

**IMPERIAL COUNTY
LOCAL AGENCY FORMATION COMMISSION**

Basic Financial Statements

For the Year Ended June 30, 2017

(With Independent Auditors' Report Thereon)

IMPERIAL COUNTY
LOCAL AGENCY FORMATION COMMISSION

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Board of Commissioners
Imperial County Local Agency Formation Commission
El Centro, California

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Imperial County Local Agency Formation Commission (the LAFCO), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the LAFCO's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the LAFCO, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2018 on our consideration of the LAFCO's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LAFCO's internal control over financial reporting and compliance.

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

Irvine, California
March 16, 2018

IMPERIAL COUNTY
LOCAL AGENCY FORMATION COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended June 30, 2017

The following discussion and analysis of the financial performance of the Imperial County Local Agency Formation Commission (the Commission) provides an overview of the Commission's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the financial statements identified in the accompanying table of contents.

Using the Accompanying Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Commission as a whole and present a longer-term view of the Commission's finances. 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. Fund financial statements also report the Commission's operations in more detail than the government-wide statements by providing information about the Commission's most significant funds.

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 include two kinds of statements that present different views of the Commission.

The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the Commission's overall financial status. The remaining statements are *fund financial statements* that focus on *individual parts* of the Commission government, reporting the Commission's operations in *more detail* than the government-wide statements. The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data.

Following the statements is a section of *required supplementary information* that provides additional budgetary and financial 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. One of the most important questions asked about the Commission's finances is, "Is the Commission as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Commission as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is

IMPERIAL COUNTY
LOCAL AGENCY FORMATION COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

For the year ended June 30, 2017

similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Commission's net position and changes in net position. 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 nonfinancial 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 the Commission as a whole. Some funds are required to be established by State law or by bond covenants.

Governmental funds - All of the Commission's basic services are reported in a governmental fund, 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. We describe the relationship or differences between *governmental activities* (reported in the Statement of Net Position and the Statement of Activities) and *governmental funds* in a reconciliation following the fund financial statements.

IMPERIAL COUNTY
 LOCAL AGENCY FORMATION COMMISSION
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 (CONTINUED)

For the year ended June 30, 2017

GOVERNMENT-WIDE FINANCIAL STATEMENTS

A summary of the government-wide *statement of net position* follows:

Table 1
 Net Position - Governmental Activities
 June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Assets:			
Current assets	\$ 427,622	\$ 319,261	\$ 108,361
Capital assets, net	<u>1,017,766</u>	<u>1,059,656</u>	<u>(41,890)</u>
Total Assets	<u>1,445,388</u>	<u>1,378,917</u>	<u>66,471</u>
Deferred Outflows of Resources:			
Deferred amounts from pension	<u>79,954</u>	<u>33,767</u>	<u>46,187</u>
Liabilities:			
Current liabilities	115,395	117,664	(2,269)
Long-term liabilities	<u>115,958</u>	<u>80,458</u>	<u>35,500</u>
Total Liabilities	<u>231,353</u>	<u>198,122</u>	<u>33,231</u>
Deferred Inflows of Resources:			
Deferred amounts from pension	<u>23,864</u>	<u>16,362</u>	<u>7,502</u>
Net Position:			
Net investment in capital assets	1,017,766	1,059,656	(41,890)
Unrestricted	<u>252,359</u>	<u>138,544</u>	<u>113,815</u>
Net Position	<u>\$ 1,270,125</u>	<u>\$ 1,198,200</u>	<u>\$ 71,925</u>

IMPERIAL COUNTY
 LOCAL AGENCY FORMATION COMMISSION
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 (CONTINUED)

For the year ended June 30, 2017

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

A summary of the government-wide *statement of activities* follows:

Table 2
 Changes in Net Position - Governmental Activities
 Years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 589,313	\$ 526,346	\$ 62,967
General revenues:			
Interest	184	187	(3)
Other	<u>50,820</u>	<u>38,564</u>	<u>12,256</u>
Total Revenues	<u>640,317</u>	<u>565,097</u>	<u>75,220</u>
Expenses:			
Program expenses:			
Salaries and benefits	321,894	278,732	43,162
Services and supplies	<u>246,498</u>	<u>197,096</u>	<u>49,402</u>
Total Expenses	<u>568,392</u>	<u>475,828</u>	<u>92,564</u>
Change in net position	71,925	89,269	(17,344)
Net position, beginning of year	<u>1,198,200</u>	<u>1,108,931</u>	<u>89,269</u>
Net position, end of year	<u>\$ 1,270,125</u>	<u>\$ 1,198,200</u>	<u>\$ 71,925</u>

The increase or decrease in net position can provide an indication as to whether the overall financial position of the Commission improved or deteriorated during the year. Net position of the Commission increased by \$71,925.

IMPERIAL COUNTY
LOCAL AGENCY FORMATION COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

For the year ended June 30, 2017

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

The reasons for significant changes in the revenues and expenses of the Commissions' governmental activities presented on the previous page are as follows:

- The Commission was able to keep expenses within the approved budget.
- The major expenses during the year were salaries and benefits totaling \$321,894. Salaries and benefits increased by \$43,162 (15.49%) due to an increase in staff, salaries, and expenses associated with employee benefits such as retirement and health insurance coverage.

MAJOR FUNDS

Major Governmental Funds. The **General Fund** is the chief operating fund of the Commission. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$268,892 compared to \$175,969 in fiscal year ended June 30, 2016. Total fund balance in the General Fund at June 30, 2017 was \$313,967 which is a \$117,749 increase from the prior year.

Increase was primarily due to increased project activity, apportionment from member agency contributions, and for having finished the fiscal year under budget.

GENERAL FUND BUDGET

Major deviations between the budget of the General Fund and its actual operating results were as follows:

- Salaries and benefits were less than the budget by \$26,478 due to reclassification of budgeted expense for OPEB.
- Services and supplies were less than the budget by \$27,741 due to prudent spending practices and non-filing of anticipated projects requiring professional services.

IMPERIAL COUNTY
 LOCAL AGENCY FORMATION COMMISSION
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 (CONTINUED)

For the year ended June 30, 2017

CAPITAL ASSETS

Capital Assets - Governmental Activities
 (net of depreciation)
 Years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Land	\$ 248,771	\$ 248,771	\$ -0-
Building	552,558	571,694	(19,136)
Improvements	177,218	187,850	(10,632)
Furniture & Fixtures	<u>39,219</u>	<u>51,341</u>	<u>(12,122)</u>
 Total	 <u>\$ 1,017,766</u>	 <u>\$ 1,059,656</u>	 <u>\$ (41,890)</u>

There were only minor additions and deletions to capital assets for the year ended June 30, 2017. Additional information on capital assets may be found in Note 3 of the notes to financial statements.

LONG-TERM LIABILITIES

Long-term Liabilities
 Years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Compensated Absences	<u>\$ 9,354</u>	<u>\$ 9,034</u>	<u>\$ 320</u>

Additional information on long-term liabilities may be found in Note 4 of the notes to financial statements.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Executive Officer at 1122 State Street, Suite D, El Centro, CA 92243.

BASIC FINANCIAL STATEMENTS

IMPERIAL COUNTY
LOCAL AGENCY FORMATION COMMISSION

STATEMENT OF NET POSITION

June 30, 2017

	Governmental Activities
ASSETS:	
Cash and investments (Note 2)	\$ 265,801
Cash held in trust	153,497
Accounts receivable	5,837
Prepaid expenses	2,487
Capital assets, not depreciated (Note 3)	248,771
Capital assets, net of depreciation (Note 3)	768,995
TOTAL ASSETS	1,445,388
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred amounts from pension (Note 7)	79,954
TOTAL DEFERRED OUTFLOWS OF RESOURCES	79,954
LIABILITIES:	
Accounts payable	26,379
Accrued liabilities	4,538
Deposits	46,001
Outside consulting payable	30,900
Noncurrent liabilities - due within one year	
Compensated absences (Note 4)	7,577
Noncurrent liabilities:	
Compensated absences (Note 4)	1,777
Net pension liability (Note 7)	114,181
TOTAL LIABILITIES	231,353
DEFERRED INFLOWS OF RESOURCES:	
Deferred amounts from pension (Note 7)	23,864
TOTAL DEFERRED INTFLOWS OF RESOURCES	23,864
NET POSITION:	
Investment in capital assets	1,017,766
Unrestricted	252,359
TOTAL NET POSITION	\$ 1,270,125

See Accompanying Notes to the Basic Financial Statements.

IMPERIAL COUNTY
LOCAL AGENCY FORMATION COMMISSION

STATEMENT OF ACTIVITIES

For the year ended June 30, 2017

Functions/programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
General government:					
Salaries and benefits	\$ 321,894	589,313	-	-	267,419
Services and supplies	<u>246,498</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(246,498)</u>
 Total governmental activities	 <u>\$ 568,392</u>	 <u>589,313</u>	 <u>-</u>	 <u>-</u>	 <u>20,921</u>
 General revenues:					
					50,820
					<u>184</u>
					 51,004
					 <u>71,925</u>
					 1,198,200
					 <u>\$ 1,270,125</u>

See Accompanying Notes to the Basic Financial Statements.

FUND FINANCIAL STATEMENTS

IMPERIAL COUNTY
LOCAL AGENCY FORMATION COMMISSION

BALANCE SHEET
GOVERNMENTAL FUND

June 30, 2017

	<u>General Fund</u>
ASSETS:	
Cash and investments	\$ 265,801
Cash held in trust	153,497
Accounts receivable	5,837
Prepaid expenses	<u>2,487</u>
 TOTAL ASSETS	 <u>\$ 427,622</u>
 LIABILITIES:	
Accounts payable	\$ 26,379
Accrued liabilities	4,538
Deposits	46,001
Outside consulting clearing	<u>30,900</u>
 TOTAL LIABILITIES	 <u>\$ 107,818</u>
 DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue	<u>5,837</u>
 FUND BALANCE:	
Nondisposable	2,487
Assigned for OPEB plan	42,588
Unassigned	<u>268,892</u>
 TOTAL FUND BALANCE	 <u>313,967</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	 <u>\$ 427,622</u>

See Accompanying Notes to the Basic Financial Statements.

IMPERIAL COUNTY
LOCAL AGENCY FORMATION COMMISSION

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

June 30, 2017

Fund balance - total governmental fund		\$ 313,967
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets have not been included as financial resources in governmental fund activity</p>		
Capital assets	\$ 1,516,496	
Accumulated depreciation	<u>(498,730)</u>	1,017,766
<p>Some revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are not reported in the governmental funds.</p>		
		5,837
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in governmental funds.</p>		
		(9,354)
<p>Pension related debt applicable to the Commission's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to pensions are only reported in the Statement of Net Position as the changes in these amounts effect only the government-wide statements for governmental activities.</p>		
Deferred outflows of resources	\$ 79,954	
Deferred inflows of resources	(23,864)	
Net pension liability	<u>(114,181)</u>	<u>(58,091)</u>
Net position of governmental activities		<u>\$ 1,270,125</u>

See Accompanying Notes to the Basic Financial Statements.

IMPERIAL COUNTY
LOCAL AGENCY FORMATION COMMISSION

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

For the year ended June 30, 2017

	<u>General Fund</u>
REVENUES:	
Charges for services:	
Contributions from agencies	\$ 511,586
Project fees	84,601
Interest	184
Rental income	<u>50,820</u>
 TOTAL REVENUES	 <u>647,191</u>
 EXPENDITURES:	
Current:	
General government:	
Salaries and benefits	324,834
Services and supplies	<u>204,608</u>
 TOTAL EXPENDITURES	 <u>529,442</u>
 NET CHANGE IN FUND BALANCE	 117,749
 FUND BALANCE - BEGINNING OF YEAR	 <u>196,218</u>
 FUND BALANCE - END OF YEAR	 <u>\$ 313,967</u>

See Accompanying Notes to the Basic Financial Statements.

IMPERIAL COUNTY
LOCAL AGENCY FORMATION COMMISSION

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

For the year ended June 30, 2017

Net change in fund balance - total governmental funds	\$ 117,749
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	
Capital outlay	\$ 30,691
Depreciation expense	<u>(69,576)</u>
The statement of activities reports the loss on capital assets in the year they are disposed and the governmental funds only sales proceeds, if any:	
Loss on disposal of capital assets	(3,005)
Pension expense reported in the governmental funds includes the annual required contributions. In the Statement of Activities, pension expense includes the change in the net pension liability, and related change in pension amounts for deferred outflows of resources and deferred inflows of resources.	
	3,260
Some revenues do not provide current financial resources, and therefore are deferred in governmental funds.	
	(6,874)
Changes in noncurrent liabilities affect the current financial resources of governmental funds, but do not affect Net Position and are not reported in the Statement of Activities.	
	<u>(320)</u>
Change in net position of governmental activities	<u>\$ 71,925</u>

See Accompanying Notes to the Basic Financial Statements.

IMPERIAL COUNTY
LOCAL AGENCY FORMATION COMMISSION

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2017

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

A. Description of the Reporting Entity:

The Local Agency Formation Commission (LAFCO) is an independent agency responsible for the implementation of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. LAFCO'S membership includes two County Supervisors appointed by the Board of Supervisors, two City Council members appointed by the City Selection Committee, and one public member appointed by LAFCO. LAFCO is empowered to review, approve or deny boundary changes, city annexations, consolidations, special district formations and dissolutions, incorporations for cities and special districts, and to establish local "spheres of influence". The sphere of influence for each governmental agency is a plan for its future boundary and service area.

B. Government-wide and Fund 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.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The Commission reports the following major governmental fund:

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

IMPERIAL COUNTY
LOCAL AGENCY FORMATION COMMISSION

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED):

C. Measurement Focus, Basis of Accounting, and Financial Statements Presentation:

“Measurement focus” is a term used to describe *which* transactions are recorded within the various financial statements. “Basis of accounting” refers to *when* transactions are recorded regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the economic resources measurement focus all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with these activities are included on the Statement of Net Position. The Statement of Activities presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net changes in fund balance. Under the modified accrual basis of accounting, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are not recognized until paid.

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. All other revenue items are considered to be measurable and available only when cash is received by the government.

Amounts reported as program revenues include charges to members. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include interest earnings and miscellaneous revenues.

IMPERIAL COUNTY
LOCAL AGENCY FORMATION COMMISSION

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED):

D. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position and the governmental fund balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The are pension related items that meet this definition.

In addition to liabilities, the statement of net position and the governmental fund balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. There is one item that meets this definition.

E. Revenue Recognition:

Contributions from member agencies is based on a pro rata share formula. LAFCO's fiscal year budgeted expenses are allocated to the Cities and the County. The County share is 50% and the Cities 50% share is allocated to each of the Cities based on the city's total revenue reported to the State Controller in the prior year. The County of Imperial collects the member contributions for LAFCO and holds them in LAFCO's agency fund until requested. Revenue is recognized when collected by the County of Imperial on behalf of LAFCO.

LAFCO fees are recognized when time is incurred on a project. Revenue associated with security deposits on projects is deferred until notice of completion at which time the revenue is considered earned. Funds are held in trust until earned.

F. Cash and Investments:

The Commission's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value (the value at which a financial instrument could be exchanged, other than in a forced or liquidation sale).

Restricted cash consists of funds held in trust for ongoing projects. Some of LAFCO's cash is deposited into the Imperial County's Treasury.

IMPERIAL COUNTY
LOCAL AGENCY FORMATION COMMISSION

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED):

The County Treasurer maintains a cash and investment pool that is available for use by all funds of the County, as well as the funds of other agencies for which the County Treasurer is the depository. Interest earned on the pooled funds is allocated based on the average daily cash balances of the participating funds. Further disclosures regarding the County's cash and investment pool are included in the notes to the Imperial County's fiscal year 2017 Annual Financial Report. The financial statements can be obtained at 940 Main Street, Suite 108, El Centro, California 92243.

G. Accounts Receivable:

Accounts receivable consist of project fees due from various projects in the amount of \$5,837.

H. Capital Assets:

Capital assets are reported in the governmental activities column of the government-wide financial statements. Capital assets are defined by the Commission as assets with an initial cost of more than \$3,500 and a useful life of greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the Commission are depreciated using the straight-line method over the following estimated useful lives:

Buildings	39 years
Improvements	7 to 15 years
Furniture and fixtures	5 to 7 years

I. Compensated Absences:

It is LAFCO's policy to permit employees to accumulate earned but unused vacation and sick time. The balance of unpaid vacation time at June 30, 2017 is recorded as a noncurrent liability.

J. Net Position and Fund Balances:

The net position reported on the Statement of Net Position in the government-wide financial statements consists of the following categories:

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NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED):

Net Investment in Capital Assets - This component of net position is not available for spending as it represents net assets already invested in capital assets less the related debt and accumulated depreciation.

Restricted Net Position - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. There is no Restricted Net Position at June 30, 2017.

Unrestricted Net Position - This component of net position consists of net position that does not meet the definition of "*net investment in capital assets*" or "*restricted*".

The fund balances reported on the governmental fund statements consist of the following categories:

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

Restricted Fund Balance - This includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed Fund Balance - This includes amounts that can be used only for the specific purposes determined by a formal action of the commissioners.

Assigned Fund Balance - This includes amounts that are designated by the commissioners for specific purposes.

Unassigned Fund Balance - This is the residual classification that includes all spendable amounts not contained in the other classifications.

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED):

K. Budgets and Budgetary Accounting:

An operating budget is adopted each fiscal year on the modified accrual basis, except that encumbrances are treated as budgeted expenditures in the year of the commitment to purchase. There were no encumbrances outstanding at June 30, 2017. All amendments to the adopted budget require Commission approval and reported budgeted figures are subsequently amended by the Commission. Unencumbered appropriations lapse at year-end.

L. Pensions:

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

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, 2015
Measurement Date (MD)	June 30, 2016
Measurement Period (MP)	June 30, 2015 to June 30, 2016

M. 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED):

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

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are inactive;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable inputs reflect the LAFCO'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 LAFCO's own data.

N. Use of Estimates:

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

2. CASH AND INVESTMENTS:

Cash and Investments

Cash and investments at June 30, 2017 are classified in the accompanying Statement of Net Position as follows:

Cash and investments	\$ 265,801
Cash held in trust	<u>153,497</u>
Total Cash and Investments	<u>\$ 419,298</u>

Cash and investments held at June 30, 2017 consisted of the following:

Cash deposits	\$ 418,511
Imperial County Investment Fund	<u>787</u>
Total Cash and Investments	<u>\$ 419,298</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

2. CASH AND INVESTMENTS (CONTINUED):

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 the maturity of an investment, the greater sensitivity its fair value has to changes in market interest rates. One of the ways that the Commission manages its exposure to interest rate risk is by investing in the portfolio of the Imperial County Investment Fund which purchase a combination of shorter term and longer-term investments.

As of June 30, 2017, the Commission had investments in the form of deposit accounts with the Imperial County Investment Fund and one financial institution; as such it was not exposed to any interest rate risk as described above.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Imperial County Investment Fund is not subject to credit rating.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its 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.

At June 30, 2017, the Commission's deposits with financial institutions were within the federal depository insurance limits or were collateralized.

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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

2. CASH AND INVESTMENTS (CONTINUED):

Investment in County Investment Pool

The Commission voluntarily invests in the Imperial County Investment Fund, which is maintained by the County Treasurer for the purpose of benefiting from economies of scale through pooled investment activities. The fair value of the Commission's investment in this pool is reported in the accompanying financial statements at amounts based upon the Commission's pro rata share of the fair value provided by the Imperial County Investment Fund for the entire County pooled portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County, which are recorded at amortized cost.

3. CAPITAL ASSETS:

A summary of changes in governmental capital assets for the year ended June 30, 2017 is as follows:

	<u>Balance at July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2017</u>
Capital assets, not being depreciated:				
Land	\$ 248,771	\$ -	\$ -	\$ 248,771
Capital assets, being depreciated:				
Building	746,312	-	-	746,312
Improvements	327,340	12,675	-	340,015
Furniture and fixtures	<u>174,001</u>	<u>18,016</u>	<u>(10,619)</u>	<u>181,398</u>
Total capital assets, being depreciated	<u>1,247,653</u>	<u>30,691</u>	<u>(10,619)</u>	<u>1,267,725</u>
Less accumulated depreciation for:				
Building	(174,618)	(19,136)	-	(193,754)
Improvements	(139,490)	(23,307)	-	(162,797)
Furniture and fixtures	<u>(122,660)</u>	<u>(27,133)</u>	<u>7,614</u>	<u>(142,179)</u>
Total accumulated depreciation	<u>(436,768)</u>	<u>(69,576)</u>	<u>7,614</u>	<u>(498,730)</u>
Total capital assets, being depreciated, net	<u>810,885</u>	<u>(38,885)</u>	<u>(3,005)</u>	<u>768,995</u>
Total capital assets, net	<u>\$ 1,059,656</u>	<u>\$ (38,885)</u>	<u>\$ (3,005)</u>	<u>\$ 1,017,766</u>

Depreciation expense for capital assets for the year ended June 30, 2017 was \$69,576 and was charged to services and supplies.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

4. LONG-TERM LIABILITIES:

The following is a summary of changes in long-term liabilities of the Commission for the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Due within One Year
Compensated Absences	\$ 9,034	\$ 11,193	\$ 10,873	\$ 9,354	\$ 7,577

Compensated absences are expected to be liquidated by the General Fund.

5. COMMITMENTS:

The Commission is obligated under an operating lease agreement for the rental of equipment. Future minimum lease payments for the equipment under the operating lease are as follows:

Fiscal Year	Amount
2018	\$ 3,516
2019	3,516
2020	<u>3,516</u>
Total	<u>\$ 10,548</u>

The amount of rental payment for equipment for the year ended June 30, 2016 was \$3,740.

6. RENTAL INCOME:

The Commission entered into rental agreements to provide office space from its operating building to three tenants. Future rent payments scheduled to be received under the rental agreements are as follows:

Fiscal Year	Amount
2018	\$ 48,100
2019	47,884
2020	35,784
2021	26,060
2022	<u>25,176</u>
	<u>\$ 183,004</u>

The amount of rental income received from tenants for the year ended June 30, 2017 was \$50,820.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

7. PENSION PLAN:

A. General Information about the Pension Plans:

Plan Description

The Imperial County Employees' Retirement System (ICERS) was established by the County of Imperial in 1951. ICERS is administered by the Board of Retirement and governed by the County Employees' Retirement Law of 1937 (California Code Section 31450 et. seq.) ICERS is a cost-sharing multiple employer public employee retirement system whose main function is to provide service retirement, disability, death and survivor benefits to the employee members of the Commission. ICERS also provides retirement benefits to employee members of Imperial County, Imperial County Courts, and ICTC. The Imperial County Retirement System (ICERS) issues an audited stand-alone financial report, which may be obtained by contacting the Board of Retirement at 1221 W. State Street, El Centro, CA 92243.

Benefits Provided

All regular full-time employees of the County of Imperial who work a minimum of 30 hours per week become members of ICERS effective on the first day of the first full pay period after employment. New members employed after January 1, 2013 are designated as PEPPRA subject to the provisions of California Government Code 7522 et seq. and AB 197. General members hired prior to January 1, 2013, are eligible to retire once they attain the age of 50 and have acquired 10 or more years of retirement service credit. A member with 30 years of Retirement Service Credit is eligible to retire regardless of age. General members who are first hired on or after January 1, 2013, are eligible to retire once they have attained the age of 52, and have acquired five years of retirement service credit. The retirement benefits the member will receive is based upon age at retirement, final average compensation, years of retirement service credit and retirement plan and tier.

The plans provisions and benefits in effect at June 30, 2017, are summarized as follows:

Hire date	General	
	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	1.48% at 50 x YoS* 1.95% at 55 x YoS 2.44% at 60 x YoS 2.61% at 65+ x YoS *YoS-Years of Service	1.00% at 52 x YoS 1.30% at 55 x YoS 1.80% at 60 x YoS 2.00% at 62 x YoS 2.30% at 65 x YoS 2.50% at 67+ x YoS
Benefit vesting schedule	10 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50+	52+
Monthly benefits, as a % of eligible compensation	1.48% to 2.61%	1.00% to 2.50%
Required employee contribution rates	Avg. of 12.13%	Avg. of 12.13%
Required employer contribution rates	Avg. of 19.25%	Avg. of 19.25%

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NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

7. PENSION PLAN (CONTINUED):

Contributions

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

Actuarial Methods and Assumptions used to determine Total Pension Liability

For the measurement period ending June 30, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability determined in the June 30, 2015 actuarial valuation. The June 30, 2016 total pension liability was based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	3.25%
Payroll Growth	0.50%
Projected Salary Increase	4.75% to 7.75% (1)
Investment Rate of Return	7.5% (2)
Mortality	(3)

(1) Varying on service, including inflation

(2) Net of pension plan investment expense, including inflation

(3) For General Legacy Members: Blended table where 30% is based on the RP-2000 Combined Health Annuitant Mortality Table, projected with scale BB to 2019, set forward two years for males and 70% is based on the RP-2000 Combined Health Annuitant Mortality Table, projected with scale BB to 2019, set forward one year for females.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 through June 30, 2013, including updates to salary increase, mortality and retirement rates.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

7. PENSION PLAN (CONTINUED):

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. For plan member contributions, the projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. 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 pension 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 net pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. The table below reflects the long-term expected real rate of return by class.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap U.S. Equity	24.00%	6.03%
Small Cap U.S. Equity	10.00%	6.66%
Developed International Equity	16.00%	6.87%
Emerging Markets Equity	5.00%	8.13%
U.S Core Dixed Income	23.00%	0.89%
High Yield Bonds	2.00%	2.87%
TIPS	5.00%	0.19%
Real Estate	5.00%	5.08%
Commodities	5.00%	4.16%
Private Equity	5.00%	8.10%
Total	100.00%	

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NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

7. PENSION PLAN (CONTINUED):

Allocation of Net Pension Liability and Pension Expense to Individual Employers

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

Miscellaneous	Increase (Decrease)		
	(a) Total Pension Liability	(b) Plan Fiduciary Net Position	(c) = (a) - (b) Net Pension Liability
Balance at: 6/30/2015	\$ 702,548	\$ 623,792	\$ 78,756
Balance at: 6/30/2016	<u>708,390</u>	<u>594,209</u>	<u>114,181</u>
Net Changes during 2015-16	<u>\$ 5,842</u>	<u>\$ (29,583)</u>	<u>\$ 35,425</u>

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 Commission's proportionate share of the net pension liability for the plan as of June 30, 2015 and 2016 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2015	0.089%
Proportion - June 30, 2016	<u>0.085%</u>
Change - Increase (Decrease)	<u>-0.004%</u>

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

The following presents the Commission's proportionate share of the net pension liability using the current discount rate of 7.50%, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	Discount Rate - 1%	Current Discount Rate	Discount Rate + 1%
	<u>6.5%</u>	<u>7.5%</u>	<u>8.5%</u>
Net Pension Liability	<u>\$ 210,666</u>	<u>\$ 114,181</u>	<u>\$ 34,853</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

7. PENSION PLAN (CONTINUED):

Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB 68, actuarial gains and losses related to changes in total pension liability and fiduciary net position 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	5-year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired as of the beginning of the measurement period).

For the measurement period ending June 30, 2016 (the measurement date), the Commission recognized a pension expense of \$26,016 for the Plan.

As of June 30, 2017, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	\$ 28,435	\$ -
Changes of assumptions	7,722	-
Difference between expected and actual experience	-	15,549
Net difference between projected and actual earnings on pension plan investments	42,450	-
Adjustment due to differences in proportions	1,347	8,315
Total	\$ 79,954	\$ 23,864

\$28,435 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

7. PENSION PLAN (CONTINUED):

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30:	Deferred Outflows/(Inflows) of Resources
2017	\$ 5,684
2018	5,684
2019	14,605
2020	5,400
2021	(2,523)
Thereafter	(1,195)

8. OTHER POST EMPLOYMENT BENEFITS:

In prior years the Commission was making contributions to Imperial County for its pro-rata share of the County’s OPEB. During the fiscal year ended June 30, 2014, the Commission stopped contributing to this plan and is currently pursuing other options to cover future retirees. During the year ended June 30, 2017, the Commission assigned \$22,339 of the fund balance to be used for contributions once a new plan is set up. On January 25, 2018, the Commission approved the establishment of a 401(a) plan.

The Commission has no obligation for a withdrawal liability from the Imperial County plan.

9. CONTINGENCIES:

Security deposits paid by applicants are refundable if the project is not completed within the terms of the contract. Periodic reviews may be requested by applicants and certain costs may be disallowed as not being reimbursable expenditures based on terms of the contract. Such reviews could result in amounts billed under the contract not being paid, or amounts already paid subject to reimbursement to the applicant. Management believes disallowances, if any, will be immaterial.

10. RELATED PARTY TRANSACTIONS:

The Commission leases approximately 90 square feet of office space within their office to American Inspection Associates, LLC, a company owned by the Executive Officer of the Commission. Total rent paid during the year was \$1,836.

REQUIRED SUPPLEMENTARY INFORMATION

IMPERIAL COUNTY
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Schedule of the Plan's Proportionate Share of Net Pension Liability
Last Ten Years*

	Measurement Date <u>6/30/2016</u>	Measurement Date <u>6/30/2015</u>	Measurement Date <u>6/30/2014</u>
Proportion of the Collective Net Pension Liability	0.085%	0.089%	0.092%
Proportionate Share of the Collective Net Pension Liability	\$ 114,181	\$ 78,756	\$ 54,119
Covered Payroll	\$ 107,022	\$ 112,243	\$ 115,249
Proportionate Share of the Collective Net Pension Liability as percentage of covered payroll	106.69%	70.17%	46.96%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.88%	89.83%	93.31%

Notes to Schedule:

Benefit Changes: There were no changes in benefits.

Changes in Assumptions: There were no changes in assumptions.

* Fiscal year 2015 was the first year of implementation, therefore only three years are shown.

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Schedule of Plan Contributions-Miscellaneous Plan
Last Ten Years*

	Fiscal Year <u>2016-17</u>	Fiscal Year <u>2015-16</u>	Fiscal Year <u>2014-15</u>
Actuarially Determined Contribution	\$ 28,435	\$ 18,604	18,325
Contributions in Relation to the Actuarially Determined Contribution	<u>28,435</u>	<u>18,604</u>	<u>18,325</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
Covered Payroll	\$ 167,587	\$ 107,022	112,243
Contributions as a Percentage of Covered- Employee Payroll	16.97%	17.38%	16.33%

Notes to Schedule

Fiscal Year End: 06/30/16
Valuation Date: 06/30/14

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry age
Amortization Method	Level percent of payroll
Asset Valuation Method	Market Value
Investment Rate of Return	7.50%
Projected Salary Increase	4.75% to 8.00% depending on age, service and type of employment.
Inflation	3.50%

* Fiscal year 2015 was the first year of implementation, therefore only three years are shown

IMPERIAL COUNTY
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Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund

For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance, July 1, 2016	\$ 128,611	128,611	196,218	67,607
Resources (inflows):				
Charges for services:				
Contributions from agencies	511,586	511,586	511,586	-
Project fees	25,000	25,000	84,601	59,601
Interest	-	-	184	184
Rental income	47,075	47,075	50,820	3,745
Total resources (inflows)	<u>583,661</u>	<u>583,661</u>	<u>647,191</u>	<u>63,530</u>
Charges to appropriations (outflows):				
Current:				
General government:				
Salaries and benefits	351,312	351,312	324,834	26,478
Services and supplies	232,349	232,349	204,608	27,741
Total charges to appropriations (outflows)	<u>583,661</u>	<u>583,661</u>	<u>529,442</u>	<u>54,219</u>
Excess of resources over (under) charges to appropriations	<u>-</u>	<u>-</u>	<u>117,749</u>	<u>(117,749)</u>
Fund balance, June 30, 2017	<u>\$ 128,611</u>	<u>128,611</u>	<u>313,967</u>	<u>185,356</u>

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NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the year ended June 30, 2017

Budgetary Information

The Imperial LAFCO adopted an annual budget prepared on the modified accrual basis for the General Fund, which is consistent with generally accepted accounting principles (GAAP). The adopted budget can be amended by the Imperial LAFCO to change both appropriations and estimated revenues as unforeseen circumstances come to management's attention. Increases and decreases in revenue and appropriations require the Imperial LAFCO's approval. Expenditures may not exceed total appropriations at the individual fund level. It is the practice of management to review the budget with the Commission on a quarterly basis and, if necessary, recommend changes.