounting Report prepared for Miscellaneous Risk Pool, a Cost-Sharing Multiple-Employer Defined Benefit Pension Plan, measurement date of June 30, 2022' pages 5 and 6 (Attachment 2). This report provides the Net Pension Liability of the Miscellaneous Risk Pool, which includes LAFCO and other agencies across California.

Unfunded Termination Liability

The Committee requested additional information and clarifications to LAFCO's CalPERS Annual Valuation Reports for Classic and PEPRAs plans related to LAFCO's Unfunded Termination Liability. As follow-up, LAFCO and CLA staff met with a CalPERS actuary representative to clarify this pension information. The CalPERS representative explained that LAFCO would only pay towards its unfunded termination liability if the Commission decided to terminate its CalPERS plan. Information related to the unfunded termination liability is included under Attachment 3.

Additional Discretionary Payments

The Committee requested an explanation of LAFCO's ability to make Additional Discretionary Payments (ADPs) in addition to LAFCO's practice of paying its annual UAL. In clarifying this information, the CalPERS representative confirmed that LAFCO is able to make ADPs to pay toward its CalPERS pension plans (Classic and PEPRAs) in addition to its UAL payment. The intended purpose of making ADPs is to help reduce future UAL payments and to potentially achieve a higher rate of return than funds invested in the County Treasury. Attachment 4 includes pages from the CalPERS annual valuation reports related to the amounts that LAFCO is allowed to pay in addition to its UAL. Specifically, under Attachment 4 (page 6), LAFCO may make additional payments towards the difference between '1. Present Value of Benefits' and '3. Market Value of Assets (MVA).'

OPEB Liability

Committee members asked for additional OPEB information, including a 10-year history of OPEB costs and a projection of future OPEB costs in the actuarial report. This information is provided as Attachments 5 and 6, respectively.

Next Steps

If desired, the Committee may recommend that staff further explore and bring back options for making Additional Discretionary Payments to LAFCO's CalPERS plans as part of the annual budget process. Such options would also include a detailed analysis and comparison of past investment performance by CalPERS and the County Treasury. The Committee may also consider directing staff to work on drafting a pension funding policy that could serve to guide LAFCO's decisions in managing its pension obligations.

Respectfully Submitted,



Kate McKenna, AICP
Executive Officer

Attachments:

1. CalPERS Classic and PEPRM Misc. Plan UAL payment information
2. CalPERS GASB 68 Accounting Report (pages 5 and 6)
3. CalPERS 'Funded Status - Termination Basis' from annual valuation reports (page 22)
4. CalPERS 'Funded Status - Policy Basis' from annual valuation reports (page 6)
5. 10-year history of OPEB costs
6. Projection of future OPEB costs from actuarial report

Changes in the Miscellaneous Risk Pool Net Pension Liability

The following table shows the changes in the net pension liability recognized over the measurement period.

	Increase (Decrease)		
	Total Pension Liability (a)	Risk Pool Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) – (b)
Balance at: 06/30/2021	\$19,964,594,105	\$18,065,791,524	\$1,898,802,581
Beginning of Year Adjustment	\$0	\$0	\$0
Adjusted Balance at: 06/30/2021	\$19,964,594,105	\$18,065,791,524	\$1,898,802,581
Changes Recognized for the Measurement Period:			
Service Cost	491,778,396		491,778,396
Interest on Total Pension Liability	1,400,310,792		1,400,310,792
Changes of Benefit Terms	3,710,632		3,710,632
Changes of Assumptions	657,071,478		657,071,478
Differences Between Expected and Actual Experience	(86,245,219)		(86,245,219)
Net Plan to Plan Resource Movement		(8,366,463)	8,366,463
Contributions – Employer		869,907,904	(869,907,904)
Contributions – Employees		209,139,593	(209,139,593)
Net Investment Income		(1,373,096,757)	1,373,096,757
Benefit Payments, Including Refunds of Employee Contributions	(981,321,786)	(981,321,786)	0
Administrative Expense		(11,382,676)	11,382,676
Other Miscellaneous (Income)/Expense		0	0
Net Changes During 2021-22	\$1,485,304,293	(\$1,295,120,185)	\$2,780,424,478
Balance at: 06/30/2022	\$21,449,898,398	\$16,770,671,339	\$4,679,227,059

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

	Discount Rate -1% 5.90%	Current Discount Rate 6.90%	Discount Rate +1% 7.90%
Risk Pool's Net Pension Liability/(Asset)	\$7,603,234,935	\$4,679,227,059	\$2,273,494,154

Pension Expense/(Income) for the Measurement Period Ended June 30, 2022

Description	Amount
Service Cost	\$491,778,396
Interest on Total Pension Liability	1,400,310,792
Changes of Benefit Terms	3,710,632
Recognized Changes of Assumptions	177,586,886
Recognized Differences Between Expected and Actual Experience	95,652,767
Net Plan to Plan Resource Movement	8,366,463
Employee Contributions	(209,139,593)
Projected Earnings on Pension Plan Investments	(1,248,092,300)
Recognized Differences Between Projected and Actual Earnings on Plan Investments	106,524,712
Administrative Expense	11,382,676
Other Miscellaneous (Income)/Expense	0
Total Pension Expense/(Income)	\$838,081,431

Note: Employers should also include changes in proportion and differences between actual and proportionate share of contributions in the pension expense computation.

Funded Status – Termination Basis

The funded status measured on a termination basis is an estimate of the financial position of the plan had the contract with CalPERS been terminated as of June 30, 2022. The accrued liability on a termination basis (termination liability) is calculated differently compared to the plan’s ongoing funding liability. For the termination liability calculation, both compensation and service are frozen as of the valuation date and no future pay increases or service accruals are assumed. This measure of funded status is not appropriate for assessing the need for future employer contributions in the case of an ongoing plan, that is, for an employer that continues to provide CalPERS retirement benefits to active employees. Unlike the actuarial cost method used for ongoing plans, the termination liability is the present value of the benefits earned through the valuation date.

A more conservative investment policy and asset allocation strategy was adopted by the board for the Terminated Agency Pool. The Terminated Agency Pool has limited funding sources since no future employer contributions will be made. Therefore, expected benefit payments are secured by risk-free assets and benefit security for members is increased while limiting the funding risk. However, this asset allocation has a lower expected rate of return than the PERF and consequently, a lower discount rate is assumed. The lower discount rate for the Terminated Agency Pool results in higher liabilities for terminated plans.

The effective termination discount rate will depend on actual market rates of return for risk-free securities on the date of termination. As market discount rates are variable, the table below shows a range for the hypothetical termination liability based on the lowest and highest interest rates observed during an approximate 19-month period from 12 months before the valuation date to seven months after.

Market Value of Assets (MVA)	Discount Rate: 1.75% Price Inflation: 2.50%		Discount Rate: 4.50% Price Inflation: 2.75%			
	Termination Liability ^{1,2}	Funded Ratio	Unfunded Termination Liability	Termination Liability ^{1,2}	Funded Ratio	Unfunded Termination Liability
\$1,607,135	\$3,679,433	43.7%	\$2,072,298	\$2,445,647	65.7%	\$838,512

¹ The termination liabilities calculated above include a 5% contingency load. The contingency load and other actuarial assumptions can be found in Appendix A of the Section 2 report.

² The discount rate used for termination valuations is a weighted average of the 10-year and 30-year U.S. Treasury yields where the weights are based on matching asset and liability durations as of the termination date. The discount rates used in the table are based on 20-year Treasury bonds, rounded to the nearest quarter percentage point, which is a good proxy for most plans. The 20-year Treasury yield was 3.38% on June 30, 2022, the valuation date.

In order to terminate the plan, first contact our Pension Contract Services unit to initiate a Resolution of Intent to Terminate. The completed Resolution will allow the plan actuary to provide a preliminary termination valuation with a more up-to-date estimate of the plan liabilities. Before beginning this process, please consult with the plan actuary.

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Market Value of Assets (MVA)	Discount Rate: 1.75% Price Inflation: 2.50%		Discount Rate: 4.50% Price Inflation: 2.75%		Unfunded Termination Liability	
	Termination Liability ^{1,2}	Funded Ratio	Termination Liability ^{1,2}	Funded Ratio		
\$218,954	\$423,892	51.7%	\$204,938	\$316,655	69.1%	\$97,701

¹ The termination liabilities calculated above include a 5% contingency load. The contingency load and other actuarial assumptions can be found in Appendix A of the Section 2 report.

² The discount rate used for termination valuations is a weighted average of the 10-year and 30-year U.S. Treasury yields where the weights are based on matching asset and liability durations as of the termination date. The discount rates used in the table are based on 20-year Treasury bonds, rounded to the nearest quarter percentage point, which is a good proxy for most plans. The 20-year Treasury yield was 3.38% on June 30, 2022, the valuation date.

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Funded Status – Funding Policy Basis

The table below provides information on the current funded status of the plan under the funding policy. The funded status for this purpose is based on the market value of assets relative to the funding target produced by the entry age actuarial cost method and actuarial assumptions adopted by the board. The actuarial cost method allocates the total expected cost of a member's projected benefit (**Present Value of Benefits**) to individual years of service (the **Normal Cost**). The value of the projected benefit that is not allocated to future service is referred to as the **Accrued Liability** and is the plan's funding target on the valuation date. The **Unfunded Accrued Liability (UAL)** equals the funding target minus the assets. The UAL is an absolute measure of funded status and can be viewed as employer debt. The **funded ratio** equals the assets divided by the funding target. The funded ratio is a relative measure of the funded status and allows for comparisons between plans of different sizes.

	June 30, 2021	June 30, 2022
1. Present Value of Benefits	\$2,270,746	\$2,309,605
2. Entry Age Accrued Liability	1,614,247	1,730,336
3. Market Value of Assets (MVA)	1,763,553	1,607,135
4. Unfunded Accrued Liability (UAL) [(2) – (3)]	(\$149,306)	\$123,201
5. Funded Ratio [(3) / (2)]	109.2%	92.9%

A funded ratio of 100% (UAL of \$0) implies that the funding of the plan is on target and that future contributions equal to the normal cost of the active plan members will be sufficient to fully fund all retirement benefits if future experience matches the actuarial assumptions. A funded ratio of less than 100% (positive UAL) implies that in addition to normal costs, payments toward the UAL will be required. Plans with a funded ratio greater than 100% have a negative UAL (or surplus) but are required under current law to continue contributing the normal cost in most cases, preserving the surplus for future contingencies.

Calculations for the funding target reflect the expected long-term investment return of 6.8%. If it were known on the valuation date that future investment returns will average something greater/less than the expected return, calculated normal costs and accrued liabilities provided in this report would be less/greater than the results shown. Therefore, for example, if actual average future returns are less than the expected return, calculated normal costs and UAL contributions will not be sufficient to fully fund all retirement benefits. Under this scenario, required future normal cost contributions will need to increase from those provided in this report, and the plan will develop unfunded liabilities that will also add to required future contributions. For illustrative purposes, funded statuses based on a 1% lower and higher average future investment return (discount rate) are as follows:

	1% Lower Average Return	Current Assumption	1% Higher Average Return
Discount Rate	5.8%	6.8%	7.8%
1. Entry Age Accrued Liability	\$1,955,608	\$1,730,336	\$1,541,871
2. Market Value of Assets (MVA)	1,607,135	1,607,135	1,607,135
3. Unfunded Accrued Liability (UAL) [(1) – (2)]	\$348,473	\$123,201	(\$65,264)
4. Funded Ratio [(2) / (1)]	82.2%	92.9%	104.2%

The "Risk Analysis" section of the report provides additional information regarding the sensitivity of valuation results to the expected investment return and other factors. Also provided in that section are measures of funded status that are appropriate for assessing the sufficiency of plan assets to cover estimated termination liabilities.

Funded Status – Funding Policy Basis

The table below provides information on the current funded status of the plan under the funding policy. The funded status for this purpose is based on the market value of assets relative to the funding target produced by the entry age actuarial cost method and actuarial assumptions adopted by the board. The actuarial cost method allocates the total expected cost of a member's projected benefit (**Present Value of Benefits**) to individual years of service (the **Normal Cost**). The value of the projected benefit that is not allocated to future service is referred to as the **Accrued Liability** and is the plan's funding target on the valuation date. The **Unfunded Accrued Liability (UAL)** equals the funding target minus the assets. The UAL is an absolute measure of funded status and can be viewed as employer debt. The **funded ratio** equals the assets divided by the funding target. The funded ratio is a relative measure of the funded status and allows for comparisons between plans of different sizes.

	June 30, 2021	June 30, 2022
1. Present Value of Benefits	\$236,411	\$339,126
2. Entry Age Accrued Liability	236,411	231,767
3. Market Value of Assets (MVA)	259,545	218,954
4. Unfunded Accrued Liability (UAL) [(2) – (3)]	(\$23,134)	\$12,813
5. Funded Ratio [(3) / (2)]	109.8%	94.5%

A funded ratio of 100% (UAL of \$0) implies that the funding of the plan is on target and that future contributions equal to the normal cost of the active plan members will be sufficient to fully fund all retirement benefits if future experience matches the actuarial assumptions. A funded ratio of less than 100% (positive UAL) implies that in addition to normal costs, payments toward the UAL will be required. Plans with a funded ratio greater than 100% have a negative UAL (or surplus) but are required under current law to continue contributing the normal cost in most cases, preserving the surplus for future contingencies.

Calculations for the funding target reflect the expected long-term investment return of 6.8%. If it were known on the valuation date that future investment returns will average something greater/less than the expected return, calculated normal costs and accrued liabilities provided in this report would be less/greater than the results shown. Therefore, for example, if actual average future returns are less than the expected return, calculated normal costs and UAL contributions will not be sufficient to fully fund all retirement benefits. Under this scenario, required future normal cost contributions will need to increase from those provided in this report, and the plan will develop unfunded liabilities that will also add to required future contributions. For illustrative purposes, funded statuses based on a 1% lower and higher average future investment return (discount rate) are as follows:

	1% Lower Average Return	Current Assumption	1% Higher Average Return
Discount Rate	5.8%	6.8%	7.8%
1. Entry Age Accrued Liability	\$251,396	\$231,767	\$214,659
2. Market Value of Assets (MVA)	218,954	218,954	218,954
3. Unfunded Accrued Liability (UAL) [(1) – (2)]	\$32,442	\$12,813	(\$4,295)
4. Funded Ratio [(2) / (1)]	87.1%	94.5%	102.0%

The "Risk Analysis" section of the report provides additional information regarding the sensitivity of valuation results to the expected investment return and other factors. Also provided in that section are measures of funded status that are appropriate for assessing the sufficiency of plan assets to cover estimated termination liabilities.

10-Year History of Other Postemployment Benefit Costs

Fiscal Year Ended	Annual OPEB Expense (Income)
6/30/2023	\$(3,035)
6/30/2022	732
6/30/2021	2,100
6/30/2020	14,448
6/30/2019	23,329
6/30/2018	23,181
6/30/2017	4,171
6/30/2016	4,153
6/30/2015	2,254
6/30/2014	2,264

Accounting Information

(Continued)

Projected Benefit Payments (15-year projection)

The following is an estimate of other post-employment benefits to be paid on behalf of current retirees and current employees expected to retire from the Commission. Expected annual benefits have been projected on the basis of the actuarial assumptions outlined in Section 3.

These projections do not include any benefits expected to be paid on behalf of current active employees *prior to* retirement, nor do they include any benefits for potential *future employees* (i.e., those who might be hired in future years).

Projected Annual Benefit Payments							
Fiscal Year Ending June 30	Explicit Subsidy			Implicit Subsidy			Total
	Current Retirees	Future Retirees	Total	Current Retirees	Future Retirees	Total	
2023	1,800	-	1,800	-	-	-	1,800
2024	1,894	851	2,745	-	(129)	(129)	2,616
2025	1,965	1,005	2,970	-	(158)	(158)	2,812
2026	2,036	1,159	3,195	-	(199)	(199)	2,996
2027	2,105	1,340	3,445	-	(217)	(217)	3,228
2028	2,173	1,500	3,673	-	(168)	(168)	3,505
2029	2,236	1,653	3,889	-	(59)	(59)	3,830
2030	2,295	1,834	4,129	-	25	25	4,154
2031	2,346	2,052	4,398	-	220	220	4,618
2032	2,386	2,313	4,699	-	592	592	5,291
2033	2,414	2,593	5,007	-	1,219	1,219	6,226
2034	2,427	2,882	5,309	-	2,114	2,114	7,423
2035	2,420	3,294	5,714	-	2,996	2,996	8,710
2036	2,392	3,681	6,073	-	308	308	6,381
2037	2,338	4,037	6,375	-	860	860	7,235

The amounts shown in the Explicit Subsidy table reflect the expected payment by the Commission toward retiree medical premiums in each of the years shown. The amounts are shown separately, and in total, for those retired on the valuation date ("current retirees") and those expected to retire after the valuation date ("future retirees").

The amounts shown in the Implicit Subsidy table reflect the expected excess of retiree medical and prescription drug claims over the premiums expected to be charged during the year for retirees' coverage. These amounts are also shown separately and in total for those currently retired on the valuation date and for those expected to retire in the future.



LAFCO *of Monterey County*

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

LOCAL AGENCY FORMATION COMMISSION
P.O. Box 1369
Salinas, CA 93902
Telephone (831) 754-5838

132 W. Gabilan Street, Suite 102
Salinas, CA 93901
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KATE McKENNA, AICP
Executive Officer

DATE: November 8, 2023
TO: Chair and Members of the Budget and Finance Committee
FROM: Kate McKenna, AICP, Executive Officer
SUBJECT: **Draft Annual Audit Report for Fiscal Year Ending June 30, 2023**
CEQA: Not a Project under California Environmental Quality Act Guidelines Section 15378

SUMMARY OF RECOMMENDATIONS:

Recommend that the draft annual audit report be approved by the full Commission at the next regular LAFCO meeting.

EXECUTIVE OFFICER'S REPORT:

Attached are the draft annual audited financial statements for the fiscal year that ended on June 30, 2023. The financial statements were audited by Bianchi, Kasavan & Pope, LLP. Ms. Karen Campbell, CPA, Senior Audit Manager of BKP will attend the Committee's meeting to present the audit findings and answer questions.

Respectfully Submitted,



Kate McKenna, AICP
Executive Officer

Attachment: LAFCO Financial Statements for the Fiscal Years Ended June 30, 2023 and 2022, Bianchi, Kasavan & Pope, Submitted November 2, 2023

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY
FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

DRAFT

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

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JUNE 30, 2023 AND 2022

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion(s)

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, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

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, 2023 and 2022, 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.

Basis for Opinion(s)

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency 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 these 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 Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' 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 auditors' 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 generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, 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 Agency'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 Agency'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 required supplementary information as listed on the table of contents 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.

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 xx, 2023**, 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.

BASIC FINANCIAL STATEMENTS

DRAFT

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

STATEMENTS OF NET POSITION

JUNE 30, 2023 AND 2022

ASSETS AND DEFERRED OUTFLOWS

	<u>2023</u>	<u>2022</u>
CURRENT ASSETS		
Cash and cash equivalents - Note 2	\$ 1,330,020	\$ 1,200,765
Prepaid expenses	25,593	22,522
TOTAL CURRENT ASSETS	<u>1,355,613</u>	<u>1,223,287</u>
NON-CURRENT ASSETS		
Net pension asset - Note 6	-	262,199
Capital assets - net - Note 3	4,451	8,468
Operating right-of-use assets - Note 5	153,939	-
TOTAL NON-CURRENT ASSETS	<u>158,390</u>	<u>270,667</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension - Note 6	302,729	308,762
Deferred OPEB - Note 7	7,554	8,990
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>310,283</u>	<u>317,752</u>
	<u>\$ 1,824,286</u>	<u>\$ 1,811,706</u>

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

CURRENT LIABILITIES		
Accounts payable	\$ 54,442	\$ 15,677
Accrued leave	80,419	68,104
Deferred revenue	121,282	-
Current portion of operating lease obligations - Note 5	26,358	-
TOTAL CURRENT LIABILITIES	<u>282,501</u>	<u>83,781</u>
NON-CURRENT LIABILITIES		
Net pension liability - Note 6	57,559	-
Net OPEB liability - Note 7	75,064	85,475
Operating lease obligations - net of current portion - Note 5	127,581	-
TOTAL NON-CURRENT LIABILITIES	<u>260,204</u>	<u>85,475</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred pension - Note 6	40,785	9,278
Deferred OPEB - Note 7	56,930	52,790
Deferred fees revenue	54,348	56,023
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>152,063</u>	<u>118,091</u>
NET POSITION		
Net investment in capital assets	4,451	8,468
Restricted for pension	-	262,199
Unrestricted - Note 4	1,125,067	1,253,692
TOTAL NET POSITION	<u>1,129,518</u>	<u>1,524,359</u>
	<u>\$ 1,824,286</u>	<u>\$ 1,811,706</u>

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

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

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

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
County contributions	\$ 354,931	\$ 298,814
District contributions	354,931	298,814
City contributions	354,931	298,814
Project fees	36,121	179,153
	<u>1,100,914</u>	<u>1,075,595</u>
OPERATING EXPENSES		
Employee benefits	578,078	(266,158)
Salaries	550,034	442,716
Litigation reserve	129,102	35,449
Accounting and financial services	59,800	60,400
Accrued leave	32,298	5,115
Rent - Note 5	28,772	28,772
Legal	21,803	94,043
Audit services	20,000	14,500
Travel	13,829	-
Computer equipment maintenance	13,613	10,727
Equipment rental and furnishings	11,366	11,069
LAFCO memberships	9,137	8,839
Outside professional services	8,825	75,180
Training and conferences	8,764	540
Property and general liability insurance	7,687	7,129
Postage and shipping	4,890	5,930
Human resource services	4,800	6,640
Telephone	4,534	4,046
Office supplies	4,523	3,411
Depreciation	4,017	4,543
Meeting broadcast services	3,999	-
Legal notices	1,664	4,029
Computer support services	1,565	4,555
Books and periodicals	1,151	1,323
Repairs and maintenance	169	328
Temporary services clerical	-	37,440
Professional services encumbered funds	-	3,438
Recruitment advertising	-	675
Outside printers	-	668
	<u>1,524,420</u>	<u>605,347</u>
TOTAL OPERATING EXPENSES		

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

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
INCOME (LOSS) FROM OPERATIONS	\$ (423,506)	\$ 470,248
NON-OPERATING INCOME		
Fees revenue	1,674	5,363
Interest	26,991	5,448
TOTAL NON-OPERATING INCOME	<u>28,665</u>	<u>10,811</u>
CHANGE IN NET POSITION	(394,841)	481,059
NET POSITION, BEGINNING OF YEAR	<u>1,524,359</u>	<u>1,043,300</u>
NET POSITION, END OF YEAR	<u>\$ 1,129,518</u>	<u>\$ 1,524,359</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, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers, county, districts and cities	\$ 1,222,195	\$ 1,075,596
Payments to suppliers	28,164	(882,343)
Payments to employees	(1,148,095)	(197,038)
Net cash provided by (used in) operating activities	102,264	(3,785)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	26,991	5,448
Net cash provided by investing activities	26,991	5,448
NET INCREASE IN CASH AND CASH EQUIVALENTS	129,255	1,663
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,200,765	1,199,102
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,330,020	\$ 1,200,765
Reconciliation of operating income to net cash provided by operating activities		
Income (loss) from operations	\$ (423,506)	\$ 470,248
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	4,017	4,543
Changes in assets, deferred inflows of resources, liabilities and deferred outflows of resources:		
(Increase) decrease in prepaid expenses	(3,071)	(10,409)
(Increase) decrease in net pension asset	262,199	(251,223)
(Increase) decrease in deferred outflows	7,469	(202,296)
Increase (decrease) in accounts payable	38,765	330
Increase (decrease) in accrued leave	12,314	(15,365)
Increase (decrease) in deferred revenue	121,282	-
Increase (decrease) in net pension liability	57,559	-
Increase (decrease) in net OPEB liability	(10,411)	(4,825)
Increase (decrease) in deferred inflows	35,647	5,212
Net cash provided by (used in) operating activities	\$ 102,264	\$ (3,785)

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

FIDUCIARY FUND FINANCIAL STATEMENTS

DRAFT

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

STATEMENTS OF FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUND

JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Restricted cash - Note 1	\$ 349,041	\$ 345,244
TOTAL ASSETS	<u>349,041</u>	<u>345,244</u>
LIABILITIES		
Accounts payable	517	443
TOTAL LIABILITIES	<u>517</u>	<u>443</u>
FIDUCIARY NET POSITION		
Restricted for FORA litigation	<u>\$ 348,524</u>	<u>\$ 344,801</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, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ADDITIONS		
Interest income	\$ 6,613	\$ 1,544
TOTAL ADDITIONS	6,613	1,544
DEDUCTIONS		
Legal fees and settlement costs	2,890	2,909
CHANGE IN FIDUCIARY NET POSITION	3,723	(1,365)
FIDUCIARY NET POSITION, BEGINNING OF YEAR	344,801	346,166
FIDUCIARY NET POSITION, END OF YEAR	<u>\$ 348,524</u>	<u>\$ 344,801</u>

DRAFT

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

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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, 2023 AND 2022

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, 2023 AND 2022

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, 2023 AND 2022

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, 2023 AND 2022

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, 2023:

Valuation Date (VD)	June 30, 2021
Measurement Date (MD)	June 30, 2022
Measurement Period (MP)	July 1, 2021 to June 30, 2022

For the year ended June 30, 2022:

Valuation Date (VD)	June 30, 2020
Measurement Date (MD)	June 30, 2021
Measurement Period (MP)	July 1, 2020 to June 30, 2021

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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, 2023:

Valuation Date (VD)	June 30, 2021
Measurement Date (MD)	June 30, 2022
Measurement Period (MP)	June 30, 2021 to June 30, 2022

For the year ended June 30, 2022:

Valuation Date (VD)	June 30, 2021
Measurement Date (MD)	June 30, 2021
Measurement Period (MP)	June 30, 2020 to June 30, 2021

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, 2023 AND 2022

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 \$1,674 and \$5,363 of these deferred fees as fees revenue during the years ended June 30, 2023 and 2022, respectively.

Adoption of New Accounting Standards

On July 1, 2021, the Agency adopted Governmental Accounting Standards Board Statement 87 ("GASBS 87"), Lease Accounting. Under the new standard, lessees are required to recognize a right-of-use ("ROU") asset and a lease liability, initially measured at the present value of the lease payments, in the statement of financial position for operating leases. Leases are classified as either operating or finance leases (formerly referred to as capital leases). Recognition, measurement and presentation of expenses and cash flows arising from a lease are determined by a lease's classification. For operating leases, a single lease cost is calculated and allocated over the lease term on a straight-line basis. The Agency used a modified retrospective approach to adopt the guidance and as such there was no restatement of prior financial statements. As permitted under the transition guidance, the Agency elected a package of practical expedients which, among other provisions, allowed the statement of financial position to carry forward historical lease classifications. Short-term leases, which are 12 months or less, are exempt under the guidance and are not capitalized on the Statement of Net Position. The Agency uses the risk-free discount rate when the rate implicit in the lease is not readily determinable at the commencement date in determining the present value of lease payments.

As a result of the adoption, there was no impact upon opening net position as of July 1, 2021. The adoption of GASBS 87 did not have a material impact on the statements of revenues and expenses and changes in net position, or cash flows for the Agency.

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

1. ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (Continued)

On July 1, 2022, the Agency adopted GASB Statement No. 96 (“GASBS 96”), Subscription-Based Information Technology Arrangements. GASBS 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). GASBS 96 (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in GASB 87.

As a result of the adoption, there was no impact to the financial statements.

Subsequent Events

Subsequent events were evaluated through November xx, 2023, the date the financial statements were available to be issued.

2. CASH AND CASH EQUIVALENTS

Cash consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Cash in bank	\$ 155,270	\$ 188,982
Cash held in Monterey County Treasury:		
Cash undesignated	613,567	334,959
Cash designated for:		
Litigation reserve	135,486	264,588
Contingency reserve	269,914	258,357
Accrued leave	80,419	68,104
Net OPEB obligation	75,064	85,475
Petty cash	<u>300</u>	<u>300</u>
	<u>\$ 1,330,020</u>	<u>\$ 1,200,765</u>

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

2. CASH AND CASH EQUIVALENTS

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, 2023 and 2022, 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, 2023 and 2022, the weighted average maturity of the Monterey County investment portfolio is 337 and 482 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 83.4% and 86.3%, as of June 30, 2023 and 2022, respectively, of the investment portfolio is comprised of U.S. Treasuries, Federal Agency securities, Negotiable CDs and other liquid funds.

All of those assets have better than investment grade rating. U.S. Treasuries are not specifically rated, but are considered the safest of all investments. Most corporate debt (15.3% and 11.7% as of June 30, 2023 and 2022, respectively) is rated in the higher levels of investment grade. All Federal Agency and Municipal holdings have AA ratings or are guaranteed by the U.S. Treasury.

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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 one financial institution, 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, 2023 and 2022.

3. CAPITAL ASSETS

Capital asset activity consisted of the following:

	<u>Balance</u> <u>June 30, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2023</u>
Office equipment	\$ 57,803	\$ -	\$ -	\$ 57,803
Accumulated depreciation	<u>(49,335)</u>	<u>(4,017)</u>	<u>-</u>	<u>(53,352)</u>
TOTAL CAPITAL ASSETS – net	<u>\$ 8,468</u>	<u>\$ (4,017)</u>	<u>\$ -</u>	<u>\$ 4,451</u>

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

3. CAPITAL ASSETS (Continued)

	<u>Balance</u> <u>June 30, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2022</u>
Office equipment	\$ 57,803	\$ -	\$ -	\$ 57,803
Accumulated depreciation	(44,790)	(4,545)	-	(49,335)
TOTAL CAPITAL ASSETS – net	<u>\$ 13,013</u>	<u>\$ (4,545)</u>	<u>\$ -</u>	<u>\$ 8,468</u>

4. NET POSITION – UNRESTRICTED

Unrestricted assets consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Designated for litigation	\$ 135,486	\$ 264,588
Designated for contingency	269,914	258,357
Designated for encumbered funds	70,749	70,749
Unrestricted and undesignated	<u>648,918</u>	<u>659,998</u>
	<u>\$ 1,125,067</u>	<u>\$ 1,253,692</u>

5. OPERATING LEASE

The Agency leases its administrative office under an operating lease agreement that expired on June 30, 2023. The lease was extended effective July 1, 2023, for a five (5) year period through June 2028. Under the terms of the lease extension, base rent will increase annually beginning in July 2023. Total office rent expense under this operating lease agreement was \$28,772 and \$28,772 for the years ended June 30, 2023 and 2022, respectively.

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

5. **RIGHT OF USE LEASE ASSETS AND LONG-TERM LEASE OBLIGATIONS**
(Continued)

Future minimum lease obligations as of June 30, 2023, are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Amount</u>
2024	\$ 32,220
2025	33,187
2026	34,182
2027	35,208
2028	<u>36,263</u>
Total minimum lease payments	171,060
Less present value discount	<u>17,121</u>
Total operating lease liability	<u>\$ 153,939</u>
Total operating right-of-use asset	<u>\$ 153,939</u>

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.

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.

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

6. PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

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.

The Plan's provisions and benefits in effect at June 30, 2023 and 2022, are summarized as follows:

Hire date	<u>Prior to January 1, 2013</u>	<u>On or after 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, 2023	10.870%	7.470%
as of June 30, 2022	10.880%	7.590%

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

6. PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

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 \$46,560 and \$69,875 for the years ended June 30, 2023 and 2022, respectively.

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

The Agency's proportionate share of net pension liability/ (asset) was \$57,559 and (\$262,199) for the years ended June 30, 2023 and 2022, 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, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021, which was rolled forward to June 30, 2023 and 2022, 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, 2023 and 2022, was as follows:

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

6. PENSION PLAN (Continued)

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

Proportion – Year ended June 30, 2023	0.00123%
Proportion – Year ended June 30, 2022	-0.01381%
Change - Increase	0.01504%

For the year ended June 30, 2023 and 2022, the Agency recognized pension expense (benefit) of \$416,625 and (\$405,551), respectively.

At June 30, 2023 and 2022, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2023	
	<u>Deferred Outflows of Resources Related to Pension</u>	<u>Deferred Inflows of Resources Related to Pension</u>
Pension contributions subsequent to measurement date	\$ 59,328	\$ -
Change in employer's proportion	222,528	424
Changes of assumptions	5,898	-
Difference in employer's contributions and the employer's proportionate share of contributions	3,276	39,586
Net differences between projected and actual earnings on plan investments	10,543	-
Difference between expected and actual experience	<u>1,156</u>	<u>774</u>
Total	<u>\$ 302,729</u>	<u>\$ 40,785</u>

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

6. PENSION PLAN (Continued)

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

	2022	
	<u>Deferred Outflows of Resources Related to Pension</u>	<u>Deferred Inflows of Resources Related to Pension</u>
Pension contributions subsequent to measurement date	\$ 46,560	\$ -
Change in employer's proportion	55,348	954
Changes of assumptions	-	-
Difference in employer's contributions and the employer's proportionate share of contributions	7,371	8,324
Net differences between projected and actual earnings on plan investments	228,886	-
Difference between expected and actual experience	<u>(29,403)</u>	<u>-</u>
Total	<u>\$ 308,762</u>	<u>\$ 9,278</u>

As of June 30, 2023 and 2022, the deferred outflows of resources relate to contributions subsequent to the measurement date of \$59,328 and \$46,560, respectively, will be and was recognized as a reduction of the net pension liability in the years ending June 30, 2023 and 2022, 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>
2024	\$ 81,090
2025	72,759
2026	42,318
2027	<u>6,449</u>
	<u>\$ 202,616</u>

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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, 2022, measurement period was determined by an actuarial valuation as of June 30, 2021, with update procedures used to roll forward the total pension liability to June 30, 2022. The collective total pension liability was based on the following assumptions:

Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Discount Rate	6.90%
Inflation	2.30%
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 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter

(a) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 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 November 2021 that can be found on the CalPERS website.

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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 collective total pension liability for the June 30, 2021, measurement period was determined by an actuarial valuation as of June 30, 2020, with update procedures used to roll forward the total pension liability to June 30, 2021. The collective total pension liability was based on the following 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	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.

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.

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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 6.90%. 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. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points.

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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, 2023 and 2022, are as follows.

<u>Asset Class (a)</u>	<u>2023</u>	
	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1 - 10(b)</u>
Global equity – cap-weighted	30.00%	4.45%
Global equity non– cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	<u>(5.00%)</u>	(0.59%)
Total	<u>100.00%</u>	

(a) An expected inflation of 2.30% used for this period

(b) Figures are based on the 2021-22 Asset Liability Management study

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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>	2022		
	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1 - 10(b)</u>	<u>Real Return Years 11+(c)</u>
Public Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	<u>1.00%</u>	0.00%	(0.92%)
Total	<u>100.00%</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, 2023 AND 2022

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:

	2023	2022
Discount Rate 1% Decrease Net Pension Liability (Asset)	5.90% \$317,796	6.15% (\$36,825)
Current Discount Rate Net Pension Liability (Asset)	6.90% \$57,559	7.15% (\$262,199)
Discount Rate 1% Increase Net Pension Liability (Asset)	7.90% (\$156,551)	8.15% (\$448,511)

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, 2023 AND 2022

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 \$151 and \$149 per month for the years ended June 30, 2023 and 2022, respectively.

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 valuation date of June 30, 2021, the following employees were covered by the benefit terms:

Active employees	3
Inactive employees currently receiving benefit payments	1
Inactive employees entitled to but not receiving benefits	<u>2</u>
	<u>6</u>

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2021, 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, 2022, 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, no OPEB trust has been established)
Municipal Bond Index	S & P General Obligation 20-Year High Grade Municipal Bond Index
Discount Rates	4.09% as of June 30, 2022 2.18% as of June 30, 2021
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	3.00% 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, 2023 AND 2022

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

Net OPEB Liability (Continued)

Actuarial Assumptions (Continued)

General Inflation Rate 2.50% per year

The total OPEB liability measured as of June 30, 2021, 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

Municipal Bond Index S & P General Obligation 20 Year High Grade
Municipal Bond Index

Discount Rates 2.18% as of June 30, 2021
2.66% as of June 30, 2020

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 3.00% 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 2.50% per year

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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, 2022 and 2021, for the Agency's proportionate share.

	2023		
	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) – (b)
Balance at 6/30/2022	\$ 85,475	\$ -	\$ 85,475
Changes for the year:			
Service cost	11,219	-	11,219
Interest	2,089	-	2,089
Changes of assumptions	(21,967)	-	(21,967)
Contributions – Employer	-	1,752	(1,752)
Plan experience	-	-	-
Benefit payments	(1,752)	(1,752)	-
Net Changes	(10,411)	-	(10,411)
Balances at 6/30/2023	\$ 75,064	\$ -	\$ 75,064

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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

Changes in the Net OPEB Liability (Continued)

	2022		
	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary	Net OPEB
	(a)	Net Position	Liability
	(a)	(b)	(a) – (b)
Balance at 6/30/2021	\$ 90,300	\$ -	\$ 90,300
Changes for the year:			
Service cost	11,231	-	11,231
Interest	2,646	-	2,646
Changes of assumptions	6,113	-	6,113
Contributions – Employer	-	4,080	(4,080)
Plan experience	(20,735)	-	(20,735)
Benefit payments	(4,080)	(4,080)	-
Net Changes	(4,825)	-	(4,825)
Balances at 6/30/2022	\$ 85,475	\$ -	\$ 85,475

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

The following presents the net OPEB liability of the Agency for the years ended June 30, 2023 and 2022, calculated using the discount rate of 4.09% and 2.18%, 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, 2023 AND 2022

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)

	2023	2022
Discount Rate 1% Decrease Net OPEB Liability	3.09% \$85,524	1.18% \$98,588
Current Discount Rate Net OPEB Liability	4.09% \$75,064	2.18% \$85,475
Discount Rate 1% Increase Net OPEB Liability	5.09% \$66,439	3.18% \$74,687

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, 2023 and 2022:

	2023	2022
Healthcare Trend Rate 1% Decrease Net OPEB Liability	4.60% \$63,527	4.60% \$72,338
Healthcare Cost Trend Rate Net OPEB Liability	5.60% \$75,064	5.60% \$85,475
Healthcare Trend Rate 1% Increase Net OPEB Liability	6.60% \$89,543	6.60% \$101,962

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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, 2023 and 2022, the Agency recognized OPEB expense of (\$3,035) and \$732, respectively. At June 30, 2023 and 2022, 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, 2023 AND 2022

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

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

	2023	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 25,324
Changes of assumptions	5,754	31,606
Deferred contributions	<u>1,800</u>	<u>-</u>
	<u>\$ 7,554</u>	<u>\$ 56,930</u>

	2022	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 33,377
Changes of assumptions	7,238	19,413
Deferred contributions	<u>1,752</u>	<u>-</u>
	<u>\$ 8,990</u>	<u>\$ 52,790</u>

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ (16,266)
2025	(15,510)
2026	(6,267)
2027	(5,302)
2028	(5,052)
Thereafter	<u>(2,779)</u>
	<u>\$ (51,176)</u>

As of June 30, 2023, the Agency reported net OPEB liability of \$75,064.

As of June 30, 2022, the Agency reported net OPEB liability of \$85,475.

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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, 2023 AND 2022

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 Monterey Peninsula Water Management District (MPWMD) served the Agency with a Petition for Writ of Mandate and Complaint for Injunctive Relief, filed in April 2022, challenging the February 28, 2022, decision of the Agency to deny MPWMD's proposal to activate its "latent powers" to provide potable water to retail customers. This matter is pending as of the date of this report. The trial was held on September 21, 2023. On October 25, 2023, the Court issued a Statement of Intended Decision that is adverse to LAFCO. The Court ordered Petitioner MPWMD to prepare and submit a proposed Writ of Mandate consistent with the ruling. The Statement of Intended Decision will serve as the Statement of Decision, subject to any objection of the parties.

10. SUBSEQUENT EVENTS

On July 1, 2023, the Agency exercised the 7th Amendment of its lease agreement for offices located in Salinas, California. The lease term has been extended for five (5) years and expires June 30, 2028.

**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***

DRAFT

**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, 2023 and 2022, 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 xx, 2023**.

Report on 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.

Report on 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.

Salinas, California
November xx, 2023

REQUIRED SUPPLEMENTARY INFORMATION

DRAFT

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, 2023

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	(0.03%)	\$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%
2021	0.01380%	\$(262,199)	\$531,830	(49.30%)	\$18,065,791,524	90.49%
2022	0.00123%	\$ 57,559	\$433,108	13.29%	\$16,770,671,339	78.19%

Notes to Schedule:

Benefit Changes:

The figures above do not include any liability impact that occurred after the June 30, 2021, valuation date, unless the liability impact is deemed to be material to the Public Agency Pool.

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 2021, 2020 and 2019, there were no changes in assumption from 2018.

In 2022, the accounting discount rate was reduced from 7.15% to 6.90%. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and review of Actuarial Assumptions.

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

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

**SCHEDULE OF PENSION PLAN CONTRIBUTIONS
Last 10 years***

FOR THE YEAR ENDED JUNE 30, 2023

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%
2022	\$77,451	\$77,451	-	\$531,830	14.56%
2023	\$96,038	\$96,038	-	\$546,928	17.60%

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, 2013, actuarial valuation report
- FYE 2015-2016 - June 30, 2014, actuarial valuation report
- FYE 2016-2017 - June 30, 2015, actuarial valuation report
- FYE 2017-2018 - June 30, 2016, actuarial valuation report
- FYE 2018-2019 - June 30, 2017, actuarial valuation report
- FYE 2019-2020 - June 30, 2018, actuarial valuation report
- FYE 2020-2021 - June 30, 2019, actuarial valuation report
- FYE 2021-2022 - June 30, 2020, actuarial valuation report
- FYE 2022-2023 - June 30, 2021, actuarial valuation report

Valuation Date	June 30, 2021
Actuarial cost method	Entry age actuarial cost method
Amortization Method	Level percentage of pay, direct rate smoothing
Remaining Amortization Period	The period is set by the actuary at what is deemed appropriate; however, the period will not be greater than 20 years.
Asset Valuation Method	The Actuarial Value of Assets is set equal to the Market Value of Assets. Asset values include accounts receivable.
Inflation	2.30% compounded annually
Salary Growth	Annual increases vary by category, entry age, and duration of service
Discount Rate	6.80% compounded annually (net of investment and administrative expenses)
Mortality	Derived using CalPERS' Membership Data for all Funds. The post-retirement mortality rates for 2017 are projected for future years using 80 percent of Scale MP 20 published by the Society of Actuaries

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

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

**SCHEDULE OF CHANGES IN THE NET
OPEB LIABILITY AND RELATED RATIOS
Last 10 years***

FOR THE YEAR ENDED JUNE 30, 2023

	Measurement Period					
	2023	2022	2021	2020	2019	2018
Total OPEB liability						
Service cost	\$ 11,219	\$ 11,231	\$ 10,667	\$ 21,510	\$ 20,247	\$ 21,380
Interest	2,089	2,646	2,450	4,198	3,598	2,668
Differences between expected and actual experience	-	(20,735)	-	(30,765)	-	-
Changes of assumptions	(21,967)	6,113	1,482	(34,883)	2,423	(5,992)
Benefit payments	(1,752)	(4,080)	(2,925)	(1,614)	(1,566)	(1,518)
Net change in total OPEB liability	(10,411)	(4,825)	11,674	(41,554)	24,702	16,538
Total OPEB liability - beginning	85,475	90,300	78,626	120,180	95,478	78,940
Total OPEB liability - ending	<u>\$ 75,064</u>	<u>\$ 85,475</u>	<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	16.02%	15.23%	15.44%	15.12%	23.98%	22.36%
Covered-employee payroll	\$ 468,597	\$ 561,179	\$ 584,706	\$ 520,014	\$ 501,159	\$ 426,985

Notes 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:

2018	3.13%
2019	2.98%
2020	2.79%
2021	2.66%
2022	2.18%
2023	4.09%

Fiscal year 2018 was the first of implementation, therefore only six 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, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
County contributions	\$ 354,931	\$ 354,931	\$ 354,931	\$ -
District contributions	354,931	354,931	354,931	-
City contributions	354,931	354,931	354,931	-
Project fees	10,000	10,000	36,121	26,121
Interest	4,862	4,862	26,991	22,129
Fees revenue	-	-	1,674	1,674
From unreserved funds*	-	-	-	-
TOTAL REVENUES	1,079,655	1,079,655	1,129,579	49,924
EXPENSES				
Employee benefits	218,928	218,928	578,078	(359,150)
Salaries	554,169	554,169	550,034	4,135
Litigation reserve	-	-	129,102	(129,102)
Accounting and financial services	60,000	60,000	59,800	200
Accrued leave	18,000	18,000	32,298	(14,298)
Rent	28,772	28,772	28,772	-
Other legal expenses	8,682	19,182	21,803	(2,621)
Audit services	20,000	20,000	20,000	-
Travel	6,025	15,025	13,829	1,196
Computer equipment maintenance	12,155	12,155	13,613	(1,458)
Equipment rental and furnishings	25,527	20,527	11,366	9,161
LAFCO memberships	9,300	9,300	9,137	163
Outside professional services	25,000	25,000	8,825	16,175
Training and conferences	5,238	8,238	8,764	(526)
Property and general liability insurance	8,700	8,700	7,687	1,013
Postage and shipping	3,804	3,804	4,890	(1,086)
Human resource services	20,589	20,589	4,800	15,789
Telephone	8,104	8,104	4,534	3,570
Office supplies	8,104	8,104	4,523	3,581
Depreciation	-	-	4,017	(4,017)
Meeting broadcast services	4,863	4,863	3,999	864
Legal notices	4,863	4,863	1,664	3,199
Computer support services	19,448	6,948	1,565	5,383
Books and periodicals	1,621	1,621	1,151	470
Repairs and maintenance	463	463	169	294
Recruitment advertisement	1,000	1,000	-	1,000
Outside printers	6,300	1,300	-	1,300
TOTAL EXPENSES	1,079,655	1,079,655	1,524,420	(444,765)
CHANGE IN BUDGETARY NET POSITION	\$ -	\$ -	(394,841)	\$ (394,841)
BUDGETARY NET POSITION, BEGINNING OF YEAR			1,577,607	
BUDGETARY NET POSITION, END OF YEAR			\$ 1,182,766	

* 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	\$ 1,524,420
Differences - budget to GAAP: encumbered funds	-
Total expenditures reported on the Statement of Revenues, Expenses, and Change in Net Position	\$ 1,524,420

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, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Favorable (Unfavorable)
REVENUES				
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	179,153	169,153
Interest	4,631	4,631	5,448	817
Fees revenue	-	-	5,363	5,363
From unreserved funds*	122,353	122,353	-	(122,353)
TOTAL REVENUES	1,033,426	1,033,426	1,086,406	52,980
EXPENSES				
Salaries	541,761	541,761	442,716	99,045
Other legal expenses	8,269	8,269	94,043	(85,774)
Outside professional services	-	-	75,180	(75,180)
Accounting and financial services	69,600	69,600	60,400	9,200
Temporary services clerical	-	-	37,440	(37,440)
Litigation reserve	-	-	35,449	(35,449)
Rent	28,772	28,772	28,772	-
Audit services	14,700	14,700	14,500	200
Equipment rental and furnishings	24,311	24,311	11,069	13,242
Computer equipment maintenance	11,576	11,576	10,727	849
LAFCO memberships	9,300	9,300	8,839	461
Property and general liability insurance	12,882	12,882	7,129	5,753
Human resource services	22,313	22,313	6,640	15,673
Postage and shipping	3,308	3,308	5,930	(2,622)
Accrued leave	18,000	18,000	5,115	12,885
Computer support services	18,522	18,522	4,555	13,967
Depreciation	-	-	4,543	(4,543)
Telephone	7,718	7,718	4,046	3,672
Legal notices	4,631	4,631	4,029	602
Office supplies	7,718	7,718	3,411	4,307
Books and periodicals	1,544	1,544	1,323	221
Recruitment advertisement	1,000	1,000	675	325
Outside printers	6,300	6,300	668	5,632
Training and conferences	5,238	5,238	540	4,698
Repairs and maintenance	441	441	328	113
Meeting broadcast services	4,631	4,631	-	4,631
Travel	6,025	6,025	-	6,025
Employee benefits	204,866	204,866	(266,158)	471,024
TOTAL EXPENSES	1,033,426	1,033,426	601,909	431,517
CHANGE IN BUDGETARY NET POSITION	\$ -	\$ -	484,497	\$ 484,497
BUDGETARY NET POSITION, BEGINNING OF YEAR			1,093,110	
BUDGETARY NET POSITION, END OF YEAR			\$ 1,577,607	

* 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	\$ 601,909
Differences - budget to GAAP: encumbered funds	3,438
Total expenditures reported on the Statement of Revenues, Expenses, and Change in Net Position	<u>\$ 605,347</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, 2023 AND JUNE 30, 2022

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.

DRAFT

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

LOCAL AGENCY FORMATION COMMISSION
P.O. Box 1369 132 W. Gabilan Street, Suite 102
Salinas, CA 93902 Salinas, CA 93901
Telephone (831) 754-5838 www.monterey.lafco.ca.gov

KATE McKENNA, AICP
Executive Officer

DATE: November 8, 2023
TO: Chair and Members of the Budget and Finance Committee
FROM: Kate McKenna, AICP, Executive Officer
SUBJECT: Draft Financial Statements for Fiscal Year Ending June 30, 2023
CEQA: Not a Project under California Environmental Quality Act Guidelines Section 15378.

SUMMARY OF RECOMMENDATION:

Recommend that compiled year-end financial statements for the period ending June 30, 2023 be approved by the full Commission at the next regular LAFCO meeting.

EXECUTIVE OFFICER'S REPORT:

Attached are draft year-end financial statements dated June 30, 2023. Compiled by CliftonLarsonAllen, LLP, these statements have been adjusted to reflect the audit activities to date. Additional changes may be made following the Committee's review of the draft audit report (Agenda Item No. 3). Overall revenue and expenditures are normal for this year-end period.

Mr. Mike Briley, CPA, CGMA, Managing Principal, CliftonLarsonAllen, LLP and Principal Analyst Darren McBain will present the information.

Respectfully Submitted,



Kate McKenna, AICP
Executive Officer

Attachment: Draft Financial Statements for Fiscal Year Ending June 30, 2023, CliftonLarsonAllen, LLP

**Local Agency Formation Commission
of Monterey County
Financial Statements
June 30, 2023**

Draft

**LOCAL AGENCY FORMATION COMMISSION
OF MONTEREY COUNTY**

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Accountant's Compilation Report

To the Chair and Commissioners
Local Agency Formation Commission
LAFCO of Monterey County
Salinas, California

Management is responsible for the financial statements of the Local Agency Formation Commission of Monterey County (LAFCO), as of and for the twelve months ended June 30, 2023, included in the accompanying prescribed form in accordance with the requirements of LAFCO. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the financial statements included in the accompanying prescribed form, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion or a conclusion, nor provide any form of assurance on the financial statements included in the accompanying prescribed form.

The financial statements included in the accompanying prescribed form are presented in accordance with the requirements of LAFCO and are not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America.

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

We are not independent with respect to LAFCO.

CliftonLarsonAllen LLP

October 27, 2023
Salinas, CA

LAFCO of Monterey County
Balance Sheets
June 30, 2023 and 2022

ASSETS			
	ACCT #	2023	2022
CURRENT ASSETS:			
Cash Held in Bank:			
Wells Fargo Operating	1007	\$ 155,787.00	\$ 189,424.79
Total Cash Held in Bank		<u>155,787.00</u>	<u>189,424.79</u>
Cash Held in County Treasury:			
Cash Held for Operating Expenses	1010	613,567.56	334,959.26
Designated Cash for Reserve for Litigation	1012	135,485.74	264,588.01
Designated Cash for Accrued Leave	1013	80,419.32	68,104.13
Designated Cash for Post Retirement (GASB 75)	1014	75,064.00	85,475.00
Designated Cash for Reserve for Contingency	1015	269,914.00	258,357.00
Restricted Cash for FORA Litigation	1020	348,524.28	344,801.42
Total Cash Held in County Treasury		<u>1,522,974.90</u>	<u>1,356,284.82</u>
Petty Cash	1100	300.00	300.00
Total Cash		<u>1,679,061.90</u>	<u>1,546,009.61</u>
Other Current Assets:			
Prepaid Insurance	1400	12,283.26	11,273.41
Prepaid Expenses	1405	13,309.84	11,249.11
Total Other Current Assets		<u>25,593.10</u>	<u>22,522.52</u>
Total Current Assets		<u>1,704,655.00</u>	<u>1,568,532.13</u>
NON-CURRENT ASSETS:			
Equipment	1500	57,801.99	57,801.99
Accumulated Depreciation	1550	(53,350.69)	(49,333.74)
Operating Right-of-Use Assets	1900	153,939.37	-
Total Non-Current Assets		<u>158,390.67</u>	<u>8,468.25</u>
DEFERRED OUTFLOWS OF RESOURCES (GASB 68):			
Deferred Outflows of Resources - PERS Contributions	1800	59,328.29	46,559.54
Deferred Outflows of Resources - Actuarial	1805	243,400.87	262,201.83
Total Deferred Outflows of Resources (GASB 68)		<u>302,729.16</u>	<u>308,761.37</u>
DEFERRED OUTFLOWS OF RESOURCES (GASB 75):			
Deferred Outflows of Resources - OPEB Contributions	1810	1,800.00	1,752.00
Deferred Outflows of Resources - OPEB Actuarial	1815	5,754.00	7,238.00
		<u>7,554.00</u>	<u>8,990.00</u>
		<u>\$ 2,173,328.83</u>	<u>\$ 1,894,751.75</u>
LIABILITIES AND EQUITY			
	ACCT #	2023	2022
CURRENT LIABILITIES:			
Accounts Payable	2000	\$ 54,791.08	\$ 15,826.10
Deferred Fees Revenue	2010	121,282.00	-
Payroll Liabilities	2200	168.00	294.00
Accrued Leave	2220	80,419.32	68,104.13
Dissolution of FORA Legal Liability	2380	348,524.28	344,801.42
Dissolution of FORA Admin Liability	2381	54,348.50	56,022.50
Current Portion of Operating Lease Obligations	2601	26,357.52	-
Total Current Liabilities		<u>685,890.70</u>	<u>485,048.15</u>
NON-CURRENT LIABILITIES:			
Net Pension Liability/(Asset) (GASB 68)	2400	57,558.59	(262,199.19)
Net OPEB Liability/(Asset) (GASB 75)	2410	75,064.00	85,475.00
Operating Lease Obligations-Net of Current Portion	2600	127,581.85	-
Total Non-Current Liabilities		<u>260,204.44</u>	<u>(176,724.19)</u>
DEFERRED INFLOWS OF RESOURCES (GASB 68):	2500	<u>40,784.66</u>	<u>9,278.43</u>
DEFERRED INFLOWS OF RESOURCES (GASB 75):	2505	<u>56,930.00</u>	<u>52,790.00</u>
EQUITY:			
Invested in Capital Assets	3700	4,451.30	8,468.25
Encumbered Funds	3710	70,749.02	70,749.02
Reserve for Litigation	3800	135,485.74	264,588.01
Reserve for Contingency	3810	269,914.00	258,357.00
Restricted for Pension	3825	-	262,199.19
Unreserved Fund	3850	648,918.97	659,997.89
Total Equity		<u>1,129,519.03</u>	<u>1,524,359.36</u>
		<u>\$ 2,173,328.83</u>	<u>\$ 1,894,751.75</u>

LAFCO of Monterey County
Income and Expense Budget Performance - Summary
June 30, 2023

ACCT #	Income:	% of Budget Received/Spent					Adopted 22/23 Budget	Remaining Budget Balance	% of Remaining Budget Balance
		June 23	June 22	June 23	July 22-June 23	July 21-June 22			
4000	Fees: Project	\$ 8,892.00	\$ 7,950.00	88.92%	\$ 38,822.00	\$ 179,371.62	\$ 10,000.00	\$ 28,822.00	288.22%
4205	County Contributions	-	-	0.00%	354,931.00	298,814.00	354,931.00	-	0.00%
4210	City Contributions	-	-	0.00%	354,930.99	298,813.00	354,931.00	(0.01)	0.00%
4220	District Contributions	-	-	0.00%	354,928.00	298,814.00	354,931.00	(3.00)	0.00%
4249	FORA Administrative Revenue	85.50	1,072.50	0.00%	1,674.00	5,362.50	-	1,674.00	0.00%
4300	Interest	7,916.10	1,893.20	162.82%	26,991.63	5,447.50	4,862.00	22,129.63	455.15%
	Total Income	16,893.60	10,915.70	1.56%	1,132,277.62	1,086,622.62	1,079,655.00	52,622.62	4.87%
	Expense:								
VAR	Employee Salaries	45,327.21	38,257.93	8.18%	550,033.90	442,716.22	554,169.00	4,135.10	0.75%
VAR	Employee Benefits	369,200.33	(434,548.67)	155.83%	610,375.01	(261,042.30)	236,928.00	(373,447.01)	-157.62%
7000	Postage and Shipping	974.56	479.06	25.62%	4,890.32	5,929.84	3,804.00	(1,086.32)	-28.56%
7010	Books and Periodical	-	-	0.00%	1,151.40	1,323.36	1,621.00	469.60	28.97%
7030	Copy Machine	359.48	466.09	3.11%	5,913.87	6,506.94	11,576.00	5,662.13	48.91%
7040	Outside Printers	-	-	0.00%	-	667.88	1,300.00	1,300.00	100.00%
7060	Office Supplies	141.65	789.99	2.04%	3,843.40	2,880.79	6,946.00	3,102.60	44.67%
7070	Office Equipment & Furnishings	226.14	-	11.62%	226.14	273.11	1,946.00	1,719.86	88.38%
7080	Computer Hardware/Peripherals	1,770.27	172.62	30.58%	4,581.10	3,709.08	5,789.00	1,207.90	20.87%
7085	Computer Support Svcs Fixed Costs	-	936.88	0.00%	13,613.40	10,726.79	12,155.00	(1,458.40)	-12.00%
7090	Computer Support Svcs Variable Costs	-	3,736.00	0.00%	1,565.00	4,555.00	6,948.00	5,383.00	77.48%
7100	Computer Software	-	-	0.00%	644.84	579.84	1,216.00	571.16	46.97%
7105	Meeting Broadcast Services	900.00	-	18.51%	3,998.75	-	4,863.00	864.25	17.77%
7110	Property and Gen Liability Insurance	640.63	594.16	7.36%	7,686.57	7,129.37	8,700.00	1,013.43	11.65%
7120	Office Maintenance Services	-	-	0.00%	168.00	328.00	463.00	295.00	63.71%
7140	Travel	-	-	0.00%	13,400.36	-	13,450.00	49.64	0.37%
7150	Training, Conferences & Workshops	200.00	360.00	2.43%	8,763.79	540.00	8,238.00	(525.79)	-6.38%
7160	Vehicle Mileage	238.16	-	15.12%	429.10	-	1,575.00	1,145.90	72.76%
7170	Rental of Buildings	2,397.69	2,397.69	8.33%	28,772.28	28,772.28	28,772.00	(0.28)	0.00%
7200	Telephone Communications	218.54	409.22	2.70%	4,533.84	4,045.79	8,104.00	3,570.16	44.05%
7230	Temp Help Services (Clerical)	-	-	0.00%	-	37,440.38	-	-	0.00%
7240	Outside Prof. Services: Other	-	-	0.00%	8,825.00	75,180.00	25,000.00	16,175.00	64.70%
7242	Outside Prof. Services: Accounting	5,000.00	4,800.00	8.33%	59,800.00	60,400.00	60,000.00	200.00	0.33%
7242A	Outside Prof. Services: General Admin and HR	400.00	400.00	2.70%	4,800.00	6,640.00	14,800.00	10,000.00	67.57%
7245	General and Special Legal Services	4,017.40	996.30	20.94%	21,803.40	94,043.40	19,182.00	(2,621.40)	-13.67%
7247	Outside Prof. Services: Human Resources	-	-	0.00%	-	-	5,789.00	5,789.00	100.00%
7248	Outside Prof. Services: Annual Audit	-	-	0.00%	20,000.00	14,500.00	20,000.00	-	0.00%
7250	Miscellaneous Office Expense	28.16	43.74	2.43%	681.26	525.93	1,158.00	476.74	41.17%
7260	Legal Notices	-	-	0.00%	1,663.50	4,028.97	4,863.00	3,199.50	65.79%
7270	Recruitment Advertising	-	-	0.00%	-	675.00	1,000.00	1,000.00	100.00%
7280	LAFCO Memberships	-	-	0.00%	9,137.00	8,839.01	9,300.00	163.00	1.75%
7290	Litigation Reserve	765.90	23,088.63	0.00%	129,102.27	35,448.50	-	(129,102.27)	0.00%
7300	Depreciation	332.00	364.00	0.00%	4,016.95	4,543.37	-	(4,016.95)	0.00%
	Total Expense	433,138.12	(356,256.36)	40.12%	1,524,420.45	601,906.55	1,079,655.00	(444,765.45)	-41.20%
	Net Ordinary Income (Loss)	(416,244.52)	367,172.06		(392,142.83)	484,716.07	-		
	Other Income/(Expense):								
8106	Prior Year Project Fees Returned	-	-		(2,697.50)	(218.25)	-		
8115	Encumbered Funds: Temp Professional Services	-	-		-	(3,437.50)	-		
	Total Other Income/(Expense)	-	-		(2,697.50)	(3,655.75)	-		
	Net Income (Loss)	\$ (416,244.52)	\$ 367,172.06		\$ (394,840.33)	\$ 481,060.32	\$ -		

LAFCO of Monterey County
Income and Expense Budget Performance - Detail
June 30, 2023

ACCT #	Income:	June 23	June 22	% of Budget		Adopted	Remaining	% of	
				Received/Spent	July 22-June 23				22/23
4000	Fees: Project	\$ 8,892.00	\$ 7,950.00	88.92%	\$ 38,822.00	\$ 179,371.62	\$ 10,000.00	\$ 28,822.00	288.22%
4205	County Contributions	-	-	0.00%	354,931.00	298,814.00	354,931.00	-	0.00%
4210	City Contributions	-	-	0.00%	354,930.99	298,813.00	354,931.00	(0.01)	0.00%
4220	District Contributions	-	-	0.00%	354,928.00	298,814.00	354,931.00	(3.00)	0.00%
4249	FORA Administrative Revenue	85.50	1,072.50	0.00%	1,674.00	5,362.50	-	1,674.00	0.00%
4300	Interest	7,916.10	1,893.20	162.82%	26,991.63	5,447.50	4,862.00	22,129.63	455.15%
	Total Income	16,893.60	10,915.70	1.56%	1,132,277.62	1,086,622.62	1,079,655.00	52,622.62	4.87%
	Expense:								
6002	Regular Earnings	45,245.98	38,057.65		549,356.98	441,164.03			
6004	FORA Administrative Wages	81.23	200.28		676.92	1,552.19			
	Employee Salaries	45,327.21	38,257.93	8.18%	550,033.90	442,716.22	554,169.00	4,135.10	0.75%
6007	Management Expense Allowance	50.00	50.00		600.00	600.00			
6010	Accrued Leave	(3,688.40)	2,391.05		12,315.19	(15,365.07)			
6011	Car Allowance	400.00	400.00		4,800.00	4,800.00			
6013	Post Retirement Healthcare Reserve	(4,684.00)	(871.00)		(3,035.00)	732.00			
6100	Employee Benefits - Other	1,275.00	-		1,975.00	4,525.00			
6101	Payroll Expenses	685.52	581.27		9,310.54	7,920.40			
6102	Worker's Compensation Insurance	179.40	253.46		1,708.53	2,813.22			
6103	Employee Memberships	-	-		96.75	848.00			
6104	Deferred Comp Plan Contribution	2,659.54	2,372.00		33,951.24	26,898.55			
6106	PERS Retirement - GASB 68	416,624.51	(405,550.99)		416,624.51	(405,550.99)			
6110	PERS Health - Other	35.01	20.83		368.39	230.43			
6111	PERS Health - Med ER Non-Elective	604.00	596.00		7,200.00	6,418.00			
6112	PERS Health - Med ER Pre Tax	8,365.69	6,173.28		87,233.82	67,636.90			
6131	LIFE	125.20	125.20		1,502.40	1,354.90			
6132	ADD	8.21	8.21		98.52	88.85			
6133	Dental	798.30	767.90		9,245.20	8,821.11			
6134	Vision	108.60	108.60		1,303.20	1,219.58			
6135	LTD	332.40	316.26		3,988.80	3,482.19			
6139	STD	92.06	92.06		1,104.72	1,004.23			
7294	Accrued Leave Reserve	-	-		19,983.20	20,480.40			
	Employee Benefits	369,200.33	(434,548.67)	155.83%	610,375.01	(261,042.30)	236,928.00	(373,447.01)	-157.62%
7000	Postage and Shipping	974.56	479.06	25.62%	4,890.32	5,929.84	3,804.00	(1,086.32)	-28.56%
7010	Books and Periodical	-	-	0.00%	1,151.40	1,323.36	1,621.00	469.60	28.97%
7030	Copy Machine	359.48	466.09	3.11%	5,913.87	6,506.94	11,576.00	5,662.13	48.91%
7040	Outside Printers	-	-	0.00%	-	667.88	1,300.00	1,300.00	100.00%
7060	Office Supplies	141.65	789.99	2.04%	3,843.40	2,880.79	6,946.00	3,102.60	44.67%
7070	Office Equipment & Furnishings	226.14	-	11.62%	226.14	273.11	1,946.00	1,719.86	88.38%
7080	Computer Hardware/Peripherals	1,770.27	172.62	30.58%	4,581.10	3,709.08	5,789.00	1,207.90	20.87%
7085	Computer Support Svcs Fixed Costs	-	936.88	0.00%	13,613.40	10,726.79	12,155.00	(1,458.40)	-12.00%
7090	Computer Support Svcs Variable Costs	-	3,736.00	0.00%	1,565.00	4,555.00	6,948.00	5,383.00	77.48%
7100	Computer Software	-	-	0.00%	644.84	579.84	1,216.00	571.16	46.97%
7105	Meeting Broadcast Services	900.00	-	18.51%	3,998.75	-	4,863.00	864.25	17.77%
7110	Property and Gen Liability Insurance	640.63	594.16	7.36%	7,686.57	7,129.37	8,700.00	1,013.43	11.65%
7120	Office Maintenance Services	-	-	0.00%	168.00	328.00	463.00	295.00	63.71%
7140	Travel	-	-	0.00%	13,400.36	-	13,450.00	49.64	0.37%
7150	Training, Conferences & Workshops	200.00	360.00	2.43%	8,763.79	540.00	8,238.00	(525.79)	-6.38%
7160	Vehicle Mileage	238.16	-	15.12%	429.10	-	1,575.00	1,145.90	72.76%
7170	Rental of Buildings	2,397.69	2,397.69	8.33%	28,772.28	28,772.28	28,772.00	(0.28)	0.00%
7200	Telephone Communications	218.54	409.22	2.70%	4,533.84	4,045.79	8,104.00	3,570.16	44.05%
7230	Temp Help Services (Clerical)	-	-	0.00%	-	37,440.38	-	-	0.00%
7240	Outside Prof. Services: Other	-	-	0.00%	8,825.00	75,180.00	25,000.00	16,175.00	64.70%
7242	Outside Prof. Services: Accounting	5,000.00	4,800.00	8.33%	59,800.00	60,400.00	60,000.00	200.00	0.33%
7242A	Outside Prof. Services: General Admin and HR	400.00	400.00	2.70%	4,800.00	6,640.00	14,800.00	10,000.00	67.57%
7245	General and Special Legal Services	4,017.40	996.30	20.94%	21,803.40	94,043.40	19,182.00	(2,621.40)	-13.67%
7247	Outside Prof. Services: Human Resources	-	-	0.00%	-	-	5,789.00	5,789.00	100.00%
7248	Outside Prof. Services: Annual Audit	-	-	0.00%	20,000.00	14,500.00	20,000.00	-	0.00%
7250	Miscellaneous Office Expense	28.16	43.74	2.43%	681.26	525.93	1,158.00	476.74	41.17%
7260	Legal Notices	-	-	0.00%	1,663.50	4,028.97	4,863.00	3,199.50	65.79%
7270	Recruitment Advertising	-	-	0.00%	-	675.00	1,000.00	1,000.00	100.00%
7280	LAFCO Memberships	-	-	0.00%	9,137.00	8,839.01	9,300.00	163.00	1.75%
7290	Litigation Reserve	765.90	23,088.63	0.00%	129,102.27	35,448.50	-	(129,102.27)	0.00%
7300	Depreciation	332.00	364.00	0.00%	4,016.95	4,543.37	-	(4,016.95)	0.00%
	Total Expense	433,138.12	(356,256.36)	40.12%	1,524,420.45	601,906.55	1,079,655.00	(444,765.45)	-41.20%
	Net Ordinary Income (Loss)	(416,244.52)	367,172.06		(392,142.83)	484,716.07	-	-	
	Other Income/(Expense):								
8106	Prior Year Project Fees Returned	-	-		(2,697.50)	(218.25)	-	-	
8115	Encumbered Funds: Temp Professional Services	-	-		-	(3,437.50)	-	-	
	Total Other Income/(Expense)	-	-		(2,697.50)	(3,655.75)	-	-	
	Net Income (Loss)	\$ (416,244.52)	\$ 367,172.06		\$ (394,840.33)	\$ 481,060.32	\$ -	\$ -	

LAFCO of Monterey County
Income and Expense by Month
June 30, 2023

	July 22	Aug 22	Sept 22	Oct 22	Nov 22	Dec 22
Ordinary Income/Expense						
Income:						
4000 · Fees: Project	-	-	-	-	-	5,000.00
4205 · County Contributions	354,931.00	-	10,330.00	-	-	-
4210 · City Contributions	354,930.99	-	-	-	-	-
4220 · District Contributions	354,928.00	-	-	-	-	-
4249 · FORA Administrative Revenue	660.00	-	165.00	82.50	82.50	85.50
4300 · Interest	1.30	1.68	1.03	3,807.56	4.26	11.09
Total Income	1,065,451.29	1.68	10,496.03	3,890.06	86.76	5,096.59
Expense:						
6000 · Employee Salaries	40,780.28	41,937.61	62,962.63	41,937.62	41,937.61	42,331.07
6100 · Employee Benefits	21,442.51	18,863.46	25,507.53	17,839.82	18,627.19	20,461.82
7000 · Postage and Shipping	79.62	101.40	306.83	773.00	410.46	286.87
7010 · Books and Periodical	238.00	-	-	49.70	-	799.70
7030 · Copy Machine	231.12	494.78	400.68	343.75	543.43	343.75
7060 · Office Supplies	-	289.25	8.74	495.43	1,087.39	225.18
7070 · Office Equipment and Furnishings	-	-	-	-	-	-
7080 · Computer Hardware/Peripherals	-	311.26	-	-	386.79	-
7085 · Computer Support Svcs Fixed Costs	-	-	-	1,361.34	5,445.36	1,361.34
7090 · Computer Support Svcs Variable Costs	-	-	-	-	469.50	626.00
7100 · Computer Software	214.98	-	-	99.99	-	-
7105 · Meeting Broadcast Services	-	-	-	-	-	-
7110 · Property and Gen Liability Insurance	640.54	640.54	640.54	640.54	640.54	640.54
7120 · Office Maintenance Services	-	-	-	-	-	-
7140 · Travel	-	-	-	-	-	-
7150 · Training, Conferences & Workshops	-	-	-	8,182.86	168.00	47.07
7160 · Vehicle Mileage	-	-	-	6,795.72	550.00	(273.79)
7170 · Rental of Buildings	-	-	112.56	-	-	78.38
7200 · Telephone Communications	2,397.69	2,397.69	2,397.69	4,795.38	-	2,397.69
7240 · Outside Prof. Services: Other	452.38	328.68	328.68	329.54	329.54	329.54
7242 · Outside Prof. Services: Accounting	3,225.00	2,475.00	500.00	-	-	2,625.00
7242A · Outside Prof. Services: Gen Admin & HR Assistance	4,800.00	5,000.00	5,000.00	5,000.00	10,000.00	5,000.00
7245 · General and Special Legal Services	400.00	400.00	400.00	400.00	800.00	400.00
7248 · Outside Prof. Services: Annual Audit	-	405.90	3,136.50	-	1,291.50	6,494.60
7250 · Miscellaneous Office Expense	-	2,000.00	-	12,000.00	-	6,000.00
7260 · Legal Notices	28.16	96.24	53.50	36.74	36.74	74.08
7280 · LAFCC Memberships	551.25	-	-	-	-	-
7290 · Litigation Reserve	7,503.00	9,421.90	28,926.50	-	18,546.30	5,224.28
7300 · Depreciation	338.00	335.00	331.95	336.00	338.00	331.00
8106 · Prior Year Project Fees Returned	-	12.50	-	-	2,685.00	-
Total Expense	83,322.53	85,511.21	130,814.73	101,417.43	106,334.66	96,712.75
Net Income/(Loss)	\$ 982,128.76	\$ (85,509.53)	\$ (120,318.70)	\$ (97,527.37)	\$ (106,247.90)	\$ (91,616.16)

LAFCO of Monterey County
Income and Expense by Month
June 30, 2023

	Jan 23	Feb 23	Mar 23	Apr 23	May 23	June 23	Total
Ordinary Income/Expense							
Income:							
4000 · Fees: Project	-	-	-	10,000.00	4,600.00	8,892.00	38,822.00
4205 · County Contributions	-	-	-	-	-	-	354,930.99
4210 · City Contributions	-	-	-	-	-	-	354,930.99
4220 · District Contributions	-	-	-	-	-	-	354,928.00
4249 · FORA Administrative Revenue	85.50	-	85.50	171.00	171.00	85.50	1,674.00
4300 · Interest	6,977.66	11.17	12.09	8,235.13	12.56	7,916.10	26,991.63
Total Income	7,063.16	11.17	97.59	18,406.13	4,783.56	16,893.60	1,132,277.62
Expense:							
6000 · Employee Salaries	41,937.62	42,162.44	62,906.40	41,937.61	43,875.80	45,327.21	550,033.90
6100 · Employee Benefits	23,133.85	23,064.08	26,604.41	21,410.87	24,419.14	369,200.33	610,375.01
7000 · Postage and Shipping	600.61	300.08	261.47	364.59	430.83	974.56	4,890.32
7010 · Books and Periodical	-	64.00	-	-	-	-	1,151.40
7030 · Copy Machine	343.74	737.99	355.16	355.16	1,404.83	359.48	5,913.87
7060 · Office Supplies	15.24	1,434.47	97.44	-	48.61	-	3,843.40
7070 · Office Equipment and Furnishings	-	-	-	-	-	-	226.14
7080 · Computer Hardware/Peripherals	-	644.65	-	257.86	-	-	4,581.10
7085 · Computer Support Svcs Fixed Costs	-	-	-	2,722.68	-	-	13,613.40
7090 · Computer Support Svcs Variable Costs	1,361.34	1,361.34	-	469.50	-	-	1,565.00
7100 · Computer Software	-	89.99	-	-	-	-	644.84
7105 · Meeting Broadcast Services	180.00	-	-	2,250.00	-	900.00	3,938.75
7110 · Property and Gen Liability Insurance	640.54	640.54	640.54	640.54	640.54	640.63	7,686.57
7120 · Office Maintenance Services	-	-	-	-	-	-	168.00
7140 · Travel	-	-	2,203.38	1,454.45	294.79	-	13,400.36
7150 · Training, Conferences & Workshops	425.00	-	-	1,066.86	-	-	8,763.79
7160 · Vehicle Mileage	-	-	-	-	-	200.00	429.10
7170 · Rental of Buildings	2,397.69	2,397.69	2,397.69	2,397.69	2,397.69	2,397.69	28,772.28
7200 · Telephone Communications	329.69	359.56	428.98	295.17	803.54	218.54	4,533.84
7240 · Outside Prof. Services: Other	-	-	-	-	-	-	8,825.00
7242 · Outside Prof. Services: Accounting	-	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	59,800.00
7242A · Outside Prof. Services: Gen Admin & HR Assistance	-	400.00	400.00	400.00	400.00	400.00	4,800.00
7245 · General and Special Legal Services	-	2,915.10	1,586.70	-	1,955.70	4,017.40	21,803.40
7248 · Outside Prof. Services: Annual Audit	-	-	-	-	-	-	20,000.00
7250 · Miscellaneous Office Expense	162.78	45.32	26.58	55.82	36.74	28.16	681.26
7260 · Legal Notices	-	-	288.75	-	-	-	1,663.50
7280 · LAFCO Memberships	1,634.00	-	-	-	-	-	9,137.00
7290 · Litigation Reserve	14,670.99	7,457.40	3,643.15	-	40,445.85	765.90	129,102.27
7300 · Depreciation	329.00	339.00	333.00	336.00	338.00	332.00	4,016.95
8106 · Prior Year Project Fees Returned	-	-	-	-	-	-	2,697.50
Total Expense	88,162.09	89,413.65	107,173.65	81,414.80	123,702.33	493,138.12	1,527,117.95
Net Income/(Loss)	\$ (81,098.93)	\$ (89,402.48)	\$ (107,076.06)	\$ (63,008.67)	\$ (118,918.77)	\$ (416,244.52)	\$ (394,840.33)

**LAFCO of Monterey County
Accounts Receivable Summary
As of June 30, 2023**

Accounts Receivable-For Fiscal Year Ending 6/2023:

<u>Description</u>	<u>Date</u>	<u>Amount</u>
All 2022-2023 City, Special District and County fees have been received.		\$ -
	ACCT # 1235	\$ -

Draft

**LAFCO of Monterey County
Equipment Summary
As of June 30, 2023**

Equipment and Accumulated Depreciation:

Description	Fiscal Year In Service (6/30)	Cost	Amount Depreciated
Furniture & Fixtures	2010	\$ 502.51	\$ 502.51
Furniture & Fixtures	2017	29,396.72	27,150.00
Furniture & Fixtures	2018	10,618.39	9,040.00
Office Equipment	2011	2,185.00	2,185.00
Office Equipment	2013	1,990.68	1,990.68
Office Equipment	2014	5,214.29	5,214.29
Office Equipment	2016	1,168.89	1,168.89
Office Equipment	2017	2,527.32	2,527.32
Office Equipment	2019	2,143.66	1,939.00
Office Equipment	2020	2,054.53	1,633.00
	ACCT # 1500	\$ 57,801.99	
			ACCT # 1550 \$ 53,350.69

**LAFCO of Monterey County
Accounts Payable Summary
As of June 30, 2023**

Accounts Payable:

Vendor	Description	Date	Inv#/Acct#	Amount
AT&T	Credit	12/10/2021		\$ (42.77)
AT&T	Telephone Services	6/17/2023	317277339	218.54
Best, Best & Krieger	MPWMD Service Activation Legal Services through 5/31/23	5/31/2023	968326	37,983.10
Best, Best & Krieger	MPWMD Service Activation Legal Services through 6/30/23	6/30/2023	969813	64.80
CalPERS Fiscal Services Division	1959 Survivor Level Premium for FY22/23-Plan 27008	6/26/2023	FY22-23/Plan 27008	28.80
CalPERS Fiscal Services Division	1959 Survivor Level Premium for FY22/23-Plan 5580	6/26/2023	FY22-23/Plan 5580	86.40
CliftonLarsonAllen, LLP	Accounting Services	6/22/2023	3770087	5,400.00
County of Monterey, Information Technology	Computer Support Services through 5/2023	5/31/2023	Dept 812 P/E 5/2023	1,210.27
County of Monterey, Information Technology	Computer Support Services through 6/2023	6/30/2023	Dept 812 P/E 6/2023	2,670.27
MacLeod Watts, Inc.	OPEB 75 Report for FY22/23	6/30/2023	072123LAFCO	1,275.00
MBS Business Systems	Copy Machine/Printer Rental (Original Invoice not Received)	5/8/2023	447375	394.04
MBS Business Systems	Copy Machine/Printer Rental (Original Invoice not Received)	5/8/2023	447374	83.01
MBS Business Systems	Copy Machine/Printer Rental (Original Invoice not Received)	5/8/2023	447373	105.24
MBS Business Systems	Copy Machine/Printer Rental	6/16/2023	449367	745.56
MBS Business Systems	Copy Machine/Printer Rental	6/23/2023	450408	111.48
MBS Business Systems	Copy Machine/Printer Rental	6/29/2023	450687	70.00
Office of County Counsel-Co of Monterey	LAFCO-CNPS Legal Services through 6/30/23	6/30/2023	23-002798	147.60
Office of County Counsel-Co of Monterey	General Legal Services through 6/30/23	6/30/2023	23-002929	2,910.40
Principal Life	Insurance: LTD, ADD, STD, Life for July 2023	6/16/2023	July 2023	623.56
Sunrise Express	Board Packet Deliveries	6/30/2023	651206	380.30
Wells Fargo Bank Credit Card	Culligan Water Service \$28.16; Office Supplies \$297.32	6/30/2023	CCx2064	325.48
			ACCT # 2000	<u>\$ 54,791.08</u>

Draft

**LAFCO of Monterey County
Accrued Leave Summary
As of June 30, 2023**

Executive Officer and Analyst Positions:

Employee	Title	Total Hours of Accrued Annual Leave *	Hourly Rate	Annual Leave Book Value
Kate McKenna	Executive Officer	549.26	100.76	\$ 55,343.44
Darren McBain	Principal Analyst	185.77	72.67	13,499.91
Jonathan Brinkmann	Senior Analyst	169.32	54.15	9,168.68
				<u>\$ 78,012.03</u>

Clerk / Administrative Secretary Position:

Employee	Accrued Sick Leave	Accrued Vacation **	Hourly Rate	Sick Leave Book Value	Vacation Book Value
Safarina Maluki	46.64	12.77	40.52	\$ 1,889.85	\$ 517.44
				<u>\$ 1,889.85</u>	<u>\$ 517.44</u>

Annual Leave	\$ 78,012.03
Sick Leave	1,889.85
Vacation	517.44
ACCT # 2220	<u>\$ 80,419.32</u>

Executive Officer and Senior Analyst Positions:

* Maximum of 250 or 850 hours of Annual Leave may be accrued. This is a general description of benefits only. Actual benefits are defined in individual employment agreements.

Clerk/Admin Secretary Position:

** Maximum of 260 hours of Accrued Vacation may be accrued. This is a general description of benefits only. Actual benefits are defined in employment agreement.

***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.

LAFCO of Monterey County
Detail of Encumbrances
As of June 30, 2023

Encumbered Funds:

Subject	Invoice Date/ Inv. No.	Funds Received/(Paid)
Recruitment Advertising Encumbered Funds:		
13-14 Budget Carryover		\$ 3,179.40
ID Concepts, LLC	7/15/14 Inv. No. LAFCO-01	(115.00)
Hardee Investigations	9/11/14 Inv. No. LAFCO-01	(460.00)
Hardee Investigations	10/3/2014 LAFCO-02	(180.00)
ID Concepts, LLC	10/10/15 Inv. No. 303013	(107.50)
The Post Box	6/15/2016	(50.00)
Hardee Investigations	6/22/16 Inv. No. LAFCO-03	(180.00)
Hardee Investigations	6/3/17 Inv No. LAFCO 17-01	(360.00)
Hardee Investigations	6/6/19 Inv No. LAFCO 19-01	(225.00)
Montereybayjobs.com	7/20/19 Inv No. mbj	(299.00)
Indeed	7/30/19 Inv. No. 24779848	(25.19)
Indeed	7/31/19 Inv. No. 24993586	(6.47)
Hardee Investigations	8/16/19 Inv No. LAFCO 19-02	(275.00)
		<u>896.24</u>
Human Resources Encumbered Funds:		
	Balance Forward	8,973.00
19-20 Budget Carryover		10,500.00
Hayashi Wayland-HR Services Monthly Fee	8/3/20 Inv. No. 293672	(400.00)
Hayashi Wayland-HR Services Monthly Fee	9/1/20 Inv. No. 294080	(400.00)
Hayashi Wayland-HR Services Monthly Fee	10/1/20 Inv No. 294599	(400.00)
Hayashi Wayland-HR Services Monthly Fee	11/1/20 inv. No. 295271	(400.00)
Hayashi Wayland-HR Services Monthly Fee	12/7/20 Inv. No. 295739	(400.00)
Liebert Cassidy Whitmore, A Professional Law Corp	12/31/20 Inv. No. 1512526	(38.00)
Hayashi Wayland-HR Services Monthly Fee	1/14/21 Inv. No. 296368	(400.00)
Liebert Cassidy Whitmore, A Professional Law Corp	1/31/21 Inv. No. 1514248	(929.00)
Hayashi Wayland-HR Services Monthly Fee	2/8/21 Inv No. 296802	(400.00)
Liebert Cassidy Whitmore, A Professional Law Corp	2/28/21 Inv. No. 1515993	(3,699.50)
Hayashi Wayland-HR Services Monthly Fee	3/1/21 Inv No. 297416	(400.00)
Liebert Cassidy Whitmore, A Professional Law Corp	3/31/21 Inv. No. 1517887	(152.00)
Hayashi Wayland-HR Services Monthly Fee	4/15/21 Inv No. 298589	(400.00)
Hayashi Wayland-HR Services Monthly Fee	5/20/21 Inv No. 299239	(400.00)
Hayashi Wayland-HR Services Monthly Fee	6/8/21 Inv No. 300212	(400.00)
		<u>10,254.50</u>
Temp Professional Services Encumbered Funds:		
2018-2019 Resolution No. 19-01	Fire and Medical Emergency Study	75,000.00
Michael P. McMurry	9/3/19 Inv No. MON 1	(812.50)
Michael P. McMurry	9/30/19 Inv No. MON 2	(1,062.50)
Michael P. McMurry	11/1/19 Inv No. MON 3	(812.50)
Michael P. McMurry	12/1/19 Inv No. MON 4	(2,031.25)
Michael P. McMurry	1/3/20 Inv No. MON 5	(1,312.50)
Michael P. McMurry	2/1/20 Inv No. MON 6	(1,000.00)
Michael P. McMurry	4/1/20 Inv No. MON 7	(3,350.00)
Michael P. McMurry	5/1/20 Inv No. MON 8	(4,437.50)
Michael P. McMurry	5/29/20 Inv No. MON 9	(1,656.25)
Michael P. McMurry	6/23/20 Inv No. MON 10	(1,187.50)
Michael P. McMurry	11/1/20 Inv No. MON 11	(1,937.50)
Michael P. McMurry	12/1/20 Inv No. MON 12	(781.25)
Michael P. McMurry	3/2/21 Inv No. MON 13	(531.25)
Michael P. McMurry	5/3/21 Inv No. MON 14	(2,975.00)
Michael P. McMurry	6/30/21 Inv No. MON 15	(700.00)
Michael P. McMurry	7/31/21 Inv No. MON 15A	(687.50)
Michael P. McMurry	8/31/21 Inv No. MON 16	(1,312.50)
Michael P. McMurry	10/31/21 Inv No. MON 17	(750.00)
Michael P. McMurry	12/31/21 Inv No. MON 18	(687.50)
		<u>46,975.00</u>
Computer Support Services-Variable Encumbered Funds:		
18-19 Budget Carryover		<u>12,623.28</u>
		<u>12,623.28</u>
	ACCT # 3710	\$ <u>70,749.02</u>

**LAFCO of Monterey County
Detail of Reserve for Litigation
As of June 30, 2023**

Reserve for Litigation:

Date	Vendor/Description	Invoice #	Amount
	Beginning Balance as of 7/1/13		\$ 300,036.51
4/12/2022	Office of County Counsel-Co. of Monterey	22-0003000	(110.70)
5/12/2022	Best, Best & Krieger	934608	(8,005.67)
5/24/2022	Office of County Counsel-Co. of Monterey	22-000420	(4,243.50)
6/10/2022	Best, Best & Krieger	937410	(16,393.23)
6/16/2022	Office of County Counsel-Co. of Monterey	22-000478	(996.30)
6/30/2022	Best, Best & Krieger	939818	(4,739.70)
6/30/2022	Office of County Counsel-Co. of Monterey	22-000557	(959.40)
8/11/2022	Best, Best & Krieger	942253	(8,905.30)
8/23/2022	Office of County Counsel-Co. of Monterey	22-000686	(516.60)
9/8/2022	Best, Best & Krieger	94461	(15,907.50)
9/12/2022	Office of County Counsel-Co. of Monterey	22-000787	(959.40)
9/30/2022	Best, Best & Krieger	947478	(11,506.10)
9/30/2022	Office of County Counsel-Co. of Monterey	22-000870	(553.50)
11/15/2022	Best, Best & Krieger	950787	(18,435.60)
11/15/2022	Office of County Counsel-Co. of Monterey	22-000892	(110.70)
12/9/2022	Best, Best & Krieger	952842	(4,523.18)
12/14/2022	Office of County Counsel-Co. of Monterey	22-000975	(221.40)
12/31/2022	Office of County Counsel-Co. of Monterey	23-000018	(479.70)
1/20/2023	Best, Best & Krieger	955804	(14,670.99)
2/21/2023	Office of County Counsel-Co. of Monterey	22-002301	(369.00)
2/24/2023	Best, Best & Krieger	958386	(7,088.40)
3/20/2023	Best, Best & Krieger	960589	(1,685.20)
3/31/2023	Best, Best & Krieger	963335	(1,404.45)
3/31/2023	Office of County Counsel-Co. of Monterey	23-002431	(553.50)
5/8/2023	Best, Best & Krieger	964642	(2,425.85)
5/19/2023	Office of County Counsel-Co. of Monterey	23-002465	(36.90)
5/31/2023	Best, Best & Krieger	968326	(37,983.10)
6/23/2023	Office of County Counsel-Co. of Monterey	23-002620	(701.10)
6/30/2023	Best, Best & Krieger	969813	(64.80)
		ACCT # 3800	\$ 135,485.74

**LAFCO of Monterey County
Detail of Reserve for Contingency
As of June 30, 2023**

Reserve for Contingency:

Date	Vendor/Description	Invoice #	Amount
	Reserve for Contingency Balance at 6/30/22		\$ 258,357.00
7/1/2022	Authorized Transfer (To)/From Unreserved Funds for FY 2022-2023**		<u>11,557.00</u>
		ACCT # 3810	<u><u>\$ 269,914.00</u></u>

**Per Resolution 19-01, the Contingency Reserve is adjusted at the beginning of each year to account for 25% of the current year budget. See note below.

	2022-2023 Budget	\$ 1,079,655
	% of Budget	<u>0.25</u>
	Expected Reserve for Contingency Balance at 7/1/22	<u>269,914</u>
	Reserve for Contingency Balance at 6/30/22	<u>258,357</u>
	Authorized Transfer (To)/From Unreserved Funds for FY 2022-2023**	<u><u>\$ 11,557</u></u>

LAFCO *of Monterey County*

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

LOCAL AGENCY FORMATION COMMISSION
P.O. Box 1369
Salinas, CA 93902
Telephone (831) 754-5838

132 W. Gabilan Street, Suite 102
Salinas, CA 93901
www.monterey.lafco.ca.gov

KATE McKENNA, AICP
Executive Officer

DATE: November 8, 2023

TO: Chair and Members of the Budget and Finance Committee

FROM: Kate McKenna, AICP, Executive Officer

SUBJECT: Draft Financial Statements for Quarter One Period Ending September 30, 2023

CEQA: Not a Project under California Environmental Quality Act Guidelines Section 15378

SUMMARY OF RECOMMENDATION:

Recommend that the quarterly financial statements for the period ending September 30, 2023 be approved by the full Commission at the next regular LAFCO meeting.

EXECUTIVE OFFICER'S REPORT:

Attached are draft financial statements for Quarter One of the current fiscal year. Prepared by CliftonLarsonAllen, LLP, the statements are subject to change based on any further adjustments that may be made to the year-end financial statements dated June 30, 2023 (Agenda Item No. 4). Overall revenue and expenditure levels are normal for this period.

Mr. Mike Briley, CPA, CGMA, Managing Principal, CliftonLarsonAllen, LLP and Principal Analyst Darren McBain will present the information.

Respectfully Submitted,



Kate McKenna, AICP
Executive Officer

Attachment: Draft Financial Statements dated September 30, 2023, CliftonLarsonAllen, LLP.

**Local Agency Formation Commission
of Monterey County
Financial Statements
September 30, 2023**

Draft

**LOCAL AGENCY FORMATION COMMISSION
OF MONTEREY COUNTY**

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CliftonLarsonAllen LLP
CLAconnect.com

Accountant's Compilation Report

To the Chair and Commissioners
Local Agency Formation Commission
LAFCO of Monterey County
Salinas, California

Management is responsible for the financial statements of the Local Agency Formation Commission of Monterey County (LAFCO), as of and for the three months ended September 30, 2023, included in the accompanying prescribed form in accordance with the requirements of LAFCO. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the financial statements included in the accompanying prescribed form, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion or a conclusion, nor provide any form of assurance on the financial statements included in the accompanying prescribed form.

The financial statements included in the accompanying prescribed form are presented in accordance with the requirements of LAFCO and are not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America.

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

We are not independent with respect to LAFCO.

CliftonLarsonAllen LLP

October 30, 2023
Salinas, CA

**LAFCO of Monterey County
Balance Sheets
September 30, 2023 and 2022**

ASSETS			
	ACCT #	2023	2022
CURRENT ASSETS:			
Cash Held in Bank:			
Wells Fargo Operating	1007	\$ 144,523.79	\$ 211,766.41
Total Cash Held in Bank		<u>144,523.79</u>	<u>211,766.41</u>
Cash Held in County Treasury:			
Cash Held for Operating Expenses	1010	1,117,470.52	1,115,631.88
Designated Cash for Reserve for Litigation	1012	122,652.83	226,239.61
Designated Cash for Accrued Leave	1013	88,300.71	77,503.90
Designated Cash for Post Retirement (GASB 75)	1014	75,064.00	85,475.00
Designated Cash for Reserve for Contingency	1015	276,614.00	269,914.00
Restricted Cash for FORA Litigation	1020	348,524.28	344,764.52
Total Cash Held in County Treasury		<u>2,028,626.34</u>	<u>2,119,528.91</u>
Petty Cash	1100	300.00	300.00
Total Cash		<u>2,173,450.13</u>	<u>2,331,595.32</u>
Other Current Assets:			
Accounts Receivable - For Fiscal Yr Ending 6/23	1235	-	1,509.00
Accounts Receivable - For Fiscal Yr Ending 6/24	1236	164,419.55	-
Prepaid Insurance	1400	9,591.27	8,813.68
Prepaid Expenses	1405	15,512.56	10,823.06
Total Other Current Assets		<u>189,523.38</u>	<u>21,145.74</u>
Total Current Assets		<u>2,362,973.51</u>	<u>2,352,741.06</u>
NON-CURRENT ASSETS:			
Equipment	1500	57,801.99	57,801.99
Accumulated Depreciation	1550	(54,306.69)	(50,338.69)
Operating Right-of-Use Assets	1900	146,953.49	-
Total Non-Current Assets		<u>150,448.79</u>	<u>7,463.30</u>
DEFERRED OUTFLOWS OF RESOURCES (GASB 68):			
Deferred Outflows of Resources - PERS Contributions	1800	59,328.29	46,559.54
Deferred Outflows of Resources - Actuarial	1805	243,400.87	262,201.83
Total Deferred Outflows of Resources (GASB 68)		<u>302,729.16</u>	<u>308,761.37</u>
DEFERRED OUTFLOWS OF RESOURCES (GASB 75):			
Deferred Outflows of Resources - OPEB Contributions	1810	1,800.00	1,752.00
Deferred Outflows of Resources - OPEB Actuarial	1815	5,754.00	7,238.00
		<u>7,554.00</u>	<u>8,990.00</u>
		<u>\$ 2,823,705.46</u>	<u>\$ 2,677,955.73</u>
LIABILITIES AND EQUITY			
	ACCT #	2023	2022
CURRENT LIABILITIES:			
Accounts Payable	2000	\$ 6,756.79	\$ 14,317.68
Payroll Liabilities	2200	168.00	168.00
Accrued Leave	2220	88,300.71	77,503.90
Dissolution of FORA Legal Liability	2380	348,524.28	344,764.52
Dissolution of FORA Admin Liability	2381	54,177.50	55,197.50
Current Portion of Operating Lease Obligations	2601	26,357.52	-
Total Current Liabilities		<u>524,284.80</u>	<u>491,951.60</u>
NON-CURRENT LIABILITIES:			
Net Pension Liability/(Asset) (GASB 68)	2400	57,558.59	(262,199.19)
Net OPEB Liability/(Asset) (GASB 75)	2410	75,064.00	85,475.00
Operating Lease Obligations-Net of Current Portion	2600	121,094.00	-
Total Non-Current Liabilities		<u>253,716.59</u>	<u>(176,724.19)</u>
DEFERRED INFLOWS OF RESOURCES (GASB 68):	2500	40,784.66	9,278.43
DEFERRED INFLOWS OF RESOURCES (GASB 75):	2505	56,930.00	52,790.00
EQUITY:			
Invested in Capital Assets	3700	3,495.30	7,463.30
Encumbered Funds	3710	70,749.02	70,749.02
Reserve for Litigation	3800	122,652.83	226,239.61
Reserve for Contingency	3810	276,614.00	269,914.00
Restricted for Pension	3825	-	262,199.19
Unreserved Fund*	3850	1,474,478.26	1,464,094.77
Total Equity		<u>1,947,989.41</u>	<u>2,300,659.89</u>
		<u>\$ 2,823,705.46</u>	<u>\$ 2,677,955.73</u>

*Includes revenue received in the current year to be used for operating expenses through 6/30/24

LAFCO of Monterey County
Income and Expense Budget Performance - Summary
September 30, 2023

ACCT #	Income:			% of Budget		Adopted 23/24 Budget	Remaining Budget Balance	% of Remaining Budget Balance	
		Sept 23	Sept 22	Received/ Spent Sept 23	July 22-Sept 23				July 21-Sept 22
4000	Fees: Project	\$ 550.00	\$ 10,330.00	5.50%	\$ 12,886.54	\$ 10,330.00	\$ 2,886.54	28.87%	
4205	County Contributions	-	-	0.00%	363,784.00	354,931.00	-	0.00%	
4210	City Contributions	-	-	0.00%	363,783.99	354,930.99	(0.01)	0.00%	
4220	District Contributions	-	-	0.00%	363,785.00	354,928.00	1.00	0.00%	
4249	FORA Administrative Revenue	-	165.00	0.00%	171.00	825.00	171.00	0.00%	
4300	Interest	10.05	1.03	0.20%	32.58	4.01	(5,072.42)	-99.36%	
	Total Income	560.05	10,496.03	0.05%	1,104,443.11	1,075,949.00	(2,013.89)	-0.18%	
	Expense:								
VAR	Employee Salaries	66,292.69	62,962.63	11.30%	152,654.45	145,680.52	433,820.55	73.97%	
VAR	Employee Benefits	28,866.69	25,307.53	11.01%	72,464.56	65,613.50	189,779.44	72.37%	
7000	Postage and Shipping	389.64	306.83	9.76%	628.37	487.85	3,365.63	84.27%	
7010	Books and Periodical	-	-	0.00%	238.00	238.00	762.00	76.20%	
7030	Copy Machine	418.53	400.68	5.98%	1,376.16	1,126.58	5,623.84	80.34%	
7040	Outside Printers	-	-	0.00%	-	-	500.00	100.00%	
7060	Office Supplies	302.39	8.74	6.05%	379.37	297.99	4,620.63	92.41%	
7070	Office Equipment & Furnishings	-	-	0.00%	-	-	1,000.00	100.00%	
7080	Computer Hardware/Peripherals	-	-	0.00%	-	311.26	4,000.00	100.00%	
7085	Computer Support Svcs Fixed Costs	-	-	0.00%	-	-	12,763.00	100.00%	
7090	Computer Support Svcs Variable Costs	-	-	0.00%	-	-	5,000.00	100.00%	
7100	Computer Software	-	-	0.00%	219.98	214.98	1,277.00	82.77%	
7105	Meeting Broadcast Services	-	-	0.00%	-	-	5,106.00	100.00%	
7110	Property and Gen Liability Insurance	698.27	640.54	7.73%	2,094.81	1,921.62	6,937.19	76.81%	
7120	Office Maintenance Services	-	-	0.00%	-	-	486.00	100.00%	
7140	Travel	-	-	0.00%	-	-	7,000.00	100.00%	
7150	Training, Conferences & Workshops	-	-	0.00%	675.00	-	13,000.00	12,325.00	94.81%
7160	Vehicle Mileage	110.43	112.56	11.04%	110.43	112.56	889.57	88.96%	
7170	Rental of Buildings	3,183.03	2,397.69	9.88%	8,553.03	7,193.07	23,666.97	73.45%	
7200	Telephone Communications	349.94	328.68	4.11%	1,171.04	1,109.74	7,337.96	86.24%	
7240	Outside Prof. Services: Other	-	500.00	0.00%	-	6,200.00	15,000.00	100.00%	
7242	Outside Prof. Services: Accounting	5,500.00	5,000.00	8.33%	16,000.00	14,800.00	66,000.00	50,000.00	75.76%
7242A	Outside Prof. Services: General Admin and HR	400.00	400.00	6.67%	1,200.00	1,200.00	6,000.00	4,800.00	80.00%
7245	General and Special Legal Services	1,820.70	3,136.50	19.97%	3,205.70	3,542.40	9,116.00	5,910.30	64.83%
7247	Outside Prof. Services: Human Resources	-	-	0.00%	-	-	5,789.00	5,789.00	100.00%
7248	Outside Prof. Services: Annual Audit	-	-	0.00%	1,500.00	2,000.00	22,000.00	20,500.00	93.18%
7250	Miscellaneous Office Expense	289.24	53.90	23.79%	399.92	178.30	1,216.00	816.08	67.11%
7260	Legal Notices	-	-	0.00%	1,189.00	551.25	4,000.00	2,811.00	70.28%
7270	Recruitment Advertising	-	-	0.00%	-	-	900.00	900.00	100.00%
7280	LAFCO Memberships	-	-	0.00%	8,124.00	7,503.00	9,830.00	1,706.00	17.36%
7290	Litigation Reserve	554.00	28,926.50	0.00%	12,832.91	38,348.40	-	(12,832.91)	0.00%
7300	Depreciation	321.00	331.95	0.00%	956.00	1,004.95	-	(956.00)	0.00%
	Total Expense	109,496.55	130,814.73	9.90%	285,972.73	299,635.97	820,484.27	74.15%	
	Net Ordinary Income (Loss)	(108,936.50)	(120,318.70)		818,470.38	776,313.03	-		
	Other Income/(Expense):								
8106	Prior Year Project Fees Returned	-	-		-	(12.50)	-		
	Total Other Income/(Expense)	-	-		-	(12.50)	-		
	Net Income (Loss)	\$ (108,936.50)	\$ (120,318.70)		\$ 818,470.38	\$ 776,300.53	\$ -		

LAFCO of Monterey County
Income and Expense Budget Performance - Detail
September 30, 2023

ACCT #	Income:			% of Budget		Adopted 23/24 Budget	Remaining Budget Balance	% of Remaining Budget Balance
		Sept 23	Sept 22	Sept 23	July 22-Sept 23			
4000	Fees: Project	\$ 550.00	\$ 10,330.00	5.50%	\$ 12,886.54	\$ 10,330.00	\$ 2,886.54	28.87%
4205	County Contributions	-	-	0.00%	363,784.00	354,931.00	363,784.00	0.00%
4210	City Contributions	-	-	0.00%	363,783.99	354,930.99	363,784.00	(0.01)
4220	District Contributions	-	-	0.00%	363,785.00	354,928.00	363,784.00	1.00
4249	FORA Administrative Revenue	-	165.00	0.00%	171.00	825.00	-	171.00
4300	Interest	10.05	1.03	0.20%	32.58	4.01	5,105.00	(5,072.42)
	Total Income	560.05	10,496.03	0.05%	1,104,443.11	1,075,949.00	1,106,457.00	(2,013.89)
	Expense:							
6002	Regular Earnings	66,263.40	62,908.47		152,566.59	145,274.38		
6004	FORA Administrative Wages	29.29	54.16		87.86	406.14		
	Employee Salaries	66,292.69	62,962.63	11.30%	152,654.45	145,680.52	586,475.00	433,820.55
6007	Management Expense Allowance	50.00	50.00		150.00	150.00		
6010	Accrued Leave	4,539.61	5,356.62		7,881.39	9,399.77		
6011	Car Allowance	400.00	400.00		1,200.00	1,200.00		
6013	Post Retirement Healthcare Reserve	151.00	149.00		453.00	447.00		
6100	Employee Benefits - Other	-	-		700.00	700.00		
6101	Payroll Expenses	987.76	949.49		2,303.06	2,201.94		
6102	Worker's Compensation Insurance	353.88	(264.57)		752.00	94.17		
6103	Employee Memberships	-	-		374.00	96.75		
6104	Deferred Comp Plan Contribution	4,110.17	3,903.67		9,464.60	9,032.17		
6105	PERS Retirement	7,755.37	6,532.17		17,628.75	17,604.92		
6110	PERS Health - Other	33.95	27.50		102.91	75.83		
6111	PERS Health - Med ER Non-Elective	604.00	596.00		1,812.00	1,788.00		
6112	PERS Health - Med ER Pre Tax	8,365.69	6,173.28		25,097.07	18,519.84		
6131	LIFE	125.20	125.20		375.60	375.60		
6132	ADD	8.21	8.21		24.63	24.63		
6133	Dental	767.90	767.90		2,303.70	2,303.70		
6134	Vision	123.80	108.60		371.40	325.80		
6135	LTD	398.09	332.40		1,194.27	997.20		
6139	STD	92.06	92.06		276.18	276.18		
	Employee Benefits	28,866.69	25,307.53	11.01%	72,464.56	65,613.50	262,244.00	189,779.44
7000	Postage and Shipping	389.64	306.83	9.76%	628.37	487.85	3,994.00	3,365.63
7010	Books and Periodical	-	-	0.00%	238.00	238.00	1,000.00	762.00
7030	Copy Machine	418.53	400.68	5.98%	1,376.16	1,126.58	7,000.00	5,623.84
7040	Outside Printers	-	-	0.00%	-	-	500.00	500.00
7060	Office Supplies	302.39	8.74	6.05%	379.37	297.99	5,000.00	4,620.63
7070	Office Equipment & Furnishings	-	-	0.00%	-	-	1,000.00	1,000.00
7080	Computer Hardware/Peripherals	-	-	0.00%	-	311.26	4,000.00	4,000.00
7085	Computer Support Svcs Fixed Costs	-	-	0.00%	-	-	12,763.00	12,763.00
7090	Computer Support Svcs Variable Costs	-	-	0.00%	-	-	5,000.00	5,000.00
7100	Computer Software	-	-	0.00%	219.98	214.98	1,277.00	1,057.02
7105	Meeting Broadcast Services	-	-	0.00%	-	-	5,106.00	5,106.00
7110	Property and Gen Liability Insurance	698.27	640.54	7.73%	2,094.81	1,921.62	9,032.00	6,937.19
7120	Office Maintenance Services	-	-	0.00%	-	-	486.00	486.00
7140	Travel	-	-	0.00%	-	-	7,000.00	7,000.00
7150	Training, Conferences & Workshops	-	-	0.00%	675.00	-	13,000.00	12,325.00
7160	Vehicle Mileage	110.43	112.56	11.04%	110.43	112.56	1,000.00	889.57
7170	Rental of Buildings	3,183.03	2,397.69	9.88%	8,553.03	7,193.07	32,220.00	23,666.97
7200	Telephone Communications	349.94	328.68	4.11%	1,171.04	1,109.74	8,509.00	7,337.96
7240	Outside Prof. Services: Other	-	500.00	0.00%	-	6,200.00	15,000.00	15,000.00
7242	Outside Prof. Services: Accounting	5,500.00	5,000.00	8.33%	16,000.00	14,800.00	66,000.00	50,000.00
7242A	Outside Prof. Services: General Admin and HR	400.00	400.00	6.67%	1,200.00	1,200.00	6,000.00	4,800.00
7245	General and Special Legal Services	1,820.70	3,136.50	19.97%	3,205.70	3,542.40	9,116.00	5,910.30
7247	Outside Prof. Services: Human Resources	-	-	0.00%	-	-	5,789.00	5,789.00
7248	Outside Prof. Services: Annual Audit	-	-	0.00%	1,500.00	2,000.00	22,000.00	20,500.00
7250	Miscellaneous Office Expense	289.24	53.90	23.79%	399.92	178.30	1,216.00	816.08
7260	Legal Notices	-	-	0.00%	1,189.00	551.25	4,000.00	2,811.00
7270	Recruitment Advertising	-	-	0.00%	-	-	900.00	900.00
7280	LAFCO Memberships	-	-	0.00%	8,124.00	7,503.00	9,830.00	1,706.00
7290	Litigation Reserve	554.00	28,926.50	0.00%	12,832.91	38,348.40	-	(12,832.91)
7300	Depreciation	321.00	331.95	0.00%	956.00	1,004.95	-	(956.00)
	Total Expense	109,496.55	130,814.73	9.90%	285,972.73	299,635.97	1,106,457.00	820,484.27
	Net Ordinary Income (Loss)	(108,936.50)	(120,318.70)		818,470.38	776,313.03	-	
	Other Income/(Expense):							
8106	Prior Year Project Fees Returned	-	-		-	(12.50)	-	
	Total Other Income/(Expense)	-	-		-	(12.50)	-	
	Net Income (Loss)	\$ (108,936.50)	\$ (120,318.70)		\$ 818,470.38	\$ 776,300.53	\$ -	

LAFCO of Monterey County
Income and Expense by Month
September 30, 2023

	July 22	Aug 22	Sept 22	Total
Ordinary Income/Expense				
Income:				
4000 - Fees: Project	-	12,336.54	550.00	12,886.54
4205 - County Contributions	363,784.00	-	-	363,784.00
4210 - City Contributions	363,783.99	-	-	363,783.99
4220 - District Contributions	363,785.00	-	-	363,785.00
4249 - FORA Administrative Revenue	-	171.00	-	171.00
4300 - Interest	10.38	12.15	10.05	32.58
Total Income	1,091,363.37	12,519.69	560.05	1,104,443.11
Expense:				
6000 - Employee Salaries	42,896.00	43,465.76	66,292.69	152,654.45
6100 - Employee Benefits	20,533.39	23,064.48	28,866.69	72,464.56
7000 - Postage and Shipping	115.17	123.56	389.64	628.37
7010 - Books and Periodical	238.00	-	-	238.00
7030 - Copy Machine	419.96	537.67	418.53	1,376.16
7060 - Office Supplies	-	76.98	302.39	379.37
7100 - Computer Software	219.98	-	-	219.98
7110 - Property and Gen Liability Insurance	698.27	698.27	698.27	2,094.81
7150 - Training, Conferences & Workshops	-	675.00	-	675.00
7160 - Vehicle Mileage	-	-	-	-
7170 - Rental of Buildings	2,685.00	2,685.00	110.43	110.43
7200 - Telephone Communications	471.16	349.94	3,183.03	8,553.03
7242 - Outside Prof. Services: Accounting	5,000.00	5,500.00	349.94	1,171.04
7242A - Outside Prof. Services: Gen Admin & HR Assistance	400.00	400.00	5,500.00	16,000.00
7245 - General and Special Legal Services	-	400.00	400.00	1,200.00
7248 - Outside Prof. Services: Annual Audit	1,500.00	1,385.00	1,820.70	3,205.70
7250 - Miscellaneous Office Expense	73.94	36.74	289.24	1,500.00
7260 - Legal Notices	958.00	231.00	-	399.92
7280 - LAFCO Memberships	8,124.00	-	-	1,189.00
7290 - Litigation Reserve	-	12,278.91	554.00	8,124.00
7300 - Depreciation	321.00	314.00	321.00	12,832.91
Total Expense	84,653.87	91,822.31	109,496.55	285,972.73
Net Income/(Loss)	\$ 1,006,709.50	\$ (79,302.62)	\$ (108,936.50)	\$ 818,470.38

**LAFCO of Monterey County
Accounts Receivable Summary
As of September 30, 2023**

Accounts Receivable-For Fiscal Year Ending 6/2024:

Description	Date	Amount
Cachagua FPD	7/1/23	\$ 199.00
Carmel	7/1/23	17,869.14
Castroville Cemetery	7/1/23	441.00
Del Rey Oaks	7/1/23	2,928.29
Gonzales Cemetery District	7/1/23	257.00
Gonzales Rural FPD	7/1/23	380.00
Marina	7/1/23	38,939.10
Mission-Soledad FPD	7/1/23	356.00
Monterey County Regional FPD	7/1/23	25,621.00
North County FPD	7/1/23	9,915.00
Pacific Grove	7/1/23	19,583.65
San Ardo Cemetery District	7/1/23	37.00
San Lucas Cemetery District	7/1/23	28.00
San Lucas County Water District	7/1/23	249.00
Santa Lucia CSD	7/1/23	11,014.00
Seaside	7/1/23	35,187.37
Soledad-Mission Recreation & Park	7/1/23	771.00
Spreckels CSD	7/1/23	185.00
Spreckels Memorial District	7/1/23	459.00
	ACCT # 1236	\$ 164,419.55

**LAFCO of Monterey County
Equipment Summary
As of September 30, 2023**

Equipment and Accumulated Depreciation:

Description	Fiscal Year In Service (6/30)	Cost	Amount Depreciated
Furniture & Fixtures	2010	\$ 502.51	\$ 502.51
Furniture & Fixtures	2017	29,396.72	27,761.00
Furniture & Fixtures	2018	10,618.39	9,274.00
Office Equipment	2011	2,185.00	2,185.00
Office Equipment	2013	1,990.68	1,990.68
Office Equipment	2014	5,214.29	5,214.29
Office Equipment	2016	1,168.89	1,168.89
Office Equipment	2017	2,527.32	2,527.32
Office Equipment	2019	2,143.66	1,994.00
Office Equipment	2020	2,054.53	1,689.00
	ACCT # 1500	\$ 57,801.99	
		ACCT # 1550	\$ 54,306.69

Draft

LAFCO of Monterey County Accounts Payable Summary As of September 30, 2023

Accounts Payable:

Vendor	Description	Date	Inv#/Acct#	Amount
AT&T	Credit	12/10/2021		\$ (42.77)
AT&T	Telephone Services	9/17/2023	317277339	226.19
CliftonLarsonAllen LLP	Accounting Services	9/25/2023	3886158	5,900.00
Comcast	Telephone Services from 9/27/23-10/26/23	9/22/2023	8155100301512806	123.75
MBS Business Systems	Copy Machine Rental	9/25/2023	455826	111.48
MBS Business Systems	Copy Machine Rental	9/30/2023	456261	70.00
Wells Fargo Bank Credit Card	Staples \$278.90; Culligan Water \$36.74; Monterey County Recorder's Office \$52.50	9/30/2023	P/E 9/30 x2064	368.14
			ACCT # 2000	<u>\$ 6,756.79</u>

Draft

**LAFCO of Monterey County
Accrued Leave Summary
As of September 30, 2023**

Executive Officer and Analyst Positions:

Employee	Title	Total Hours of Accrued Annual Leave *	Hourly Rate	Annual Leave Book Value
Kate McKenna	Executive Officer	583.43	100.76	\$ 58,786.41
Darren McBain	Principal Analyst	238.04	74.85	17,817.29
Jonathan Brinkmann	Senior Analyst	154.88	58.57	9,071.32
				\$ 85,675.02

Clerk / Administrative Secretary Position:

Employee	Accrued Sick Leave	Accrued Vacation **	Hourly Rate	Sick Leave Book Value	Vacation Book Value
Safarina Maluki	60.20	4.60	40.52	\$ 2,439.30	\$ 186.39
				\$ 2,439.30	\$ 186.39

Annual Leave	\$ 85,675.02
Sick Leave	2,439.30
Vacation	186.39
ACCT # 2220 \$ 88,300.71	

Executive Officer and Senior Analyst Positions:

* Maximum of 250 or 850 hours of Annual Leave may be accrued. This is a general description of benefits only. Actual benefits are defined in individual employment agreements.

Clerk/Admin Secretary Position:

** Maximum of 260 hours of Accrued Vacation may be accrued. This is a general description of benefits only. Actual benefits are defined in employment agreement.

***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.

LAFCO of Monterey County

Detail of Encumbrances

As of September 30, 2023

Encumbered Funds:

Subject	Invoice Date/ Inv. No.	Funds Received/(Paid)
Recruitment Advertising Encumbered Funds:		
13-14 Budget Carryover		\$ 3,179.40
ID Concepts, LLC	7/15/14 Inv. No. LAFCO-01	(115.00)
Hardee Investigations	9/11/14 Inv. No. LAFCO-01	(460.00)
Hardee Investigations	10/3/2014 LAFCO-02	(180.00)
ID Concepts, LLC	10/10/15 Inv. No. 303013	(107.50)
The Post Box	6/15/2016	(50.00)
Hardee Investigations	6/22/16 Inv. No. LAFCO-03	(180.00)
Hardee Investigations	6/3/17 Inv No. LAFCO 17-01	(360.00)
Hardee Investigations	6/6/19 Inv No. LAFCO 19-01	(225.00)
Montereybayjobs.com	7/20/19 Inv No. mbj	(299.00)
Indeed	7/30/19 Inv. No. 24779848	(25.19)
Indeed	7/31/19 Inv. No. 24993586	(6.47)
Hardee Investigations	8/16/19 Inv No. LAFCO 19-02	(275.00)
		896.24
Human Resources Encumbered Funds:		
	Balance Forward	8,973.00
19-20 Budget Carryover		10,500.00
Hayashi Wayland-HR Services Monthly Fee	8/3/20 Inv. No. 293672	(400.00)
Hayashi Wayland-HR Services Monthly Fee	9/1/20 Inv. No. 294080	(400.00)
Hayashi Wayland-HR Services Monthly Fee	10/1/20 Inv No. 294599	(400.00)
Hayashi Wayland-HR Services Monthly Fee	11/1/20 Inv. No. 295271	(400.00)
Hayashi Wayland-HR Services Monthly Fee	12/7/20 Inv. No. 295739	(400.00)
Liebert Cassidy Whitmore, A Professional Law Corp	12/31/20 Inv. No. 1512526	(38.00)
Hayashi Wayland-HR Services Monthly Fee	1/14/21 Inv. No. 296368	(400.00)
Liebert Cassidy Whitmore, A Professional Law Corp	1/31/21 Inv. No. 1514248	(929.00)
Hayashi Wayland-HR Services Monthly Fee	2/8/21 Inv No. 296802	(400.00)
Liebert Cassidy Whitmore, A Professional Law Corp	2/28/21 Inv. No. 1515993	(3,699.50)
Hayashi Wayland-HR Services Monthly Fee	3/1/21 Inv No. 297416	(400.00)
Liebert Cassidy Whitmore, A Professional Law Corp	3/31/21 Inv. No. 1517887	(152.00)
Hayashi Wayland-HR Services Monthly Fee	4/15/21 Inv No. 298589	(400.00)
Hayashi Wayland-HR Services Monthly Fee	5/20/21 Inv No. 299239	(400.00)
Hayashi Wayland-HR Services Monthly Fee	6/8/21 Inv No. 300212	(400.00)
		10,254.50
Temp Professional Services Encumbered Funds:		
2018-2019 Resolution No. 19-01	Fire and Medical Emergency Study	75,000.00
Michael P. McMurry	9/3/19 Inv No. MON 1	(812.50)
Michael P. McMurry	9/30/19 Inv No. MON 2	(1,062.50)
Michael P. McMurry	11/1/19 Inv No. MON 3	(812.50)
Michael P. McMurry	12/1/19 Inv No. MON 4	(2,031.25)
Michael P. McMurry	1/3/20 Inv No. MON 5	(1,312.50)
Michael P. McMurry	2/1/20 Inv No. MON 6	(1,000.00)
Michael P. McMurry	4/1/20 Inv No. MON 7	(3,350.00)
Michael P. McMurry	5/1/20 Inv No. MON 8	(4,437.50)
Michael P. McMurry	5/29/20 Inv No. MON 9	(1,656.25)
Michael P. McMurry	6/23/20 Inv No. MON 10	(1,187.50)
Michael P. McMurry	11/1/20 Inv No. MON 11	(1,937.50)
Michael P. McMurry	12/1/20 Inv No. MON 12	(781.25)
Michael P. McMurry	3/2/21 Inv No. MON 13	(531.25)
Michael P. McMurry	5/3/21 Inv No. MON 14	(2,975.00)
Michael P. McMurry	6/30/21 Inv No. MON 15	(700.00)
Michael P. McMurry	7/31/21 Inv No. MON 15A	(687.50)
Michael P. McMurry	8/31/21 Inv No. MON 16	(1,312.50)
Michael P. McMurry	10/31/21 Inv No. MON 17	(750.00)
Michael P. McMurry	12/31/21 Inv No. MON 18	(687.50)
		46,975.00
Computer Support Services-Variable Encumbered Funds:		
18-19 Budget Carryover		12,623.28
		12,623.28
	ACCT # 3710	\$ 70,749.02

LAFCO of Monterey County
Detail of Reserve for Litigation
As of September 30, 2023

Reserve for Litigation:

Date	Vendor/Description	Invoice #	Amount
	Beginning Balance as of 7/1/13		\$ 300,036.51
4/12/2022	Office of County Counsel-Co. of Monterey	22-0003000	(110.70)
5/12/2022	Best, Best & Krieger	934608	(8,005.67)
5/24/2022	Office of County Counsel-Co. of Monterey	22-000420	(4,243.50)
6/10/2022	Best, Best & Krieger	937410	(16,393.23)
6/16/2022	Office of County Counsel-Co. of Monterey	22-000478	(996.30)
6/30/2022	Best, Best & Krieger	939818	(4,739.70)
6/30/2022	Office of County Counsel-Co. of Monterey	22-000557	(959.40)
8/11/2022	Best, Best & Krieger	942253	(8,905.30)
8/23/2022	Office of County Counsel-Co. of Monterey	22-000686	(516.60)
9/8/2022	Best, Best & Krieger	94461	(15,907.50)
9/12/2022	Office of County Counsel-Co. of Monterey	22-000787	(959.40)
9/30/2022	Best, Best & Krieger	947478	(11,506.10)
9/30/2022	Office of County Counsel-Co. of Monterey	22-000870	(553.50)
11/15/2022	Best, Best & Krieger	950787	(18,435.60)
11/15/2022	Office of County Counsel-Co. of Monterey	22-000892	(110.70)
12/9/2022	Best, Best & Krieger	952842	(4,523.18)
12/14/2022	Office of County Counsel-Co. of Monterey	22-000975	(221.40)
12/31/2022	Office of County Counsel-Co. of Monterey	23-000018	(479.70)
1/20/2023	Best, Best & Krieger	955804	(14,670.99)
2/21/2023	Office of County Counsel-Co. of Monterey	22-002301	(369.00)
2/24/2023	Best, Best & Krieger	958386	(7,088.40)
3/20/2023	Best, Best & Krieger	960589	(1,685.20)
3/31/2023	Best, Best & Krieger	963335	(1,404.45)
3/31/2023	Office of County Counsel-Co. of Monterey	23-002431	(553.50)
5/8/2023	Best, Best & Krieger	964642	(2,425.85)
5/19/2023	Office of County Counsel-Co. of Monterey	23-002465	(36.90)
5/31/2023	Best, Best & Krieger	968326	(37,983.10)
6/23/2023	Office of County Counsel-Co. of Monterey	23-002620	(701.10)
6/30/2023	Best, Best & Krieger	969813	(64.80)
8/22/2023	Best, Best & Krieger	973136	(4,729.46)
8/25/2023	Office of County Counsel-Co. of Monterey	23-003123	(637.10)
8/31/2023	Best, Best & Krieger	975334	(6,912.35)
9/15/2023	Office of County Counsel-Co. of Monterey	23-003213	(554.00)
		ACCT # 3800	\$ <u>122,652.83</u>

**LAFCO of Monterey County
Detail of Reserve for Contingency
As of September 30, 2023**

Reserve for Contingency:

Date	Vendor/Description	Invoice #	Amount
	Reserve for Contingency Balance at 6/30/23		\$ 269,914.00
7/1/2023	Authorized Transfer (To)/From Unreserved Funds for FY 2023-2024**		<u>6,700.00</u>
		ACCT # 3810	<u><u>\$ 276,614.00</u></u>

**Per Resolution 19-01, the Contingency Reserve is adjusted at the beginning of each year to account for 25% of the current year budget. See note below.

2023-2024 Budget	\$ 1,106,457
% of Budget	<u>0.25</u>
Expected Reserve for Contingency Balance at 7/1/23	276,614
Reserve for Contingency Balance at 6/30/23	<u>269,914</u>
Authorized Transfer (To)/From Unreserved Funds for FY 2023-2024**	<u><u>\$ 6,700</u></u>

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

KATE McKENNA, AICP
Executive Officer

LOCAL AGENCY FORMATION COMMISSION
P.O. Box 1369
Salinas, CA 93902
Telephone (831) 754-5838

132 W. Gabilan Street, Suite 102
Salinas, CA 93901
www.monterey.lafco.ca.gov

DATE: November 8, 2023

TO: Chair and Members of the Budget and Finance Committee

FROM: Kate McKenna, AICP, Executive Officer

SUBJECT: October 2023 Draft Balance Sheet and Draft Income Statement

CEQA: Not a Project under California Environmental Quality Act Guidelines Section 15378

SUMMARY OF RECOMMENDATION:

Discuss draft balance sheet and income statement and recommend Commission approval.

EXECUTIVE OFFICER'S REPORT:

Attached are the draft Balance Sheet and draft Income Statement for October 2023. These reports were prepared by CliftonLarsonAllen, LLP. Income and expenses are normal for this period. Mr. Mike Briley, CPA, Managing Principal of the firm, will assist Principal Analyst Darren McBain in presenting the information.

Respectfully Submitted,



Kate McKenna, AICP
Executive Officer

Attachments:

- 6.1 Draft Balance Sheet as of October 31, 2023, prepared on November 2, 2023, CliftonLarsonAllen, LLP
- 6.2 Draft Profit & Loss Statement for October 31, 2023, prepared on November 2, 2023, CliftonLarsonAllen, LLP

LAFCO of Monterey County
Balance Sheet
As of October 31, 2023

11/02/23
Accrual Basis

	Oct 31, 23
ASSETS	
Current Assets	
Checking/Savings	
1100 · Petty Cash	300.00
1007 · Wells Fargo Checking	213,046.47
1010 · Cash Co. Treasury	
1012 · Designated Cash Litigation Resv	111,265.85
1013 · Designated Cash - Accrued Leave	88,594.00
1014 · Designated Cash-Post Retirement	75,064.00
1015 · Designated Cash-Contingency	276,614.00
1020 · Resticted Cash-FORA Litigation	348,524.28
1010 · Cash Co. Treasury - Other	992,317.76
Total 1010 · Cash Co. Treasury	1,892,379.89
Total Checking/Savings	2,105,726.36
Accounts Receivable	
1236 · A/R Fiscal Year Ending 6/2024	666.00
Total Accounts Receivable	666.00
Other Current Assets	
1400 · Prepaid Insurance	8,693.94
1405 · Prepaid Expenses	5,177.26
Total Other Current Assets	13,871.20
Total Current Assets	2,120,263.56
Fixed Assets	
1500 · Equipment	2,185.00
1525 · Computer Equipment	15,099.37
1530 · Office Furniture	40,517.62
1550 · Accumulated Depreciation	-54,628.69
Total Fixed Assets	3,173.30
Other Assets	
1800 · Deferred Outflows-PERS Contrib.	59,328.29
1805 · Deferred Outflows-Actuarial	243,400.87
1810 · Deferred Outflows-OPEB Contrib	1,800.00
1815 · Deferred Outflow-OPEB Actuarial	5,754.00
1900 · Operating Right of Use Asset	144,609.96
Total Other Assets	454,893.12
TOTAL ASSETS	2,578,329.98
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
2000 · Accounts Payable	-42.77
Total Accounts Payable	-42.77
Credit Cards	
WFB Visa X2064 (Kate)	-1,179.36
Total Credit Cards	-1,179.36

LAFCO of Monterey County

Balance Sheet

As of October 31, 2023

11/02/23

Accrual Basis

	Oct 31, 23
Other Current Liabilities	
2220 · Accrued Leave	88,594.00
2410 · Post Retirement (GASB 75)	75,064.00
2200 · Payroll Liabilities	168.00
2380 · Dissolution of FORA Legal Liab.	348,524.28
2381 · Dissolution of FORA Admin Liab.	54,177.50
2601 · Current Portion Lease Obligat.	26,357.52
Total Other Current Liabilities	592,885.30
Total Current Liabilities	591,663.17
Long Term Liabilities	
2400 · Net Pension Liability/(Asset)	57,558.59
2500 · Deferred Inflow-GAB68 Actuarial	40,784.66
2505 · Deferred Inflows-OPEB Actuarial	56,930.00
2600 · Operating Lease Liability	118,916.48
Total Long Term Liabilities	274,189.73
Total Liabilities	865,852.90
Equity	
3700 · Invested in Capital Assets	3,173.30
3710 · Encumbered Funds	70,749.02
3800 · Reserve for Litigation	111,265.85
3810 · Reserve for Contingency	276,614.00
3850 · Unreserved Fund	667,716.86
Net Income	582,958.05
Total Equity	1,712,477.08
TOTAL LIABILITIES & EQUITY	2,578,329.98

LAFCO of Monterey County
Profit & Loss
July through October 2023

11/02/23
 Accrual Basis

	Jul - Oct 23
Ordinary Income/Expense	
Income	
4000 · Fees	
4005 · Project	29,874.04
Total 4000 · Fees	29,874.04
4205 · County Contributions	363,784.00
4210 · City Contributions	363,783.99
4220 · District Contributions	363,785.00
4249 · FORA Admin Revenue	171.00
4300 · Interest	43.35
Total Income	1,121,441.38
Expense	
7300 · Depreciation	1,278.00
6000 · Employee Salaries	
6002 · Regular Earnings	197,318.86
6004 · FORA Admin Earnings	87.86
Total 6000 · Employee Salaries	197,406.72
6100 · Employee Benefits	
6013 · Post Retirement Healthcare	604.00
6010 · Accrued Leave	8,174.68
6007 · Management Expense Allowance	
6011 · Management Car Allowance	1,600.00
6007 · Management Expense Allowance - Other	200.00
Total 6007 · Management Expense Allowance	1,800.00
6102 · Worker's Compensation Insurance	951.06
6101 · Payroll Expenses	2,978.49
6103 · Employee Memberships	374.00
6104 · Deferred Comp Plan Contribution	12,239.25
6105 · PERS Retirement	175,298.99
6110 · PERS Health	
6111 · Med ER Non-Ele	2,416.00
6112 · Med ER Pre Tax	33,462.76
6110 · PERS Health - Other	136.86
Total 6110 · PERS Health	36,015.62
6130 · Insurance	
6139 · STD	368.24
6131 · LIFE	500.80
6132 · ADD	32.84
6133 · Dental	3,071.60
6134 · Vision	495.20
6135 · LTD	1,592.36
Total 6130 · Insurance	6,061.04
7294 · Accrued Leave Reserve	0.00
6100 · Employee Benefits - Other	700.00
Total 6100 · Employee Benefits	245,197.13

LAFCO of Monterey County
Profit & Loss
July through October 2023

11/02/23
Accrual Basis

	Jul - Oct 23
7000 · Postage and Shipping	1,207.29
7010 · Books and Periodical	238.00
7030 · Copy Machine	1,794.70
7060 · Office Supplies	379.37
7100 · Computer Software	219.98
7110 · Property and Gen Liability Ins	2,793.08
7150 · Training, Conferences & Wrkshps	10,719.64
7160 · Vehicle Mileage	110.43
7170 · Rental of Buildings	11,404.04
7200 · Telephone Communications	1,171.04
7242 · Outside Prof Svc-Accounting	21,500.00
7242 A · Gen Admin Svcs & HR Assistance	1,600.00
7248 · Outside Prof Svc-Annual Audit	1,500.00
7245 · General Legal Services	6,031.10
7250 · Miscellaneous Office Expense	399.92
7260 · Legal Notices	1,189.00
7280 · LAFCO Memberships	8,124.00
7290 · Litigation Reserve	24,219.89
Total Expense	538,483.33
Net Ordinary Income	582,958.05
Net Income	582,958.05