RIVERSIDE LAFCO

9.
2/25/2016

TO: Local Agency Formation Commission

FROM: George Spiliotis, Executive Officer
Adriana Romo, Local Government Analyst

SUBJECT: INDEPENDENT AUDITOR'S REPORT FOR FISCAL YEAR 2015-16.

In April of 2012, the firm of White Nelson Diehl Evans (WNDE) was selected to audit the Commission's financial statements for fiscal years ending 2012, 2013, 2014, and 2015. WNDE has completed its audit for the final contract year, fiscal year ending (FYE) 2015 with financial statements and related documentation, which are attached.

As with the audits for previous fiscal years, the significant finding of the auditor is that the financial statements "present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Commission, as of June 30, 2015, and the respective changes in financial position thereof, and the budgetary comparison of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America". WNDE did not identify any changes necessary in the Commission's internal controls or recommended changes in the practices of the Commission in the report. The Commission has previously successfully implemented procedures at the recommendation of past auditors, such as the adoption of capital assets and reserve polices, and has developed a cash reconciliation process for the Commission's accounts.

The most significant change for this year's audit is a result of the Government Accounting Standards Board (GASB) requirements that have been revised to include two additional statements, as follows:

GASB Statement No. 68—Accounting and Financial Reporting for Pensions, which requires the recognition of the Commission's proportionate share of its net pension liability and a comprehensive disclosure of changes in pension liability and related ratio.

GASB Statement No. 71—Pension Transition for Contributions Made Subsequent to the Measurement Date (June 30, 2014), which regulates the Commission's recognition of pension expense in the financial statements.

As a result of implementing GASB 68 and 71, the Commission's overall net position decreased significantly as compared to the prior fiscal year. For the first time, net pension liability is included in the financial statements. The Commission's net pension liability is a proportionate share of the net liability of the County's Pension Plan.

The new GASB standards were required to be applied retroactively requiring a restatement of the FYE 2014 net position—a reduction of $504,342. Although the FYE 2015 net asset position is $351,755 less than reported in the prior year's audit, in reality, our net asset position has increased $152,587 from the prior year (from -$631,359 to -$478,772). The implementation of these statements however, does not affect the Commission's financial condition.

While the Compensated Leave Absences Liability still represents a significant portion of the Commission's long-term liability as mentioned in the prior year's audits, we are making progress in addressing that component. For this audit year, compensated absences were reduced by approximately $25,000. This is discussed in further detail in a separate report on this agenda.

SPECIFIC RECOMMENDATION:

It is recommended the Commission:

1. Review the attached audit report and accompanying correspondence from WNDE, inclusive of the Management Discussion and Analysis.

2. Receive and file the Independent Auditor's Report for FYE 2015.

Respectfully submitted,

George J. Spiliotis
Executive Officer

Adriana Romo
Local Government Analyst

To the Commission Members of the
Riverside Local Agency Formation Commission

We have audited the financial statements of the governmental activities and the General Fund of the Riverside Local Agency Formation Commission (the Commission) for the year ended June 30, 2015, and have issued our report thereon dated February 4, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 4, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Commission are described in Note 1 to the financial statements. As discussed in Notes 1e and 10 to the basic financial statements, the Commission adopted Governmental Accounting Standards Board's Statement No. 68 - "*Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*", and Statement No. 71 - "*Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68*". These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pension plans, these Statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The adoption of these standards required retrospective application resulting in a $504,342 reduction of previously reported net position. We noted no transactions entered into by the Commission during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

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The most sensitive estimates affecting the Commission's financial statements were:

a. Management's estimate of the fair market value of investments which is based on market values provided by outside sources.

b. The estimated useful lives of capital assets for depreciation purposes which are based on industry standards.

c. The annual required contribution for the Commission's Other Post-Employment Benefits was prepared by an outside consultant.

d. The calculation of deferred outflows of resources, net pension liability, deferred inflows of resources, and pension expense is based on an actuarial valuation provided by CalPERS, and the Commission's proportionate share of that liability was provided by the County of Riverside.

We evaluated the key factors and assumptions used to develop these estimates in determining that they were reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was reported in Note 7 and Note 8 to the financial statements regarding the annual required contribution and the actuarial liability for the Commission's Pension and Other Post-Employment Benefits Plans, and Note 10 regarding the restatement of prior year financial statements due to the implementation of GASB Numbers 68 and 71.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 4, 2016.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matter

We applied certain limited procedures to management's discussion and analysis, the schedule of proportionate share of the net pension liability, and the schedule of contributions - defined benefit pension plans, which are required supplementary information (RSI) that supplements the financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

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

Very truly yours,

White Nelson Diehl Evans LLP

Irvine, California
February 4, 2016

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

The Commission Members
Riverside Local Agency Formation Commission
Riverside, 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 governmental activities and the General Fund of the Riverside Local Agency Formation Commission (the "Commission"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated February 4, 2016.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

White Nelson Diehl Evans LLP

Irvine, California
February 4, 2016

RIVERSIDE LOCAL AGENCY FORMATION COMMISSION

FINANCIAL STATEMENTS

WITH REPORT ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

FOR THE YEAR ENDED JUNE 30, 2015

RIVERSIDE LOCAL AGENCY FORMATION COMMISSION

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For the year ended June 30, 2015

INDEPENDENT AUDITORS' REPORT

To the Members of the Commission
Riverside Local Agency Formation Commission
Riverside, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and the General Fund of the Riverside Local Agency Formation Commission (the Commission) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and General Fund of the Commission, as of June 30, 2015, and the respective changes in financial position thereof, and the budgetary comparison of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1e and 10 to the financial statements, the Commission implemented Governmental Accounting Standards Board's Statement No. 68 - "*Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*", and Statement No. 71 - "*Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68*". The adoption of these standards required retrospective application resulting in a $504,342 reduction of previously reported net position. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of proportionate share of the net pension liability and the schedule of contributions - defined benefit pension plans, identified as required supplementary information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI 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 the audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2016, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

White Nelson Diehl Evans LLP

Irvine, California
February 4, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2015

The following discussion and analysis of the financial performance of the Local Agency Formation Commission of Riverside County (Commission) provides an overview of the Commission's financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the financial statements identified in the accompanying table of contents.

Using the Accompanying Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Commission as a whole and present a longer view of the Commission's finances. Also included in the accompanying report are fund financial statements. For governmental activities, the fund financial statements tell how these services were financed in the short-term as well as what remains for future spending.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements provide both long-term and short-term information about the Commission's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that provides additional financial and budgetary information.

Reporting the Commission as a Whole

The accompanying Government-wide financial statements include two statements that present financial data for the Commission as a whole. An important question to be asked about the Commission's finances is, "Is the Commission as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Commission as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting. Revenues are recognized when they are earned. Expenditures are recognized when the related liability is incurred, regardless of the cash flow.

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

Financial Highlights

The 2014-15 fiscal year begins a new era of financial reporting for all government agencies participating in a "defined benefit plan" or "defined contribution plan" retirement system. The Government Accounting Standards Board (GASB) requirements have been revised to include two additional statements that significantly impact this Commission's financial statements, but do not affect the Commission's financial condition. The two GASB statements are:

> **GASB Statement No. 68**—Accounting and Financial Reporting for Pensions, which requires the recognition of the Commission's proportionate share of its net pension liability and a comprehensive disclosure off changes in pension liability and related ratio (i.e. investment returns, discount rates, etc. as described in further detail in the notes section of this report.)
>
> **GASB Statement No. 71**—Pension Transition for Contributions Made Subsequent to the Measurement Date (June 30, 2014), which regulates the Commission's recognition of pension expense in the financial statements.

As a result of implementing GASB 68 and 71, the Commission's overall net position decreased significantly as compared to the prior fiscal year.

Reporting the Commission's Fund Activity

The fund financial statements provide detailed information about the Commission's governmental fund as it operates under a single-program government fund. All of the Commission's basic services are reported in its General Fund. The fund is reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the subject fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when a payment is due.

TABLE 1

GOVERNMENT-WIDE FINANCIAL STATEMENTS

	2014-15	2013-14	DIFFERENCE
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 245,871	$ 145,306	$ 100,565
Interest Receivable	178	102	76
Total Current Assets	246,049	145,408	100,641
Capital Assets, Net of Depreciation	10,469	3,402	7,067
Total Assets	256,518	148,810	107,708
Deferred Outflows of Resources			
Deferred amount from pension plan	72,987	0	72,987
LIABILITIES			
Current Liabilities:			
Salaries and Benefits Payable	31,005	27,615	3,390
Accounts Payable	2,883	464	2,419
Compensated Absences (due within one year)	95,731	63,067	32,664
Total Current Liabilities	129,619	91,146	38,473
Non-current Liabilities:			
Net Pension Liability (Net Effect of GASB 68)	412,716	0	412,716
Compensated Absences (due in more than one year)	126,745	184,681	(57,936)
Total Liabilities	669,080	275,827	393,253
Deferred Inflows of Resources			
Deferred amount from pension plan	139,197	0	139,197
NET ASSETS			
Invested in Capital Assets, net of unrelated debt	10,469	3,402	7,067
Unrestricted	(489,241)	(130,419)	(358,822)
Total Net Assets	(478,772)	(127,017)	(351,755)
Adjustment per GASB 68 &71	0	(504,342)	504,342
Restated Net Position	$ (478,772)	$ (631,359)	$152,587

TABLE 2

CHANGES IN NET ASSETS--GOVERNMENTAL ACTIVITIES

	2014-15	2013-14	DIFFERENCE
REVENUES			
Charges for Services	$ 119,158	$ 75,736	$ 43,422
Intergovernmental	721,362	638,327	83,035
Interest	1,690	1,266	424
Total Revenues	842,210	715,329	126,881
EXPENDITURES			
Salaries and Benefits	561,429	581,018	(19,589)
Services and Supplies	128,194	129,757	(1,563)
Total Expenditures	689,623	710,775	(21,152)
CHANGES IN NET ASSETS	152,587	4,554	148,033
Net Assets, Beginning	(631,359)	(131,571)	(499,788)
Effect of adoption of GASB 68 FY 13-14 Restatement (Note 1)	0	(504,342)	504,342
Net Assets, Ending	$ (478,772)	$ (631,359)	$152,587

An explanation of significant changes in the revenues and expenses of the Commission's governmental activities presented above and in the following financial statements is as follows:

- Intergovernmental revenues, also referred to as the Local Agency Share, were increased by 13 percent. The difference between budgeted expenditures and budgeted fee revenue and interest income determines the Local Agency Share. The increase in this net cost, Local Agency Share, was largely due to implementation of fiscal strategies to improve the overall financial health of the Commission by establishing a Compensated Absences Reserve to begin funding the Commission's long-term liability, Compensated Absences.

- When pension related adjustments, capital outlay factors and compensated absences are incorporated in the Commission's expenses, there is a reduction in expenditures of approximately 3 percent. Overall however, services and supplies have remained relatively constant the last two fiscal years, after significant reductions in FY 12-13 mostly related to the relocation and reduction of office space.

- Although fee revenues have increased significantly and the Compensated Absences Liability was reduced by approximately $25,000, these positive changes are insufficient to offset the significant net pension liability that is now reported pursuant to the implementation of GASB 68. Implementation of GASB 68 and 71 required a restatement of net position. This resulted in reducing the prior year net position by $504,342. In the current audit year, although our net position remains negative, it improved by $152,587.

- The Commission's fund balance has increased by $94,832 over the prior year. This due to increased revenues and below-budget expenditures. Approximately $49,000 of the revenue increase was related to an increase in fee generating proposal activity. Expenditures were approximately $44,000 less than appropriations, including unexpended Contingency funds.

Non-current liabilities include compensated absences, which are not due and payable in the current period. Also, not due within one year is the Commission's pension liability, which is its proportionate share of the CalPERS retirement system based on current employees.

LONG-TERM LIABILITIES

	2014-15		2013-14		DIFFERENCE
Compensated Absences	$222,476		$247,748		$(25,272)
Net Pension Liability*	$412,716		$565,612		$(152,896)

* New reporting requirements pursuant to GASB 68 & 71

Additional information on the Commission's long-term liabilities can be found in Note 1 to the accompanying financial statements.

Contacting the Commission's Financial Management

This financial report is designed to provide our citizens, public officials, applicants, and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Executive Officer, George Spiliotis at 3850 Vine Street, Suite 240, Riverside CA 92507-4277.

RIVERSIDE LOCAL AGENCY FORMATION COMMISSION

STATEMENT OF NET POSITION

June 30, 2015

		Governmental Activities
ASSETS:		
Cash and investments	$	245,871
Receivables:		
Accrued interest		178
Capital assets, net of accumulated depreciation		10,469
TOTAL ASSETS		256,518
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred amount from pension plan		72,987
LIABILITIES:		
Accounts payable		2,883
Salaries and benefits payable		31,005
Compensated absences payable:		
Due within one year		95,731
Due in more than one year		126,745
Net pension liability		412,716
TOTAL LIABILITIES		669,080
DEFERRED INFLOWS OF RESOURCES:		
Deferred amount from pension plan		139,197
NET POSITION:		
Net investment in capital assets		10,469
Unrestricted		(489,241)
TOTAL NET POSITION	$	(478,772)

See accompanying notes to financial statements.

RIVERSIDE LOCAL AGENCY FORMATION COMMISSION

STATEMENT OF ACTIVITIES

For the year ended June 30, 2015

Functions/programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Primary Government: Governmental Activities
Governmental activities:					
General government	$ 689,623	$ 119,158	$ 721,362	$ -	$ 150,897
Total governmental activities	$ 689,623	$ 119,158	$ 721,362	$ -	150,897
	General revenues:				
	Investment income				1,690
	Change in net position				152,587
	Net Position - Beginning of Year, as Restated				(631,359)
	Net position - End of Year				$ (478,772)

See accompanying notes to financial statements.

RIVERSIDE LOCAL AGENCY FORMATION COMMISSION

BALANCE SHEET
GOVERNMENTAL FUND

June 30, 2015

	General Fund
ASSETS	
Cash and investments	$ 245,871
Receivables:	
Accrued interest	178
TOTAL ASSETS	$ 246,049
LIABILITIES AND FUND BALANCE	
LIABILITIES:	
Accounts payable	$ 2,883
Salaries and benefits payable	31,005
TOTAL LIABILITIES	33,888
FUND BALANCE:	
Committed for compensated absences	32,000
Unassigned	180,161
TOTAL FUND BALANCE	212,161
TOTAL LIABILITIES AND FUND BALANCE	$ 246,049

See accompanying notes to financial statements.

RIVERSIDE LOCAL AGENCY FORMATION COMMISSION

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION

June 30, 2015

Fund balance for the governmental fund		$ 212,161
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets and accumulated depreciation, have not been included as financial resources in governmental fund activity:		
Capital assets	$ 25,922	
Accumulated depreciation	(15,453)	
		10,469
Pension related deferred outflows of resources, net of accumulated amortization, have not been reported in the governmental funds:		
Employer contributions subsequent to the measurement date		72,987
Long-term liabilities are not available to pay for current-period expenditures and, therefore, are not reported in the governmental funds. Long-term liabilities consist of the following:		
Net pension liability		(412,716)
Pension related deferred inflows of resources, net of accumulated amortization, have not been reported in the governmental funds:		
Difference in projected and actual earnings on investments		(139,197)
Compensated absences payable that have not been included in the governmental fund activity.		(222,476)
Net position of governmental activities		$ (478,772)

See accompanying notes to financial statements.

RIVERSIDE LOCAL AGENCY FORMATION COMMISSION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND

For the year ended June 30, 2015

	General Fund
REVENUES:	
Intergovernmental	$ 721,362
Charges for services	119,158
Investment income	1,690
TOTAL REVENUES	842,210
EXPENDITURES:	
Current:	
General government	747,378
NET CHANGE IN FUND BALANCE	94,832
FUND BALANCE - BEGINNING OF YEAR	117,329
FUND BALANCE - END OF YEAR	$ 212,161

See accompanying notes to financial statements.

RIVERSIDE LOCAL AGENCY FORMATION COMMISSION

RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2015

Net change in fund balance - total governmental fund		$ 94,832
Amounts reported for governmental activities in the Statement of Activities are different because:		
The governmental fund reports capital outlay as expenditures. However in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:		
Capital outlay	$ 7,950	
Depreciation expense	(883)	
		7,067
Pension expense reported in the governmental funds includes the actual contributions made in the fiscal year. Pension expense reported in the Statement of Activities includes the changes in the net pension liability and pension related deferred outflows/inflows ofresources.		
Change in net pension liability	152,895	
Change in deferred outflows of resources related to pensions	11,718	
Change in deferred inflows of resources related to pensions	(139,197)	
		25,416
Compensated absences expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund		25,272
Change in net position of governmental activities		$ 152,587

See accompanying notes to financial statements.

RIVERSIDE LOCAL AGENCY FORMATION COMMISSION

BUDGETARY COMPARISON STATEMENT
GENERAL FUND

For the year ended June 30, 2015

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
Fund balance, July 1	$ 117,329	$ 117,329	$ 117,329	$ -
Resources (inflows):				
Intergovernmental	721,362	721,362	721,362	-
Charges for services	70,000	70,000	119,158	49,158
Investment income	600	600	1,690	1,090
Amounts Available for Appropriation	791,962	791,962	842,210	50,248
Charges to appropriations (outflows):				
General government:				
Salaries and benefits	623,775	623,775	612,116	11,659
Services and supplies	147,862	155,196	135,262	19,934
Contingency and reserves	20,000	12,666	-	12,666
Total charges to appropriations (outflows)	791,637	791,637	747,378	44,259
Excess of resources over (under) charges to appropriations	325	325	94,832	94,507
Fund balance, June 30	$ 117,654	$ 117,654	$ 212,161	$ 94,507

See accompanying notes to financial statements.

June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Riverside Local Agency Formation Commission (the Commission) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

a. Reporting Entity:

Following the end of World War II, California entered a new era of demographic growth and diversity, and economic development. With this growth came the need for housing, jobs and public services. To provide for these services, California experienced a wave of newly formed cities and special districts, but with little forethought as to how the new agencies should plan for services. The lack of coordination and adequate planning for future governance led to a multitude of overlapping, inefficient jurisdictional and service boundaries.

In 1963, the State Legislature created Local Agency Formation Commissions to help direct and coordinate California's growth in a logical, efficient, and orderly manner. Each county within California is required to have a Commission. The Commission's decisions strive to balance the competing needs for efficient services, affordable housing, economic opportunity, and conservation of natural resources.

The Cortese-Knox Local Government Reorganization Act of 1985 regulated the powers and authority of the Commission. Assembly Bill No. 2838 renames the act to Cortese-Knox-Hertzberg Local Governments Reorganization Act of 2000 and amends numerous Government Codes to delete references to the conducting authority, County, or other public agency, and transfer its duties and powers to the Commission. The Commission was operated much like a County of Riverside (County) department until 1989. However, from 1989 through 2001, the Commission was independent in every aspect except for fiscal matters. After July 1, 2001, the Commission separated from the County and is now fiscally independent. The Commission's governing board consists of seven members - two members each from the County of Riverside (County) Board of Supervisors, city governments, and special districts members, and one member from the public. The Commission appoints an Executive Officer and legal counsel and may appoint staff to conduct the operations of the Commission. The Commission is included in the County's financial statements as an agency fund.

Funding for the Commission's operations is equally shared by the County, the twenty-four County Cities and the independent special districts. Although the County contributes 33% of the Commission's funding, the Commission is an independent agency and its budget is not subject to County approval.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

a. Reporting Entity (Continued):

The Commission and County entered into a County Services Agreement to provide all accounting, banking/investment, and insurance services for the Commission. The Commission is staffed by a total of five full-time staff.

This report has been prepared in accordance with accounting principles generally accepted in the United States as promulgated by the Governmental Accounting Standards Board (GASB).

b. Government-wide Financial Statements:

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows.

c. Fund Financial Statements:

The accounts of the Commission are organized on a fund basis. The operations of the Commission's general fund are accounted for by providing a separate self-balancing set of accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, and expenditures. The general fund is used to account for resources traditionally associated with the government, which are not required legally or by sound financial management to be accounted for in another fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

d. Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The general fund is accounted for using a current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

The modified accrual basis of accounting is followed for the general fund. Under the modified accrual basis of accounting, revenues are recognized when they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the current or soon enough thereafter to be used to pay liabilities of the current period. Those revenues susceptible to accrual include interest on investments and charges for services, if they have been remitted within 60 days of the year-end. Expenditures are generally recorded when the related fund liability is incurred. However, expenditures related to compensated absences are not recognized until paid.

Unassigned fund balance includes the residual amounts that have not been restricted, committed, or assigned to specific purposes.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the Commission’s policy is to apply restricted fund balance first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned fund balances are available, the Commission’s policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

e. New Accounting Pronouncements:

Current Year Standards:

In fiscal year 2014-2015, the Commission implemented Governmental Accounting Standards Board (GASB) Statement No. 68 - “*Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*” and GASB Statement No. 71 - “*Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68*”. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. For defined benefit pension plans, these Statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

e. New Accounting Pronouncements (Continued):

Current Year Standards (Continued):

Accounting changes adopted to conform to the provisions of these statements should be applied retroactively. The result of the implementation of these standards decreased the net position at July 1, 2014 by $504,342.

GASB Statement No. 69 - *"Government Combinations and Disposals of Government Operations"* was required to be implemented in the current fiscal year and did not impact the Commission.

Pending Accounting Standards:

The GASB has issued the following statements which may impact the Commission's financial reporting requirements in the future:

- GASB 72 - *"Fair Value Measurement and Application"*, effective for periods beginning after June 15, 2015.

- GASB 73 - *"Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68"*, effective for periods beginning after June 15, 2015 - except for those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for periods beginning after June 15, 2016.

- GASB 74 - *"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans"*, effective for periods beginning after June 15, 2016.

- GASB 75 - *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"*, effective for periods beginning after June 15, 2017.

- GASB 76 - *"The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments"*, effective for periods beginning after June 15, 2015.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

f. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position and the governmental fund balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until that time. For the fiscal year ended June 30, 2015, the Commission has one item that qualifies for reporting in this category, related to pensions. The amount is equal to employer contributions made after the measurement date of the net pension liability.

In addition to liabilities, the statement of net position and the governmental fund balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. For the fiscal year ended June 30, 2015, the Commission has one item that qualifies for reporting in this category, related to pensions resulting from the difference in projected and actual earnings on investments of the pension plan fiduciary net position. This amount is amortized over five years.

g. Cash and Cash Equivalents**:**

The Commission's cash from operations is voluntarily deposited in the County Treasury. The County pools its funds with other government agencies in the County and invests them as prescribed by the California Government Code. The Commission's deposits in the County pool may be accessed any time. The Commission is allocated interest income on monies deposited with the County based on its proportional share of the total pool. All pooled investments are carried at fair value. The fair value of a participant's position in the pool is not the same as the value of the pooled shares.

In December 1994, the Board of Supervisors created an Investment Oversight Committee to work with the County Treasurer to oversee County investment policies. The Committee reviews the County's investment strategy and the status of the County's investment and reports its findings to the Board. The Investment Oversight Committee has reviewed and approved investment policies for funds held outside the County Treasury.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

h. Capital Assets:

Capital assets, which include property, plant, equipment used in the operation of the governmental fund, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than $3,000 and an estimated useful life based on the estimated useful lives and capitalization thresholds.

Such capital assets are valued at historical cost or estimated historical costs if actual historical cost is not available. Donated capital assets are valued at their fair market value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation of all exhaustible capital assets is charged as an expense against their operations. Depreciation has been provided over the estimated useful lives using the straight-line method.

The estimated useful lives and capitalization thresholds are as follows:

Furniture and fixtures	Up to 15 Years
General office equipment	5 Years
Computer hardware and peripherals	3-5 Years
Computer software	2-3 Years

i. Employee Compensated Absences:

The Commission's policy permits non-management employees to accumulate earned but unused vacation, holiday, and sick pay. Management employees however, accumulate earned but unused holiday and annual leave benefits. Management employees do not accumulate sick and vacation pay hours. The rate of pay for all compensated absences is the same rate as that received on the last day worked. Eligibility for compensation of sick pay is available after employees have worked for the Commission for five (5) years. Eligibility for compensation of all other types of absences is available immediately as accumulated.

Upon retirement, disability, or death of an employee, unused accumulated sick leave is paid to the employee or the employee's estate at a total amount of fifty (50) percent of their current accumulated time and limited to no more than one hundred and twenty (120) days of full pay. Upon leave of employment, employees are entitled to one hundred (100) percent of vacation and annual leave benefits with total payments not to exceed sixty (60) days of full pay for vacation and no maximum amount for annual leave.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

j. Fund Balance Classifications:

In the fund financial statements, government funds report the following fund balance classifications:

Nonspendable includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted includes amounts that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws of regulations of other governments or (b) by law through constitutional provisions or enabling legislation.

Committed includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest authority, the Members of the Commission.

Assigned includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned includes the residual amounts that have not been restricted, committed, or assigned to specific purposes.

An individual governmental fund could include nonspendable resources and amounts that are restricted or unrestricted (committed, assigned, or unassigned) or any combination of those classifications.

k. Pensions:

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Commission’s California Public Employees’ Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

l. Use of Estimates:

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

Budgets and Budgetary Accounting:

The Commission established accounting controls through formal adoption of an annual operating budget for its General Fund. The operating budget is prepared on a basis consistent with generally accepted accounting principles. The adopted budget can be amended by the Commission's Board to change both appropriations and estimated revenues as unforeseen circumstances come to management's attention. Increases and decreases in revenue and appropriations require Commission approval. Expenditures may not exceed total appropriations at the fund level. It is the practice of the Commission's management to review the budget mid-year.

3. CASH AND INVESTMENTS:

Cash and investments as of June 30, 2015 consist of the following:

Petty cash	$ 1,000
County of Riverside Treasurer’s Pooled Investment Fund	244,871
Total Cash and Investments	$ 245,871

Investments Authorized by the Commission's Investment Policy:

The Commission's investment policy authorizes the following investment types:

- County of Riverside Treasurer’s Pooled Investment Fund
- Bankers' Acceptances
- Commercial Papers
- Medium Term Notes
- Mutual Funds
- Repurchase Agreements
- Reverse Repurchase Agreements

Disclosures Relating to Interest Rate Risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer of the maturity of an investment, the greater the sensitivity of the fair value to changes in market interest rates.

As of June 30, 2015, the Commission’s cash was invested in the County of Riverside Treasurer’s Pooled Investment Fund. The Commission was not exposed to an interest rate risk as described above.

3. CASH AND INVESTMENTS (CONTINUED):

Disclosures 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 money pooled with the County of Riverside is not subject to a credit rating.

The County of Riverside Treasurer's Pooled Investment Fund is a pooled investment fund program governed by the Riverside County Board of Supervisors, and is administered by the County Treasurer. Investments in the pool are highly liquid as deposits and withdrawals can be made at any time without penalty. The Commission's fair value of its share in the pool is the same value of the pool shares, which amounted to $244,871. Information on pool's use of derivative securities in its investment portfolio and its and the Commission's exposure to credit, market, or legal risk is not available.

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 custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Commission's investment policy do not contain legal or policy requirements, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Commission deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2015, the Commission had all of its cash and investments pooled with the County of Riverside Treasurer; therefore, the Commission was not exposed to any custodial credit risk as described above.

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as the money invested by the Commission in the County of Riverside Treasurer's Pooled Investment Fund).

4. CAPITAL ASSETS:

The Commission has reported all capital assets in the Government-Wide Statement of Net Position. A summary of changes in capital assets is as follows:

Governmental Activities:	Balance at July 1, 2014	Additions	Deletions	Balance at June 30, 2015
Capital Assets:				
Furniture and fixtures	$ 17,972	$ 7,950	$ -	$ 25,922
Less accumulated depreciation for:				
Furniture and fixtures	(14,570)	(883)	-	(15,453)
Total capital assets, net	$ 3,402	$ 7,067	$ -	$ 10,469

Depreciation expense of $883 was charged to the general government function.

5. COMPENSATED ABSENCES:

Changes in compensated absences payable for fiscal year ended June 30, 2015, were as follows:

Compensated absences payable at July 1, 2014	$ 247,748
Compensated absences earned	70,459
Compensated absences used	(95,731)
Compensated absences payable at June 30, 2015	$ 222,476

There is no fixed payment schedule for earned but unpaid compensated absences. Compensated absences expected to be paid within one year is $95,731 at June 30, 2015.

6. INSURANCE:

For fiscal year 2015, the Commission obtained insurance policies for criminal coverage, with a $1,000,000 per loss limit and $25,000 deductible, a property damage policy with limits varying on property type, and general liability coverage (includes E&O and Board insurance) with a $5,000,000 loss limit and a $10,000 deductible. There were no claims for the fiscal year 2015.

7. PENSION PLAN:

a. General Information about the Pension Plan:

Plan Description:

All qualified permanent and probationary employees are eligible to participate in the County of Riverside’s Miscellaneous Employee Pension Plans, agent multiple-employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. The Plan acts as a cost-sharing plan for the Commission since their portion is an allocation of the County of Riverside’s agent multiple-employer defined benefit plan. Benefit provisions under the Plan are established by State statute and County of Riverside resolution. 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.

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, 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 one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or 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 Plans’ provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous	
Hire date	Prior to January 1, 2013	On or After January 1, 2013
Benefit formula	3%@60	2%@62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 60	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 3.0%	1.0% to 2.5%
Required employee contribution rates	8.00%	8.00%
Required employer contribution rates	14.527%	0%*

* There were no employees at this tier and therefore there was no required employer contribution.

7. PENSION PLAN (CONTINUED):

a. General Information about the Pension Plans (Continued):

Contributions:

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Commission is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

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

As of June 30, 2015, the Commission reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	$ 412,716

The Commission's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2014, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The Commission's proportionate share of the net pension liability was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The Commission's proportionate share of the net pension liability for the Plan as of June 30, 2013 and 2014 was as follows:

	Miscellaneous
Proportion - June 30, 2013	0.043%
Proportion - June 30, 2014	0.043%
Change - Increase (Decrease)	0.000%

7. PENSION PLAN (CONTINUED):

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

For the year ended June 30, 2015, the Commission recognized pension expense of $47,572. At June 30, 2015, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 72,987	$ -
Differences between actual and expected experience	-	-
Change in assumptions	-	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	-
Net differences between projected and actual earnings on plan investments	-	(139,197)
Total	$ 72,987	$ (139,197)

7. PENSION PLAN (CONTINUED):

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

$72,987 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2016	$ (34,799)
2017	(34,799)
2018	(34,799)
2019	(34,800)
2020	-
Thereafter	-
	$ (139,197)

7. PENSION PLAN (CONTINUED):

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

Actuarial Assumptions:

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.30% - 14.20% (1)
Investment Rate of Return	7.50% (2)
Mortality	(3)

(1) Depending on age, service and type of employment
(2) Net of pension plan investment expenses, including inflation
(3) The probabilities of mortality are derived using CalPERS' membership data for all funds. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

7. PENSION PLAN (CONTINUED):

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

Discount Rate:

The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing', none of the tested plans run out of assets. Therefore, the current 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as a change in methodology occurs.

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

7. PENSION PLAN (CONTINUED):

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

Discount Rate (Continued):

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100.00%		

(a) An expected inflation of 2.5% used for this period
(b) An expected inflation of 3.0% used for this period

7. PENSION PLAN (CONTINUED):

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

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

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

	Miscellaneous
1% Decrease	6.50%
Net Pension Liability	$ 759,807
Current Discount Rate	7.50%
Net Pension Liability	$ 412,716
1% Increase	8.50%
Net Pension Liability	$ 126,738

Pension Plan Fiduciary Net Position:

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

c. Payable to the Pension Plan:

At June 30, 2015, the Commission had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

8. OTHER POST-EMPLOYMENT BENEFITS:

Plan Description:

The Commission provides other post-employment benefits (OPEB) for retired employees. Additional information may be obtained by reviewing the County of Riverside financial statement footnotes. The Commission treats this plan as a cost-sharing multiple-employer plan.

8. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED):

Funding:

An actuarial valuation is performed for the County of Riverside which includes the Commission's employees. The policy of the Commission is to fully contribute an amount at least equal to the Annual Required Contribution (ARC) as determined by the actuarial valuation.

Benefits:

All employees who retire from active employment within 120 days of separation are eligible for participation. Participants are eligible for service retirement at or after age 50, or disability retirement at an age younger than 50, with at least 5 years of service. Former employees who become eligible for CalPERS pension benefits more than 120 days after separation are not eligible for retiree health benefits. The benefits provided include access to the same medical coverage as active participants and the County contributes a portion of an eligible retiree's premiums under a County sponsored health plan. Contributions are based on County bargaining unit at the time of retirement.

Contributions:

The Commission pays the County of Riverside for its pro-rata share of OPEB as determined by an actuarial valuation. The total amount of contributions by the Commission for the year ended June 30, 2015 was $1,224. Information for the last three years on annual OPEB costs, percentage of annual OPEB cost contributed, and net OPEB obligation are presented below:

Fiscal Year	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	$ 1,335	100%	$ -
June 30, 2014	1,366	100%	-
June 30, 2015	1,224	100%	-

9. COMMITMENTS AND CONTINGENCIES:

Operating Leases:

The Commission entered into non-cancelable operating lease agreements for the rental of office space and office equipment, expiring in various years through 2018. Future minimum lease payments under these operating leases are as follows:

Year Ending June 30	Amount
2016	$ 34,288
2017	34,086
2018	28,154
Total	$ 96,528

Rent expense was $35,349 for the year ended June 30, 2015.

Legal Matters:

In the ordinary course of business, the Commission is subject to certain lawsuits and other potential legal actions. As of June 30, 2015, the Commission was named in certain matters that are being handled by the County of Riverside, Office of County Counsel. The Commission has a potential liability for legal fees; however an accurate estimate cannot be determined as of the date of this report.

10. RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS:

The implementation of GASB Statement Numbers 68 and 71 requires reporting the net pension liability of the Commission’s defined benefit pension plans in the financial statements and is applied retroactively by restating the net position as of the beginning of the fiscal year. The implementation of GASB Numbers 68 and 71 resulted in reducing net position in the statement of activities by $504,342 as of July 1, 2014.

11. SUBSEQUENT EVENTS:

Events occurring after June 30, 2015 have been evaluated for possible adjustments to the financial statements or disclosure as of February 4, 2016, which is the date these financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

RIVERSIDE COUNTY
LOCAL AGENCY FORMATION COMMISSION

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Last Ten Fiscal Years*

	2015
Plan's proportion of the net pension liability	0.04%
Plan's proportionate share of the net pension liability	$ 412,716
Plan's covered - employee payroll	$ 383,461
Plan's proportionate share of the net pension liability as a percentage of covered - employee payroll	107.63%
Plan's proportionate share of the fiduciary net position as a percentage of the total pension liability	83.16%
Plan's proportionate share of aggregate employer contribution	$ 61,269

Notes to Schedule:

Benefit Changes:
There were no changes in benefits.

Changes in Assumptions:
There were no changes in assumptions.

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

RIVERSIDE COUNTY
LOCAL AGENCY FORMATION COMMISSION

SCHEDULE OF CONTRIBUTIONS

Last Ten Fiscal Years*

	2015
Contractually required contribution (actuarially determined)	$ 72,987
Contributions in relation to the actuarially determined contributions	(72,987)
Contribution deficiency (excess)	$ -
Covered - employee payroll	$ 383,461
Contributions as a percentage of covered - employee payroll	19.03%

Notes to Schedule:

Valuation Date	6/30/2012
Methods and Assumptions Used to Determine Contribution Rates:	
Cost sharing employers	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll
Remaining amortization period	24 years
Asset valuation method	15-year smoothed market
Inflation	2.75%
Salary increases	3.30% to 14.20% depending on age, service and type of employment
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement age	50 years 3%@60 and 52 years 2% @ 62
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.