RIVERSIDE LAFCO

6.a.
2/27/2025

TO: **Local Agency Formation Commission**

FROM: **Gary Thompson, Executive Officer**

SUBJECT: INDEPENDENT AUDITOR'S REPORT FOR FISCAL YEAR 2023-24

The annual audit for the fiscal year ending June 30, 2024 (FY 2023-24) of Riverside LAFCO has been completed by our auditors, Davis Farr, LLP. The results of the audit and the accompanying financial statements and other information is attached.

Davis Farr reports the Commission's financial statements "present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Commission, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America". Davis Farr did not identify any changes necessary in the Commission's internal controls nor recommend changes in the practices of the Commission in the report.

In general, the Commission's overall cash position is solid with $1,153,964 cash on hand and receivables at the end of the fiscal year, a 9.4% increase from the previous fiscal year, with $131,966 in short-term liabilities. The cash on hand includes funds held in reserves and end of year budget surplus carryover revenue. The total "net position" of LAFCO (assets minus liabilities) is positive, a reversal from the previous fiscal year's negative net position. The agency remains in a solid financial position noting the increase of cash and investments and continued retention of significant reserves.

LAFCO's pension liability remains the most significant concern regarding long term liabilities, with a moderate increase of 8.5% calculated by the auditors for this year's adjustment over last fiscal year. The OPEB liability increased by 50.3% based on the 2024 actuarial estimates for the County OPEB plan. Although combined pension and OPEB liabilities represent a fairly significant overall increase, it remains to be seen how it evolves year after year as the variables for computing these liabilities can change dramatically each year.

In summary, the Commission's financial statements are presented fairly, there were no internal control deficiencies to report, and the financial statements tested were found free of any material misstatements.

A representative from Davis Farr, LLP will be in attendance at the Commission meeting to provide any highlights of the audit and is available to respond to any questions that may arise.

SPECIFIC RECOMMENDATION:

It is recommended the Commission:

1. Receive and file the attached audit report for Fiscal Year Ending June 30, 2024 from Davis Farr, LLP.

Respectfully submitted,

Gary Thompson
Executive Officer

Attachments:

1) FY 2023-24 Audit with Opinion Letter, Financial Statements & Report on Internal Controls
2) Auditor Communication Letter to the Commission & Management Representation Letter

FY 2023-24 Audit with Opinion Letter, Financial Statements & Report on Internal Controls

RIVERSIDE COUNTY LOCAL AGENCY FORMATION COMMISSION

BASIC FINANCIAL STATEMENTS

Year Ended June 30, 2024

RIVERSIDE COUNTY LOCAL AGENCY FORMATION COMMISSION

BASIC FINANCIAL STATEMENTS

Year Ended June 30, 2024

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DavisFarr
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Independent Auditor's Report

Board of Commissioners
Riverside County Local Agency Formation Commission
Riverside, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of the Riverside County Local Agency Formation Commission (the "Commission"), as of and for the year June 30, 2024, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Commission, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis*, *Schedule of the Plan's Proportionate Share of the Net Pension Liability and Related Ratios as of the Measurement Date, Schedule of Plan Contributions – Pension*, *Schedule of the Plan's Proportionate Share of the Net OPEB Liability and Related Ratios as of the Measurement Date, Schedule of Plan Contributions – OPEB,* and *Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - General Fund* be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Summarized Comparative Information

We have previously audited the Commission's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 2, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2025 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Davis Farr LLP

Irvine, California
January 10, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2024

The following discussion and analysis of the financial performance of the Riverside Local Agency Formation Commission (Commission) provides an overview of the Commission's financial activities for the fiscal year ended June 30, 2024 (FYE 2024). Please read it in conjunction with the financial statements identified in the accompanying table of contents.

Using the Accompanying Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Commission as a whole and present a longer 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 provide background and explain some of the information in the financial statements with 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 Position and the Statement of Activities report information about the Commission as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting. Revenues are recognized when they are earned. Expenditures are recognized when the related liability is incurred, regardless of the cash flow.

These two statements report the Commission's net position and changes since the previous year. You can think of the Commission's net position – the difference between assets and liabilities - as one way to measure the Commission's financial health or financial position. Over time, increases and decreases in the Commission's net position is 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.

Reporting the Commission's Major Funds

The fund financial statements provide detailed information about the Commission's most significant funds – not necessarily the Commission as a whole. Some funds are required to be established by State law or by bond covenants. However, the Commission may establish other special funds to help it control and manage money for particular purposes or to show that it is meeting administrative responsibilities for using certain revenues.

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

Table 1 compares information from the statements of net position for the past two fiscal years.

Table 1

STATEMENT OF NET POSITION
FYE June 30, 2024 and FYE June 30, 2023

	2024	2023	DIFFERENCE
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 1,141,485	$ 1,044,909	$ 96,576
Accounts Receivable	8	8	-
Interest Receivable	12,471	9,706	2,765
Capital Assets, Net of Depreciation	216,577	11,782	204,795
Total Assets	$ 1,370,541	$ 1,066,405	$ 304,136
Deferred Outflows of Resources	543,150	546,404	(3,254)
LIABILITIES AND NET POSITION			
LIABILITIES			
Current Liabilities:			
Accounts Payable	1,963	34,102	(32,139)
Salaries and Benefits Payable	39,103	33,750	5,353
Unearned Revenue	-	142,208	(142,208)
Compensated Absences (due within one year)	44,213	35,064	9,149
Lease Payable (due within one year) *	46,323	12,386	33,937
Long-term Liabilities:			
Net Pension Liability	1,393,295	1,283,749	109,546
Net OPEB Liability	59,237	39,402	19,835
Lease Payable (due in more than one year) *	174,728	-	174,728
Compensated Absences (due in more than one year)	29,476	23,376	6,100
Total Liabilities	$ 1,788,338	$ 1,604,037	$ 184,301
Deferred Inflows of Resources	56,238	79,030	(22,792)
NET POSITION			
Invested in Capital Assets	-	58,882	(58,882)
Unrestricted	69,115	(129,140)	198,255
Total Net Position	**$ 69,115**	**$ (70,258)**	**$ 139,373**

* GASB 87 has been implemented to reflect long term leases

As shown in Table 1, the Commission experienced an increase in cash and cash equivalents in FYE 2024. This is mostly due to overall revenues exceeding expenditures, primarily driven by significant increase in investment earnings, and overall cumulative savings in various operational and personnel costs, and the budgeted cash funding into the Pension/OPEB reserve account. The Commission's continued efforts to bolster reserves, which are contained within the cash and equivalents asset listing, has been maintained and comprises the significant majority of the cash and equivalents assets. The Deferred Outflow of Resources remained steady as compared to FYE 2023 is driven mostly by the Pension/OPEB actuarial calculation, and is primarily based on actuarially determined estimates which can fluctuate annually.

Regarding liabilities, long-term (non-current) liabilities comprise approximately 93 percent of the Commission's total liabilities. The significant majority of long-term liabilities are pension and OPEB related. (See further discussion for Table 4 following). Net pension liability can fluctuate significantly from year to year depending on the value of the retirement system's assets, discount rate, actuarial factors, and LAFCO's proportionate share of the retirement pool. For the period FYE 2023 to FYE 2024, the net pension liability increased by approximately $109,946 (8.5 percent) while OPEB liability, subject to similar calculations as the pension liability, increased by approximately $19,835 (50.3 percent).

However, although pension liabilities and OPEB liabilities increased, the Commission has retained a positive overall Net Position of approximately $69,115, reversing the previous negative Net Position. This is primarily due to the increase in net cash and investment assets, and reduced expenditures. Overall, the agency remains in a solid financial position noting the increase of cash and investments and continued retention of significant reserves which is discussed later.

Table 2 compares information from the statements of activities for the past two fiscal years.

Table 2

STATEMENT OF ACTIVITIES
FYE June 30, 2024 and FYE June 30, 2023

	2024	2023	DIFFERENCE
REVENUES			
Charges for Services	$ 71,747	$ 64,935	$ 6,812
Grant Revenue	142,208	332,793	(190,585)
Local Agency Apportionment	1,104,430	1,049,196	55,234
Interest	84,304	26,600	57,704
Total Revenues	$1,402,689	$1,473,524	$ (70,835)
EXPENDITURES			
General Government	1,262,216	1,511,887	(249,671)
Interest Expense	1,100	1,161	(61)
Total Expenditures	$1,263,316	$1,513,048	$ (249,732)
Excess of Revenues Over (Under) Expenditures	139,373	(39,524)	178,897
CHANGES IN NET ASSETS			
Net Position, Beginning of Year,	(70,258)	(30,734)	(39,524)
Net Position, End of Year	**$ 69,115**	**$ (70,258)**	**$ 139,373**

As noted in Table 2, total revenues for FYE 2024 decreased slightly over the prior year, primarily due to the remaining state grant revenue earned during the fiscal year for the Governance and Electricity Services Study for the Imperial Irrigation District. It should be noted however that this revenue is equally offset by the expenditures incurred for the grant project during the fiscal year. It is further noted that this project was completed and closed out in FYE 2024.

The Local Agency Apportionment revenue reflects a 5.3% increase over the previous fiscal year, while fee revenue which can be highly variable, exhibited a 10.5% increase from the previous year. Interest on investments increased by 217% over the previous fiscal year as a result of significant positive rates of return in the investment pool.. The difference between budgeted expenditures and reserve allocations, and the sum of budgeted fee revenue, prior year carryover and interest income determines the Local Agency Apportionment. Expenditures reported in the Statement of Activities are reflective of overall expenditures and contributions to the reserve accounts.

Table 3 compares information regarding capital assets for the past two fiscal years.

Table 3

CAPITAL ASSETS

FYE June 30, 2024 and FYE June 30, 2023

	2024	2023	Change
Capital Assets			
Lease Asset *	254,800	105,982	148,818
Furniture and Fixtures	16,041	16,041	-
Total Capital Assets	270,841	122,023	148,818
Less Accumulated Depreciation			
Lease Asset *	(38,223)	(94,200)	55,977
Furniture and Fixtures	(16,041)	(16,041)	-
Total Accumulated Depreciation	(54,264)	(110,241)	55,977
Total Capital Assets	**$216,577**	**$ 11,782**	**$204,795**

* GASB 87 has been implemented to reflect long term leases

The Commission has very few capital assets as noted in Table 3. These primarily consist of IT servers and appurtenant technology, and office furniture. No additions to these capital assets occurred in FYE 2024. At the end of the fiscal year, the Commission's investment in the furniture/server capital assets amounted to $0 (net of accumulated depreciation). The IT servers and office furniture have been fully depreciated. The Commission has established a reserve fund for replacement of these capital assets at such time as they require replacement.

However, for the FY 2024/25 budget year, the Commission has authorized conversion of the IT network to a cloud-based system which will eliminate the need to replace the servers. Most notable is the GASB 87 reporting requirement for long term leases. This recently new requirement requires carrying building/office space long term leases as a Capital Asset, and subject to depreciation based on the terms and length of the lease obligation. For FYE 2024, the depreciation to date on the current 5-year office lease, which went into effect in FYE 2024 was calculated at $38,223.

Table 4 on the following page compares information regarding long term liabilities for the past two fiscal years.

Table 4

LONG TERM LIABILITIES
FYE June 30, 2024 and FYE June 30, 2023

	2024	2023	DIFFERENCE
Compensated Absences	$ 29,476	$ 23,376	$ 6,100
Lease Payable *	174,728	-	174,728
Net Pension Liability	1,393,295	1,283,749	109,546
Net OPEB Liability	59,237	39,402	19,835
Total Long-term Liabilities	**$ 1,656,736**	**$ 1,346,527**	**$ 310,209**

* GASB 87 has been implemented to reflect long term leases

Long-term liabilities include LAFCO's pension liability, calculated as the proportion of the net pension liability based on a projection of LAFCO's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers in the Riverside County pension plan, actuarially determined and based on current and retired employees. As noted in Table 4, the net pension liability increased by $109,546 (8.5 percent) from the prior year.

Net OPEB liability is accounted for as a long-term liability as well. This liability increased by approximately 50.3 percent. As with the pension plan, this liability is based on a proportionate share of the Riverside County employee OPEB liability actuarially determined annually.

The measurement date of FY 2022/23 is used to measure the FY 2032/24 pension liability. The auditor advises not to rely on the financial statements to measure the pension liability due to the swings of the market, and to work with CalPERS and the county and stay on track with the required contributions to pay down the liability. The Commission's reserve policy and annual contributions follow that guidance. In Note 6 of the financial statements, the footnotes show that the proportionate of the county overall share for LAFCO only slightly increased from .053 percent to .056 percent. The OPEB proportionate share of liability as noted in Note 7 of the financial statements increased slightly.

As previously noted, annually as new actuarial estimates are generated, and with several factors that generally adjust annually, pension and OPEB liabilities will fluctuate. It is noted that although the projected pension and OPEB unfunded liabilities are required to be reflected each year in the financial statements, the Commission has the ability to take certain actions to offset these liabilities either through buydown of the liabilities, or by establishing reserve funding for future buydown.

During FYE 2021, and after senior staff level discussions with county finance and the LAFCO auditors, the Commission established a reserve for setting aside funds for eventual buydown of the pension and OPEB unfunded liabilities if it becomes necessary. The policy provides for annual allocations to reach a threshold of 80 percent of the total combined liability within 5 years. The first installment of funding for $125,000 was allocated in FYE 2021, with additional $150,000 installments of funding for FYE 2022, FYE 2023 and FYE 2024, with an additional $150,000 installment scheduled for FYE 2025. This will bring the total pension/OPEB liability reserve to $725,000 at FYE 2025 representing 49.9 percent. Additional annual funding will be required to continue to bring the reserve level to the desired reserve threshold per LAFCO policy.

Compensated Absences (accrual of unused annual, vacation and sick leave by agency staff) is also included as a long-term liability and increased by 26.1 percent. Additionally, the Lease Payable liability increased for FY 23/24 as it now reflects the new 5-year lease for the office space.

Lastly, driven primarily by the significant pension liability increase, the overall increase in long-term liabilities was 23 percent.

Table 5 compares information regarding General Fund Revenues, Expenditures and Changes in Fund Balance for the past two fiscal years.

Table 5

General Fund Revenues, Expenditures and Changes in Fund Balance
FYE June 30, 2024 and FYE June 30, 2023

	2024	2023	DIFFERENCE
Revenues			
Local Agency Apportionment	1,104,430	1,049,196	55,234
Grant Revenue	142,208	332,793	(190,585)
Charges for Services	71,747	64,935	6,812
Interest	84,304	26,600	57,704
Total Revenues	$ 1,402,689	$1,473,524	$ (70,835)
Expenditures			
General Government	1,087,119	1,258,566	(171,447)
Principal Expense *	46,135	48,084	(1,949)
Interest Expense *	1,100	1,161	(61)
Total Expenditures	$ 1,134,354	$1,307,811	$ (173,457)
Net Change in Fund Balance	268,335	165,713	102,622
Beginning Fund Balance	844,563	678,850	165,713
Ending Fund Balance	**$ 1,112,898**	**$ 844,563**	**$ 268,335**

* GASB 87 has been implemented to reflect long term leases

As noted in Table 5, the total fund balance has experienced an increase of $268,335 (31.8 percent) from FYE 2023 to FYE 2024. This is due to revenues in general exceeding expenditures in FYE 2024. The reason for this is primarily due to expenditures being less than anticipated achieving overall cumulative savings in various operational and personnel costs. It should also be noted that fund balance will always differ from net position due to the manner of accounting for long term liabilities, most notably pension and OPEB liabilities, and more recently the GASB 87 lease liability. The actual fund balance is largely a combination of agency reserves set asides and end of year carryover funds. As noted in Table 1, cash and equivalent assets for FYE 2024 are approximately $1,141,485, an increase of 9.2 percent over the prior year. This balance of cash is reflective of the aforementioned reserve and carryover funds.

A significant one-time special multi-year project that LAFCO was tasked to perform beginning in FYE 2023 was the Alternative Governance and Alternative Electricity Services Study- Imperial Irrigation District. This Study which was funded by a state grant from the State Water Resources Control Board was a joint study undertaken by Riverside and Imperial LAFCOs, with Riverside LAFCO being the contracting and financial manager of the grant project. The project was to analyze and recommend options available for electricity service provision and representation opportunities for Coachella Valley customers in Riverside County who receive these services from the Imperial Irrigation District under a 99-year lease agreement with the Coachella Valley Water District which expires in 2033.

Reflected in the financial statements are earned and unearned revenue and project costs for the project as incurred during FYE 2024. An initial $475,000 advance was provided and assigned to a liability account line item, and then drawn down as revenue when expenditures are incurred. At the end of FYE 2023, an initial $332,793 was drawn down and the remaining $142,208 was drawn down in FYE 2024. This project was completed with all remaining funds expended in FYE 2024.

OVERALL ANALYSIS AND FINANCIAL CONDITION OF RIVERSIDE LAFCO

Overall, Riverside LAFCO is in a fiscally sound and strong position financially. LAFCO maintains a significant cash fund balance and continues reserve funding for the agency's unfunded pension and OPEB liabilities. The agency additionally maintains a strong general reserve for emergencies, capital asset replacement and compensated absences. Since LAFCO's major revenue source, the Local Agency Apportionment, is generated under a statutory formula from the governmental agencies it serves, the annual determination of this revenue is driven by agency budgeted expenditures. Staff is aggressive in ensuring that expenditures are minimized to the greatest extent possible in recognition of this funding source and the impacts on each governmental agency that contributes to the funding.

There are two significant fiscal management assumptions that are critical to the overall ability of the agency to effectively manage the fiscal health of the agency- fee revenue and pension/OPEB unfunded liabilities. These two areas of revenues and future expenditures are the most susceptible to changes outside the control of the agency. Fee revenue can fluctuate radically depending on proposal workload. Staff budgets this revenue annually based on the best information available concerning future proposal activity. Pension/OPEB liability is always an issue of uncertainly as fluctuations based on actuarial calculations are completely out of the hands of LAFCO staff and the Commission. To address the current unfunded liability, the Commission authorized establishing a reserve account beginning in FYE 2021, and allocating funds annually for potential future buydown of this overall liability if it becomes necessary.

The Commission has developed a General Reserve target of 25 percent of its operating budget, which is currently fully funded annually, and maintains a Compensated Absences Liability Reserve to cover payout expenses for accumulated leave balances when an employee separates from the agency. This reserve is fully funded per Commission policy for FYE 2024. Additionally, the Commission maintains a Capital Asset Reserve for replacement of capital assets which is also fully funded for FYE 2024. The Pension/OPEB Unfunded Liability Reserve received its fourth funding allocation during the fiscal year in accordance with the 5 Year funding plan established in FYE 2021.

Although the Covid-19 pandemic issue is behind us, the residual affect of significant inflation continues to hamper fee revenue generating proposal activity. Thus, diligence in estimating conservative fee revenues in the future, coupled with the anticipated cost increases for the various services required for LAFCO operations must be maintained during the annual budgeting process. It is noted that for the year, there was no impact on operations for the agency, nor any negative impact to the overall financial status of the agency. In closing, LAFCO is in sound fiscal shape at this time, and with sound financial management, is in good position to carry itself as fiscally sound into the foreseeable future.

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 at 6216 Brockton Avenue, Suite 111-B, Riverside CA 92506.

RIVERSIDE COUNTY LOCAL AGENCY FORMATION COMMISSION
Statement of Net Position
June 30, 2024
(with comparative totals as of June 30, 2023)

	Governmental Activities	
	2024	2023
Assets:		
Cash and investments (note 2)	$ 1,141,485	1,044,909
Accounts receivable	8	8
Interest receivable	12,471	9,706
Capital assets, net (note 3)	216,577	11,782
Total assets	1,370,541	1,066,405
Deferred outflow of resources:		
Deferred outflows - pension contributions (note 6)	167,060	147,888
Deferred outflows - pension actuarial (note 6)	324,716	359,386
Deferred outflows - OPEB contributions (note 7)	7,360	6,483
Deferred outflows - OPEB actuarial (note 7)	44,014	32,647
Total deferred outflow of resources	543,150	546,404
Liabilities:		
Accounts payable	1,963	34,102
Salaries and benefits payable	39,103	33,750
Unearned revenue	-	142,208
Compensated absences payable (note 5):		
Due within one year	44,213	35,064
Due in more than one year	29,476	23,376
Lease payable (note 5)		
Due within one year	46,687	12,386
Due in more than one year	174,364	-
Net pension liability (note 6)	1,393,295	1,283,749
Net OPEB liability (note 7)	59,237	39,402
Total liabilities	1,788,338	1,604,037
Deferred inflow of resources:		
Deferred inflows of resources - pension actuarial (note 6)	46,839	71,349
Deferred inflows of resources - OPEB actuarial (note 7)	9,399	7,681
Total deferred outflow of resources	56,238	79,030
Net position:		
Net investment in capital assets	-	-
Unrestricted	69,115	(70,258)
Total net position	$ 69,115	(70,258)

RIVERSIDE COUNTY LOCAL AGENCY FORMATION COMMISSION
Statement of Activities
Year ended June 30, 2024
(with comparative totals for the year ended June 30, 2023)

		Program Revenues		Net (Expense) Revenue and Changes in Net Position - Governmental Activities	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	2024	2023
Governmental activities:					
General government	$ 1,262,216	71,747	142,208	(1,048,261)	(1,114,159)
Interest expense	1,100	-	-	(1,100)	(1,161)
Total governmental activities	$ 1,263,316	71,747	142,208	(1,049,361)	(1,115,320)
	General revenues:				
	Apportionment			1,104,430	1,049,196
	Investment income			84,304	26,600
	Total general revenues			1,188,734	1,075,796
	Change in net position			139,373	(39,524)
	Net position (deficit), beginning of year			(70,258)	(30,734)
	Net position (deficit), end of year			$ 69,115	(70,258)

RIVERSIDE COUNTY LOCAL AGENCY FORMATION COMMISSION
Governmental Funds
Balance Sheet
June 30, 2024
(with comparative totals as of June 30, 2023)

	General Fund 2024	General Fund 2023
Assets		
Cash and investments	$ 1,141,485	$1,044,909
Accounts receivable	8	8
Interest receivable	12,471	9,706
Total assets	$ 1,153,964	1,054,623
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	$ 1,963	$34,102
Salaries and benefits payable	39,103	33,750
Unearned Revenue	-	142,208
Total liabilities	41,066	210,060
Fund balance:		
Committed for compensated absences	46,195	31,114
Committed for capital replacement	12,353	18,458
Committed for pension/OPEB liability	575,000	425,000
Unrestricted for general reserve	323,529	323,529
Unassigned	155,821	46,462
Total fund balance	1,112,898	844,563
Total liabilities and fund balance	$ 1,153,964	1,054,623

See accompanying notes to the basic financial statements

RIVERSIDE COUNTY LOCAL AGENCY FORMATION COMMISSION
Governmental Funds
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2024

Fund balances of governmental funds	$ 1,112,898
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital Related Items	
When capital assets (property, plant, equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the Statement of Net Position includes those capital assets among the assets of the Commission as a whole.	
Capital assets	270,841
Accumulated depreciation	(54,264)
Long-Term Liability Transactions	
Long-term liabilities applicable to the Commission's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the Statement of Net Position.	
Compensated absences	(73,689)
Net pension liability	(1,393,295)
Net OPEB liability	(59,237)
Lease payable	(221,051)
Deferred Outflows and Inflows of Resources	
Certain deferred outflows and inflows of resources are not due and payable in the current period and are not current assets or financial resources, therefore these items are not reported in the governmental funds.	
Deferred outflows - deferred amounts from pensions	491,776
Deferred outflows - deferred amounts from OPEB	51,374
Deferred inflows - deferred amounts from pensions	(46,839)
Deferred inflows - deferred amounts from OPEB	(9,399)
Net position of governmental activities	$ 69,115

RIVERSIDE COUNTY LOCAL AGENCY FORMATION COMMISSION
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
Year ended June 30, 2024
(with comparative totals for the year ended June 30, 2023)

	General Fund	
	2024	2023
Revenues:		
Apportionment	$ 1,104,430	$1,049,196
Grant Revenue	142,208	332,793
Charges for services	71,747	64,935
Investment income	84,304	26,600
Total revenues	1,402,689	1,473,524
Expenditures:		
General government	1,087,119	1,258,566
Principal expense	46,135	48,084
Interest expense	1,100	1,161
Total expenses	1,134,354	1,307,811
Excess (deficiency) of revenues over (under) expenditures	268,335	165,713
Net change in fund balance	268,335	165,713
Fund balance at beginning of year	844,563	678,850
Fund balance at end of year	$ 1,112,898	844,563

See accompanying notes to the basic financial statements

RIVERSIDE COUNTY LOCAL AGENCY FORMATION COMMISSION
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities
Year ended June 30, 2024

Net changes in fund balance - total governmental funds	$ 268,335
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital Related Items	
When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of changes to capital assets and depreciation in the current period.	
Right to use asset	148,818
Depreciation	55,977
Long-Term Liability Transactions	
Pension, OPEB, and lease expenses reported in the Statement of Activities do not require the use of current financial resources. Therefore, these expenses are not reported as expenditures in governmental funds. Pension, OPEB and lease expenses reported in the Statement of Activities includes the changes in the net liability and the related deferred outflows/inflows of resources.	
Change in lease payable	(208,665)
Net change in net pension liability and related accounts	(100,534)
Net change in net OPEB liability and related accounts	(9,309)
Net change in compensated absences	(15,249)
Change in net position of governmental activities	$ 139,373

(1) Summary of Significant Accounting Policies

The financial statements of the Riverside County Local Agency Formation Commission (the "Commission") have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Description of the 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 (LAFCO) to help direct and coordinate California's growth in a logical, efficient, and orderly manner. Each county within California is required to have a LAFCO. The Commissions are charged with the responsibility of making difficult decisions on proposals for new cities and special districts, spheres of influence, consolidations, and annexations.

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 a custodial fund.

Funding for the Commission's operations is equally shared by the County, the twenty-eight 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)

The Commission and County entered into a County Services Agreement to provide all accounting, banking/investment, human resources and workers compensation insurance services for the Commission. Liability, property and crime coverage is provided by the Special Districts Risk Management Authority (SDRMA). The Commission is staffed by a total of five full-time staff.

B. Basis of Accounting and Measurement Focus

The *basic financial statements* of the Commission are composed of the following:

(a) Government-wide financial statements
(b) Fund financial statements
(c) Notes to the basic financial statements

Government-wide Financial Statements

The Government-Wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all 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 function or segment. Program revenues include charges for services that are restricted to meeting the operational or capital requirements of a particular function or segment. Use of money and other items not properly included among program revenues are reported instead as general revenues.

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *Basis of accounting* refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the *accrual basis of accounting*, revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures.

(1) Summary of Significant Accounting Policies (Continued)

Fund Financial Statements

In the fund financial statements, governmental funds are presented using the *modified accrual basis of accounting*. Revenues are recognized when they become *measurable* and *available* as net current assets. *Measurable* means that the amounts can be estimated or otherwise determined. *Available* means

that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The Commission uses an availability period of 60 days for all revenues.

Charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent normally collected within the availability period.

Other revenue items are considered to be measurable and available when cash is received from the government.

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Due to the nature of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current position, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as *expenditures* in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as *other financing sources* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

Governmental Fund Balances

Fund balances are reported in the fund statements in the following classifications:

(1) <u>Summary of Significant Accounting Policies (Continued)</u>

Nonspendable Fund Balance

<u>Nonspendable Fund Balance</u> – this includes amounts that cannot be spent because they are either not spendable in form (such as prepaid items) or legally or contractually required to be maintained intact.

Spendable Fund Balance

<u>Restricted Fund Balance</u> – this includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation. If the Commission action limiting the use of funds is included in the same action (legislation) that created (enables) the funding source, then it is restricted.

<u>Committed Fund Balance</u> – this includes amounts that can be used only for the specific purposes determined by a formal action of the Commission. It includes legislation (Commission action) that can only be overturned by new legislation requiring the same type of voting consensus that created the original action. Therefore, if the Commission action limiting the use of the funds is separate from the action (legislation) that created (enables) the funding source, then it is committed, not restricted. The Commission considers a resolution, to constitute a formal action of the Board of Commissioners for the purposes of establishing committed fund balance.

<u>Assigned Fund Balance</u> – this includes amounts that are designated or expressed by the Commission, but does not require a formal action like a resolution or ordinance. The Commission may delegate the ability of an employee or committee to assign uses of specific funds, for specific purposes. Such delegation of authority has not yet been granted.

<u>Unassigned Fund Balance</u> – this includes the remaining spendable amounts which are not included in one of the other classifications.

<u>Net Position Flow Assumption</u> – 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.

<u>Fund Balance Flow Assumption</u> – When 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.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as a separate column in the fund financial statements.

(1) Summary of Significant Accounting Policies (Continued)

The Commission reports the following major governmental funds:

The General Fund is used to account for resources traditionally associated with the organization, which are not required legally or by sound financial management to be accounted for in another fund.

B. 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.

C. Fair Value Measurements

Certain assets and liabilities are required to be reported at fair value. The fair value framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly and fair value is determined through the use of models or other valuation methodologies including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are inactive;

(1) Summary of Significant Accounting Policies (Continued)

- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable inputs reflect the Commission's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). These unobservable inputs are developed based on the best information available in the circumstances and may include the Commission's own data.

D. 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 acquisition 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. Right to use assets are amortized over the estimated useful life of the asset or contract term, whichever is shorter.

The estimated useful lives and capitalization thresholds are as follows:

Furniture and fixtures	10 years
Equipment	2 to 5 years
Leasehold improvements	Life of lease
Software	3 years
Right to use Asset:	Shorter of useful life or contract term

E. 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.

(1) Summary of Significant Accounting Policies (Continued)

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 service retirement, disability, retirement, or death, unused accumulated sick leave for employees with at least five (5) but less than fifteen (15) years of service shall be credited at the rate of fifty percent (50%) of the current salary value thereof provided; however, the total payment shall not exceed a sum equal to 960 hours of full pay. Unused accumulated sick leave for employees with more than fifteen (15) or more years of service shall be credited at the rate of the current salary value provided, however, the total payment shall not exceed a sum equal to 960 hours of full pay. Terminal sick leave pay shall be paid into a Post-Employment Plan account designated by the employee. Qualifying leave balances of a separating employee who does not make an election will default to a Special Pay Account. 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.

F. Pensions

For purposes of measuring the net pension liability, 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 Plans' 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.

CalPERS audited financial statements are publicly available reports that can be obtained at the CalPERS' website under Forms and Publications.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

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

G. Other Postemployment Benefits (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined by an independent actuary.

(1) Summary of Significant Accounting Policies (Continued)

For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Generally accepted accounting principles require that the reported results must pertain to liability and fiduciary net position information within certain defined timeframes. For this report, the following timeframes are used:

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

H. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Commission reports deferred outflows related to pension and OPEB resulting from actuarial calculations and pension and OPEB contributions.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Commission reports deferred inflows related to pension and OPEB resulting from actuarial calculations.

I. Estimates

The presentation of basic 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 revenue and expenditures during the reporting period. Actual results could differ from those estimates.

J. Comparative Data

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's prior year financial statements, from which this selected financial data was derived.

(2) Cash and Investments

Cash and investments held at June 30, 2024 consisted of the following:

Petty cash	$	1,000
County of Riverside Treasurer's Pooled Investment Fund		1,140,485
Total cash and investments	$	1,141,485

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, 2024, 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.

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 money pooled with the County of Riverside is rated AAA by Fitch.

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

(2) Cash and Investments (Continued)

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 investments or collateral securities that are in the possession of another party. Deposits may be covered by federal deposit insurance.

The California Government Code and the Commission's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government 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. Any deposits in excess of depository insurance limits at the end of the year are collateralized by securities held at the depository financial institution's trust department.

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial 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).

(3) Capital Assets

A summary of changes in capital assets follows:

	Balance at July 1, 2023	Additions	Deletions	Balance at June 30, 2024
Capital assets:				
Right to use asset	$ 105,982	254,800	(105,982)	254,800
Furniture and fixtures	16,041	-	-	16,041
subtotal	122,023	254,800	(105,982)	270,841
Less accumulated depreciation for:				
Right to use asset	(94,200)	(50,005)	105,982	(38,223)
Furniture and fixtures	(16,041)	-	-	(16,041)
subtotal	(110,241)	(50,005)	105,982	(54,264)
Total capital assets, net	$ 11,782	$ 204,795	$ -	$ 216,577

Depreciations expense in the amount of $50,005 was charged to General government expenses.

(4) Insurance

For fiscal year 2024, 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 last three fiscal years that exceeded insurance coverage.

(5) Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2024:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
Compensated absences	$ 58,439	84,523	(69,273)	73,689
Lease Payable	12,386	254,800	(46,135)	221,051
Total long term debt	$ 70,825	339,323	(115,408)	294,740

The Commission leases office space. The term of the lease is through 2029. A discount rate of 3% was used to discount the lease liability. Principal and interest payments are as follows:

	Principal	Interest
2025	$ 46,687	5,999
2026	49,979	4,552
2027	53,430	3,006
2028	57,057	1,353
2029	13,898	68
	$ 221,051	14,978

(6) Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the County of Riverside's Miscellaneous Employee Pension Plan, 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's Plan. Benefit provisions under the Plans are established by State statute and the County's 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.

(6) 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, 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, 2024, are as follows:

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%	6.50%
Required employer contribution rates	10.458%	10.998%

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. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary 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 rate may change if the 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.

Actuarial Methods and Assumptions used to Determine Total Pension Liability

The Net Pension Liability was measured as of June 30, 2023. The plan's Fiduciary Net Position (plan assets) was valued as of the measurement date while the Total Pension Liability was determined based on rolling forward the actuarial valuation as of June 30, 2022.

(6) Pension Plan (Continued)

The June 30, 2022 valuation was rolled forward to determine the June 30, 2023 total pension liability based on the following actuarial methods and assumptions:

Actuarial cost method	Entry-Age Normal
Discount rate	6.90%
Inflation	2.50%
Salary increases	Varies by Entry Age and Service
Mortality Rate Table*	Derived using CalPERS' membership data for all funds
Retirement Age	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applied, 2.30% thereafter

* The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. Mortality rates incorporate full 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 2021 experience study report from November 2021 that can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from 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.

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.

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. The expected real rates of return by asset class are as follows:

(6) Pension Plan (Continued)

Asset Class(1)	Current Target Allocation	Real Return (1,2)
Global Equity – Cap-weighted	30.00%	4.54%
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	(5.00)%	(0.59)%

(1) An expected inflation of 2.30% used for this period.
(2) Figures are based on the 2021 Asset Liability Management study.

Allocation of Net Pension Liability

The proportion of the net pension liability was based on a projection of the Commission's long term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The following table shows the Commission's proportionate share of the net pension liability over the measurement period:

	Net Pension Liability
Balance at: 6/30/2022	$ 1,283,749
Balance at: 6/30/2023	1,393,295
Net change in 2022-23	109,546

The Commission's proportionate share of the net pension liability for the Plan was as follows:

Proportion – 6/30/2022	0.053%
Proportion – 6/30/2023	0.056%
Change – increase (decrease)	0.003%

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

The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 6.90 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90 percent) or 1 percentage-point higher (7.90 percent) than the current rate:

(6) Pension Plan (Continued)

	Discount Rate – 1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
Actuarially-Determined Net Pension Liability	$ 2,239,681	1,393,295	700,357

Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB 68, deferred inflows and deferred outflows of resources related to pensions are recognized in pension expense systematically over time.

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

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

Difference between projected and actual earnings on investments	5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lifetime (EARSL) of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For the fiscal year ended June 30, 2024, the Commission recognized a pension expense of $240,916 for the Plan.

As of June 30, 2024, the Commission reports other amounts for the Plan as deferred outflow and deferred inflow of resources related to pensions as follows:

(6) Pension Plan (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions after the measurement date	$ 167,060	-
Differences between expected and actual experience	13,129	(46,839)
Adjustment due to differences in proportions	-	-
Change of assumptions	110,225	-
Net difference between projected and actual earnings on pension plan investments	201,362	-
Total	$ 491,776	(46,839)

The $167,060 reported as deferred outflows of resources related to employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2025. Reported as deferred outflows and deferred inflows of resources in the previous chart will be recognized in future pension expense as follows:

Fiscal Year Ended June 30	Deferred Outflows (Inflows) of Resources
2025	$ 63,763
2026	56,173
2027	152,320
2028	5,621
2029	-

(7) Other Post-Employment Benefits (OPEB)

Plan Description and Benefits Provided

Employees of the Commission, through the County of Riverside, participate in an agent multiple-employer defined benefit post-employment healthcare plan (OPEB Plan). Benefit provisions are established and amended through the County and the various bargaining units. The County provides retiree medical benefits for eligible retirees enrolled in County sponsored plans in the form of monthly County contributions toward the retiree's medical premium.

A qualified Internal Revenue Code Section 115 Trust has been established with the California Employers' Retiree Benefit Trust (CERBT) for the purpose of receiving employer contributions that will prefund health and other post-employment costs for retirees and their beneficiaries. The CERBT administers each plan's assets and issues a financial report available for public review, which includes financial statements and required supplementary information for the trust fund. The CERBT report may be obtained from CalPERS Affiliate Programs Services Division, CERBT (OPEB), P.O. Box 1494 Sacramento, CA 95812-1494.

(7) Other Post-Employment Benefits (OPEB) (Continued)

Plan Membership

At June 30, 2023 (the actuarial valuation date), membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	2
Active plan members	5
Total	7

Contributions

Contribution requirements of the Commission are established by the County of Riverside. The Commission's required contribution rate is an actuarially determined amount that is expected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed fifteen years. Contributions to the OPEB plan from the Commission were $7,360 for the fiscal year ended June 30, 2024. Currently, contributions are not required from plan members.

The Commission's net OPEB liability was determined by an actuarial valuation as of June 30, 2023 using the following actuarial methods and assumptions:

Discount Rate	7.80%
Long-Term Expected Rate of Return on Investments	7.70%, net of investment expenses
Inflation	2.30%
Salary Increases	2.80%
Medical Trend	Pre-Medicare – 7.10% for 2024, decreasing to 4.50% for 2032 and later Post-Medicare – 8.05% for 2024, decreasing to 4.50% for 2032 and later

Mortality rates were updated from the 2017 CalPERS Experience Study to Pub-2010 headcount-weighted tables for General employees of all income levels.

Discount Rate

The discount rate used to measure the net OPEB liability was 7.80 percent. Under GASB 75, the discount rate is based on a single equivalent rate that reflects a blend of:

- Expected return on assets during the period such that assets are projected to be sufficient to pay benefits of current participants; and
- 20-year, municipal bond yields / index for periods beyond the depletion of the assets.

(7) Other Post-Employment Benefits (OPEB) (Continued)

Based on the current funding policy, projected cash flows, and the assumed asset return, the plan assets are not projected to be depleted, and the discount rate can be based on the expected asset return.

Allocation of Net OPEB Liability and OPEB Expense to Individual Employers

The following table shows the Commission's proportionate share of the net OPEB liability over the measurement period:

	Increase (Decrease) Net OPEB Liability
Balance at: 6/30/2022	$ 39,402
Balance at: 6/30/2023	59,237
Net Changes during 2022-23	(19,835)

The Commission's net OPEB liability for the plan is measured as the proportionate share of the Plan's net OPEB liability. The net OPEB liability of the plan is measured as of June 30, 2023, and the net OPEB liability for the plan used to calculate the net pension liability was determined by an actuarial valuation of June 30, 2023. The Commission's proportion of the net OPEB liability was based on a projection of the Commission's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. The Commission's proportionate share of the net OPEB liability for the plan as of June 30, 2022 and 2023 was as follows:

	OPEB Plan
Proportion – June 30, 2022	0.0230%
Proportion – June 30, 2023	0.0317%
Change – increase (decrease)	0.0087%

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

The following presents the net OPEB liability of the Plan as of the Measurement Date, calculated using the discount rate of 7.80 percent, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.80 percent) or 1 percentage-point higher (8.80 percent) than the current rate:

	Discount Rate – 1% (6.80%)	Current Discount Rate (7.80%)	Discount Rate + 1% (8.80%)
Commission's proportionate share of the net OPEB liability	$69,310	59,237	50,718

(7) Other Post-Employment Benefits (OPEB) (Continued)

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

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% decrease	Trend Rate	1% increase
Commission's proportionate share of the net OPEB liability	$49,571	59,237	70,915

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

For the year ended June 30, 2024, the Commission recognized OPEB expense of $13,162. At June 30, 2024, the Commission reported deferred outflows of resources and deferred inflows of resources related to the OPEB plan as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to the measurement date	$ 7,360	-
Difference between actual expected earnings	4,735	4,006
Net difference in earnings on OPEB expected earnings	2,643	-
Changes in assumptions	36,636	5,393
Totals	$ 51,374	9,399

The $7,360 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2023 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2025. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ended June 30	Deferred Outflows/ (Inflows) of Resources
2025	$ 6,184
2026	6,133
2027	6,435
2028	4,924
2029	4,630
Thereafter	6,309

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Plan's Proportionate Share of the Net Pension Liability and Related Ratios as of the Measurement Date

Last Ten Fiscal Years

	Measurement Date									
	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Proportion of the Collective Net Pension Liability	0.056%	0.053%	0.045%	0.018%	0.037%	0.036%	0.051%	0.051%	0.054%	0.043%
Proportionate Share of the Collective Net Pension Liability	$ 1,393,295	1,283,749	456,317	383,811	883,897	803,084	1,093,731	843,326	610,895	412,716
Covered Payroll	$ 477,413	408,011	439,912	458,262	374,350	338,246	422,659	444,267	414,918	383,461
Proportionate Share of the Collective Net Pension Liability as Percentage of Covered Payroll	291.84%	314.64%	103.73%	83.75%	236.12%	237.43%	258.77%	189.82%	147.23%	107.63%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.24%	75.92%	89.13%	76.03%	72.08%	72.12%	71.03%	74.51%	80.09%	83.16%

Notes to Schedule:

Benefit Changes – The figures above generally include any liability impact that may have resulted from voluntary benefit changes that occurred on or before the Measurement Date. However, offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after the Valuation Date are not included in the figures above, unless the liability impact is deemed to be material by the plan actuary.

Changes in Assumptions – None in 2019-2021. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Assumptions December 2017. There were no changes in the discount rate. In 2017, the discount rate was reduced from 7.65% to 7.15%. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5%discount rate.

RIVERSIDE COUNTY LOCAL AGENCY FORMATION COMMISSION

Schedule of Plan Contributions - Pension

Last Ten Fiscal Years

	Fiscal Year 2023-24	Fiscal Year 2022-23	Fiscal Year 2021-22	Fiscal Year 2020-21	Fiscal Year 2019-20	Fiscal Year 2018-19	Fiscal Year 2017-18	Fiscal Year 2016-17	Fiscal Year 2015-16	Fiscal Year 2014-15
Actuarially Determined Contribution	$ 167,060	147,888	120,865	122,141	112,722	81,207	67,267	82,739	81,356	72,987
Contributions in Relation to the Actuarially Determined Contribution	167,060	147,888	120,865	122,141	112,722	81,207	67,267	82,739	81,356	72,987
Contribution Deficiency (Excess)	$ -	-	-	-	-	-	-	-	-	-
Covered Payroll	$ 512,778	477,413	$ 408,011	439,912	458,262	374,350	338,246	422,659	444,267	414,918
Contributions as a Percentage of Covered Payroll	32.58%	30.98%	29.62%	27.76%	24.60%	21.69%	19.89%	19.58%	18.31%	17.59%

Notes to Schedule:

Fiscal Year End: 6/30/2024
Valuation Date: 6/30/2021

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll
Asset Valuation Method	Market Value of Assets
Inflation	2.50%
Payroll Growth	2.75%
Discount Rate	6.90%
Investment Rate of Return	7.00%, net of administrative expenses; includes inflation.
Retirement Age	Based on 2017 CalPERS Experience Study from 1997 to 2015.
Mortality	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 Scale MP-2016 published by the Society of Actuaries.

RIVERSIDE COUNTY LOCAL AGENCY FORMATION COMMISSION

Schedule of the Plan's Proportionate Share of the Net OPEB Liability and Related Ratios as of the Measurement Date

Last Ten Fiscal Years *

	Measurement Date						
	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Proportion of the Collective Net OPEB Liability	0.03%	0.02%	0.03%	0.03%	0.01%	0.01%	0.05%
Proportionate Share of the Collective Net OPEB Liability	$ 59,237	39,402	53,569	53,130	9,912	5,055	8,209
Covered-Employee Payroll	$ 512,778	408,011	439,912	458,262	374,350	338,246	422,659
Proportionate Share of the Collective Net OPEB Liability as Percentage of Covered-Employee Payroll	11.55%	9.66%	12.18%	11.59%	2.65%	1.49%	1.94%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	38.17%	43.45%	35.62%	22.53%	43.55%	58.65%	70.84%

Notes to Schedule

Benefit Changes – There were no changes in benefits.

Changes in Assumptions – The following assumptions were changed from the prior valuation:

- Morality improvement was updated from scale MP-2020 to scale MP-2021.
- The claims table was updated to reflect most recent CalPERS monthly premiums available for 2021. Aging factors are also updated to reflect the most recent CalPERS demographic experience.
- Expected return on assets was updated from 7.70% to 7.80%.
- Discount rate was updated from 7.70% to 7.80%, in light of change in expected return assumption.
- Incorporated a change to provide the LIUNA bargaining group access to CalPERS health plan, which lead to higher costs and participation rates
- Future CalPERS vs. County health plan elections for participants eligible for both was changed from 90%/10% to 95%/5%, for CalPERS/County respectively.
- A lapse rate assumption was developed based on an experience study that was carried out in 2021.
- A deferred election rate for activities and deferred retirees was developed based on an experience study that was carried out in 2021.

* *Fiscal year 2018 was the 1st year of implementation, therefore only seven years are shown.*

RIVERSIDE COUNTY LOCAL AGENCY FORMATION COMMISSION

Schedule of Plan Contributions - OPEB

Last Ten Fiscal Years *

	Fiscal Year 2023-24	Fiscal Year 2022-23	Fiscal Year 2021-22	Fiscal Year 2020-21	Fiscal Year 2019-20	Fiscal Year 2018-19	Fiscal Year 2017-18
Actuarially Determined Contribution	$ 7,360	6,483	4,599	4,049	2,546	793	637
Contribution in Relation to the Actuarially Determined Contribution	7,360	6,483	4,599	4,049	2,546	793	637
Contribution Deficiency (Excess)	$ -	-	-	-	-	-	-
Covered-Employee Payroll	$ 512,778	512,778	408,011	439,912	458,262	374,350	338,246
Contributions as a Percentage of Covered-Employee Payroll	1.44%	1.26%	1.13%	0.92%	0.56%	0.21%	0.19%

Notes to Schedule:

Fiscal Year End:	6/30/2024
Valuation Date:	7/01/2023

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	15 years
Asset Valuation Method	Smoothed Market Value
Inflation	2.30%
Salary Increases	2.80%
Discount Rate	7.80%
Investment Rate of Return	7.80%, net of OPEB plan investment expense, including inflation.
Retirement Age	Retirement rates developed in the 2021 CalPERS Experience Study
Mortality	Pub-2010 Headcount-Weighted Public Retirement Plans Mortality Tables Using Scale MP-2021

Fiscal year 2018 was the first year of implementation; therefore, only seven years are shown.

RIVERSIDE COUNTY LOCAL AGENCY FORMATION COMMISSION
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Apportionment	$ 1,104,430	1,104,430	1,104,430	-
Grant Revenue	164,920	164,920	142,208	(22,712)
Filing fees	73,000	73,000	71,747	(1,253)
Investment income	15,000	15,000	84,304	69,304
Total revenues	1,357,350	1,357,350	1,402,689	45,339
Expenditures:				
General government	1,405,728	1,405,728	1,087,119	318,609
Principal expense	-	-	46,135	(46,135)
Interest expense	-	-	1,100	(1,100)
Total expenses	1,405,728	1,405,728	1,134,354	271,374
Excess (deficiency) of revenues over (under) expenditures	(48,378)	(48,378)	268,335	(226,035)
Net change in fund balances	(48,378)	(48,378)	268,335	(226,035)
Fund balances at beginning of year	844,563	844,563	844,563	-
Fund balances at end of year	$ 796,185	796,185	1,112,898	(226,035)

See accompanying notes to the required supplementary information.

(1) Budgetary Reporting

The Commission established accounting control through formal adoption of an annual budget for the General Fund. The budget is prepared on a basis consistent with generally accepted accounting principles. The adopted budget can be amended by the Commission to change both appropriations and estimated revenues as unforeseen circumstances come to management's attention. Increases and decreases in revenue and appropriations and transfers between funds require Commission's approval. However, the Executive Officer may authorize changes within funds. Expenditures may not exceed total appropriations at the individual fund level. It is the practice of the Commission's management to review the budget monthly and provide quarterly updates to the Commission.

DavisFarr
CERTIFIED PUBLIC ACCOUNTANTS

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Main: 949.474.2020 | Fax: 949.263.5520

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 County Local Agency Formation Commission
Riverside, California

Independent Auditor's Report

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 Riverside County Local Agency Formation Commission (the Commission), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated January 10, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Davis Farr LLP

Irvine, California
January 10, 2025

Auditor Communication Letter to Commission & Management Representation Letter

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To the Board of Commissioners
Local Agency Formation Commission for Riverside County

We have audited the financial statements of the Local Agency Formation Commission for Riverside County for the year ended June 30, 2024. 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. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility in Relation to the Financial Statement Audit

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

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

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

Planned Scope and Timing of the Audit

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

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence under the American Institute of Certified Public Accountants ("AICPA") independence standards, contained in the Code of Professional Conduct.

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

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

Significant Risks Identified

Capital asset activity: We reviewed activity related to capital assets during the fiscal year.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

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

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. The most significant estimate is the estimate of the net pension liability, which is calculated by an actuary.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements are Footnote 6: Pension Plan and Footnote 7: Other Post Employment Benefits.

Significant Difficulties Encountered during the Audit

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

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. The uncorrected financial statement misstatements are noted below, whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit. There were two uncorrected misstatements; to adjust the investment pool to fair value and to record a group of computers as a capital asset, noted as a result of our audit procedures.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole or applicable opinion units.

Disagreements with Management

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

Representations Requested from Management

We have requested certain written representations from management dated January 10, 2025.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Commission, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Commission's auditors.

Other Information Included in the Financial Statements

Pursuant to professional standards, our responsibility as auditors for other information, whether financial or nonfinancial, included in the Commission's annual report, does not extend beyond the information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have read the information and considered whether such information, or the manner of its presentation, was materially inconsistent with its presentation in the financial statements.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

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

Davis Farr LLP

Irvine, California
January 10, 2025

RIVERSIDE LAFCO

January 10, 2025

Davis Farr LLP
18201 Von Karman Avenue, Suite 1100
Irvine, CA 92612

This representation letter is provided in connection with your audit of the financial statements of the Riverside Local Agency Formation Commission (Commission) as of June 30, 2024, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, and results of operations in accordance with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information such that, in the light of surrounding circumstances, 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.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of February 2, 2024:

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
- We acknowledge our responsibility 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.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
- We have reviewed, approved, and taken responsibility for the financial statements and related notes.

- We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- The effects of uncorrected misstatements and aggregated by you during the current engagement are immaterial, both individually and in the aggregate, to the applicable opinion units and to the financial statements as a whole. There were two uncorrected misstatements to adjust the pooled investments to fair value and to capitalize a group of computers purchases as a capital asset.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- All funds and activities are properly classified.
- All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus* as amended, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
- All components of net position, nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.
- All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
- Deposit and investment risks have been properly and fully disclosed.
- Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
- All required supplementary information is measured and presented within the prescribed guidelines.
- With regard to investments and other instruments reported at fair value:
  - The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
  - The measurement methods and related assumptions used in determining

- fair value are appropriate in the circumstances and have been consistently applied.
  - The disclosures related to fair values are complete, adequate, and in accordance with U.S. GAAP.
  - There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
- With respect to proposing journal entries and the preparation of financial statements, we have performed the following:
  - Made all management decisions and performed all management functions;
  - Assigned a competent individual to oversee the services;
  - Evaluated the adequacy of the services performed;
  - Evaluated and accepted responsibility for the result of the service performed; and
  - Established and maintained internal controls, including monitoring ongoing activities.
- We have reviewed and approved the various adjusting journal entries that were proposed by you for recording in our books and records and reflected in the financial statements.
- An actuary has been used to measure pension liabilities and costs.
- We believe actuarial assumptions and methods used to measure pension liabilities and costs for financial accounting purposes are appropriate in the circumstances.

Information Provided

- We have provided you with:
  - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
  - Additional information that you have requested from us for the purpose of the audit;
  - Unrestricted access to persons within the Commission from whom you determined it necessary to obtain audit evidence.
  - A written acknowledgement of all the documents that we expect to issue that will be included in the annual report and the planned timing and method of issuance of that annual report;
  - A final version of the annual report (including all the documents that, together, comprise the annual report) in a timely manner prior to the date of the auditor's report.
- The financial statements and any other information included in the annual report are consistent with one another, and the other information does not contain any material misstatements.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.

- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have provided to you our analysis of the Commission's ability to continue as a going concern, including significant conditions and events present, and if necessary, our analysis of management's plans, and our ability to achieve those plans.
- We have no knowledge of any fraud or suspected fraud that affects the Commission and involves:
  - Management;
  - Employees who have significant roles in internal control; or
  - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the Commission's financial statements communicated by employees, former employees, vendors, regulators, or others.
- We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of all the Commission's related parties and the nature of all the related party relationships and transactions of which we are aware.
- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- The Commission has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- We have disclosed to you all guarantees, whether written or oral, under which the Commission is contingently liable.
- We have disclosed to you all nonexchange financial guarantees, under which we are obligated and have declared liabilities and disclosed properly in accordance with GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, for those guarantees where it is more likely than not that the Commission will make a payment on any guarantee.
- For nonexchange financial guarantees where we have declared liabilities, the amount of the liability recognized is the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. Where there was no best estimate but a range of estimated future outflows has been established, we have recognized the minimum amount within the range.
- We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

- We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- There are no:
  - Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
  - Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
  - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62
  - Continuing disclosure consent decree agreements or filings with the Securities and Exchange Commission and we have filed updates on a timely basis in accordance with the agreements (Rule 240, 15c2-12).
- The Commission has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
- We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

Required Supplementary Information

With respect to the required supplementary information (RSI) accompanying the financial statements:

a. We acknowledge our responsibility for the presentation of the RSI in accordance with accounting principles generally accepted in the United States of America.
b. We believe the RSI, including its form and content, is measured and fairly presented in accordance with the accounting principles generally accepted in the United States of America.
c. The methods of measurement or presentation have not changed from those used in the prior period.

Signature: ______________________ Signature: ______________________
Title: Executive Officer Title: Commission Clerk