LOCAL AGENCY FORMATION COMMISSION OF SOLANO COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION

Local Agency Formation Commissions (LAFCOs or Commission) are independent regulatory commissions created by the California Legislature to determine the boundaries of cities and most special districts. LAFCOs are tasked by the Legislature to administer a section of State planning law known as the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. LAFCOs have regulatory and planning powers. Regulatory duties include approving or disapproving proposals involving (a) city incorporations, disincorporations, or subsidiary districts (b) special district formations, consolidations, mergers, and dissolutions, (c) city and special district annexations and detachments, and (d) city and special district outside service extensions. LAFCOs planning activities include: establishing, updating, and amending spheres of influence for all local governmental agencies

Solano LAFCO is comprised of five members including: two county supervisors, two city mayors and one member representing the public at large. Commission members serve four-year terms.

B. BASIS OF PRESENTATION

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the Commission. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities.

The government-wide statement of net position presents information on all of the Commission's assets, deferred outflows, liabilities and deferred inflows with the difference between the two presented as net position. Net position is reported as one of three categories: net investment in capital assets, restricted or unrestricted. Restricted net position is further classified as either net position restricted by enabling legislation or net position that are otherwise restricted. The Commission currently has no capital assets and no restricted net position.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Commission's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are, therefore, clearly identifiable to a particular function. The Commission does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Commission.

The Commission reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function.

Fund Financial Statements

Fund financial statements report detailed information about the Commission. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. The Commission has only one operating fund.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Assessments and service charges are recognized as revenues in the year for which they are levied. Expenses are recorded when liabilities are incurred.

Governmental Fund Financial Statement

Governmental fund financial statements (i.e., balance sheet and statement of revenues, expenditures and changes in fund balances) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Commission, “available” means collectible within the current period or within 60 days after year-end.

Non-exchange transactions, in which the Commission receives value without directly giving equal value in return, include assessments and interest income. Under the accrual basis, revenue from assessments is recognized in the fiscal year for which the assessments are levied. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

D. FUND ACCOUNTING

The accounts of the Commission are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. The Commission resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The Commission has one governmental fund.

Governmental Fund:

The General Fund is the general operating fund of the Commission. It is used to account for all transactions except those required or permitted by law to be accounted for in another fund.

E. BUDGETS

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the Commission must adopt a final budget no later than June 15th. A public hearing must be conducted to receive comments prior to adoption. The Commissioners' satisfied these requirements.

F. CASH AND CASH EQUIVALENTS

For purposes of the statement of net position, the Commission considers all short-term highly liquid investments, including restricted assets, amounts held with fiscal agent and amounts held in the County's investment pool, to be cash and cash equivalents. Amounts held in the County's investment pool are available to the Commission.

G. CASH AND INVESTMENTS

As described in Note 2, the Commission's cash and investments are held with the Solano County Treasury, as part of the cash and investment pool with other County Funds. In accordance with GASB Statement No. 31, investments are stated at fair value. However, the value of the pool shares in the County Treasurer's investment pool that may be withdrawn is determined on an amortized cost basis, which is different from the fair value of the Commission's position in the pool. The County Treasurer's investment pool is subject to regulatory oversight by the Treasury Oversight Committee, as required by Section 27134 of the California Government Code. Statutes authorize the County to invest in the following:

1. Obligations of the County or any local agency and instrumentality in or of the State of California;
2. Obligations of the U.S. Treasury, agencies and instrumentalities;
3. Bankers' acceptances eligible for purchase by Federal Reserve System;
4. Commercial paper;
5. Repurchase agreements or reverse repurchase agreements;
6. Medium-term notes with a five-year maximum maturity of corporations operating within the United States and rated in the top three rating categories;
7. Guaranteed investment contracts

H. COMPENSATED ABSENCES

It is the Commission's policy to permit permanent employees to accumulate earned but unused vacation and sick leave benefits. Accrued vacation is paid at the time of the employee's separation based on established Commission limitations. When an employee terminates employment for reasons of regular or disability retirement or death, accrued sick leave is contributed to a Retirement Health Savings Account to assist in payment of retiree medical expenses in accordance with Commission policy Termination of an employee's continuous services, except by reason of temporary layoff for lack of work or funds, shall cancel all sick leave accrued to the time of such termination, regardless of whether or not such person subsequently re-enters employment. Compensated absences leave is accrued when incurred in the government-wide financial statements. A liability is reported in the governmental fund only if unused vacation and sick leave after limitations are expected to be liquidated (paid out due to an employee separating from service with the Commission) with expendable available financial resources.

LOCAL AGENCY FORMATION COMMISSION OF SOLANO COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

I. REVENUES

Operating revenues, which include service charges, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Revenues classified as non-operating revenues, such as assessments and investment earnings, result from non-exchange transactions or ancillary activities.

J. INCOME TAXES

The Commission is not subject to income tax under Section 115(1) of the Internal Revenue Code and Section 23701d of the California and Taxation Code. Accordingly, no provision for federal or state income taxes has been made in the accompanying financial statements.

K. USE OF ESTIMATES

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

L. FUND BALANCE

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, *"Fund Balance Reporting and Governmental Fund Type Definitions"*, the Commission is required to report fund balances in the following categories: Nonspendable, Restricted, Committed, Assigned and/or Unassigned.

Nonspendable Fund Balance reflects assets not in spendable form, either because they will never convert to cash (e.g. prepaid expense) or must remain intact pursuant to legal or contractual requirements.

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

Committed Fund Balance reflects amounts that can be used only for the *specific purposes* determined by a formal action of the government's highest level of decision-making authority: the Board of Commissioners. Commitments may be established, modified, or rescinded only through resolutions approved by the Board of Commissioners.

Assigned Fund Balance reflects amounts intended to be used by the government for *specific purposes* but do not meet the criteria to be classified as restricted or committed. In accordance with adopted policy, only the Board of Commissioners is authorized to assign amounts for specific purposes.

Unassigned Fund Balance represents the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. The Commission maintains a contingency reserve fund of not less than 20 percent of annual budgeted expenditures in any given year intended for extraordinary, unbudgeted, and high priority expenditures.

When expenditures are incurred for purposes of which restricted, committed, assigned and unassigned fund balances are available, the Commission considers restricted funds to have been spent first, followed by committed, assigned and unassigned, respectively.

LOCAL AGENCY FORMATION COMMISSION OF SOLANO COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

M. DEFERRED INFLOWS AND OUTFLOWS

In addition to assets, the statement of net position includes 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 a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then.

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 position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time.

2. CASH AND INVESTMENTS

Cash and investments as of June 30, 2020 and 2019 consisted of Cash in County Treasury of $463,798 and $446,445, respectively.

The Commission maintains specific cash deposits and investments with the County of Solano and involuntarily participates in the external investment pool of the County. Its share of the investment pool is separately accounted for and interest earned, net of related expenses, is apportioned quarterly and based upon the relationship of its daily cash balance to the total of the pooled account. The weighted average maturity of the pool as of June 30, 2020 is 323 days and was 517 days as of June 30, 2019. The pool does not have a credit rating.

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments' fair value measurements at June 30, 2020 are as follows:

Description	Level 1	Level 2	Level 3	Total
US Agency, Treasury & Municipal Notes (USATM):				
US Agency Notes:	$ 202,400	$ -	$ -	$ 202,400
US Treasury Notes:	95,691	-	-	95,691
Municipal Notes:	21,668	-	-	21,668
Supranationals	22,838	-	-	22,838
Corporate Bonds	1,190	-	-	1,190
Corporate Stocks	55,522	-	-	55,522
Certificates of Deposit	-	6,187	-	6,187
LAIF	10,702	6,900	-	17,602
CALTrust Short Term	9,863	1,059	-	10,922
CALTrust Medium Term	7,921	851	-	8,772
Money Market Accounts	-	18,721	-	18,721
Cash Held in Bank	2,284	-	-	2,284
Total	$ 430,080	$ 33,718	$ -	$ 463,798

LOCAL AGENCY FORMATION COMMISSION OF SOLANO COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

2. CASH AND INVESTMENTS (continued)

Investments' fair value measurements at June 30, 2019 are as follows:

Description	Level 1	Level 2	Level 3	Total
US Agency, Treasury & Municipal Notes (USATM):				
US Agency Notes:	$ 130,615	$ -	$ -	$ 130,615
US Treasury Notes:	94,844	-	-	94,844
Municipal Notes:	39,919	-	-	39,919
Supranationals	9,414	-	-	9,414
Corporate Bonds	1,342	-	-	1,342
Corporate Stocks	97,457	-	-	97,457
Commercial Paper	-	4,277	-	4,277
Certificates of Deposit	-	633	-	633
LAIF	7,402	4,772	-	12,174
CALTrust Short Term	4,243	456	-	4,699
CALTrust Medium Term	2,554	274	-	2,828
Money Market Accounts	-	42,973	-	42,973
Cash Held in Bank	5,269	-	-	5,269
Total	$ 393,060	$ 53,385	$ -	$ 446,445

3. LONG-TERM OBLIGATIONS

The commission has long-term liabilities for compensated absences and net pension liabilities. The summaries for June 30, 2020 and 2019 are as follows:

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020	Balance Due In One Year
Net pension liability	$ 34,445	$ 109	$ -	$ 34,554	$ -
Compensated Absences	61,811	6,878	-	68,689	-
Totals	$ 96,256	$ 6,987	$ -	$ 103,243	$ -

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019	Balance Due In One Year
Net pension liability	$ 37,102	$ (2,657)		$ 34,445	$ -
Compensated Absences	32,185	29,626	-	61,811	-
Totals	$ 69,287	$ 26,969	$ -	$ 96,256	$ -

4. OPERATING LEASES

The Commission is under a current lease for building space at 675 Texas St., Suite 6700, Solano, California. The lease was originally for a five year term, to expire on December 31, 2019. The County and Commission desired to extend the agreement for one year, with two (2) one-year options to extend. The rent began at $1,280 per month set to increase 2% on the first of January every year. As of June 30, 2020, future minimum lease payments are as follows:

Fiscal Year Ended June 30,	Minimum Payment
2021	16,792
Total	$ 16,792

Total rent expense for the years ended June 30, 2020 and 2019 was $16,792 and $17,600, respectively.

5. EMPLOYEE RETIREMENT PLAN

Plan Description

All qualified permanent and probationary employees are eligible to participate in Local Agency Formation Commission of Solano County's cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan is established by State statute and Local Agency Formation Commission of Solano County resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

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 the plan are applied as specified by the Public Employees' Retirement Law.

5. EMPLOYEE RETIREMENT PLAN (continued)

The Plans' provisions and benefits in effect as of June 30, 2020 and 2019, respectively, are summarized as follows:

	June 30, 2020		June 30, 2019	
Hire date	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.7% @ 55	2% @ 62	2.7% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life	Monthly for life
Retirement age	50 - 55	52 - 67	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	7.000%	6.250%	7.000%	6.250%
Required employer contribution rates	13.945%	13.945%	13.084%	13.084%

Contributions

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

For the years ended June 30, 2020 and 2019, the contributions recognized as part of pension expense for the Plan were as follows:

	Miscellaneous	
	June 30, 2020	**June 30, 2019**
Contributions - employer	$ 22,967	$ 28,278

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

As of June 30, 2020 and 2019, the Local Agency Formation Commission of Solano County reported net pension liabilities for its proportionate share of the net pension liability of:

	Proportionate Share of Net Pension Liability	
	June 30, 2020	**June 30, 2019**
Miscellaneous	$ 34,554	$ 34,445

5. EMPLOYEE RETIREMENT PLAN (continued)

Local Agency Formation Commission of Solano County's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2019, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2018 using standard update procedures. Local Agency Formation Commission of Solano County's proportion of the net pension liability was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Commission's proportionate share of the net pension liability for the Plan as of June 30, 2020 and 2019 was as follows:

Proportion - June 30, 2019	0.000914%
Proportion - June 30, 2020	0.000863%
Change - Increase/(Decrease)	-0.000051%

Local Agency Formation Commission of Solano County's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2018, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2017 using standard update procedures. Local Agency Formation Commission of Solano County's proportion of the net pension liability was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Commission's proportionate share of the net pension liability for the Plan as of June 30, 2019 and 2018 was as follows:

Proportion - June 30, 2018	0.000941%
Proportion - June 30, 2019	0.000914%
Change - Increase/(Decrease)	-0.000027%

For the years ended June 30, 2020 and 2019, the Commission recognized pension expense of $5,511 and $3,556, respectively. The Commission's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2020		June 30, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	$ 1,648	$ 584	$ 3,927	$ 962
Differences between Expected and Actual Experience	2,400	186	1,322	450
Differences between Projected and Actual Investment Earnings	-	604	170	-
Differences between Employer's Contributions and Proportionate Share of Contributions	17,774	-	12,815	-
Change in Employer's Proportion	4,618	1,173	8,503	1,341
Pension Contributions Made Subsequent to Measurement Date	22,967	-	28,278	-
	$ 49,407	$ 2,547	$ 55,015	$ 2,753

5. EMPLOYEE RETIREMENT PLAN (continued)

The amounts 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 ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	June 30, 2020 Deferred Outflows/(Inflows) of Resources	June 30, 2019 Deferred Outflows/(Inflows) of Resources
2020		$ 11,989
2021	$ 14,118	10,019
2022	6,553	2,286
2023	3,099	(310)
2024	122	-
2025	-	-
Thereafter	-	-
	$ 23,892	$ 23,984

Actuarial Assumptions – The total pension liabilities in the June 30, 2019 and 2018 actuarial valuations were determined using the following actuarial assumptions:

	June 30, 2020	June 30, 2019
Valuation Date	June 30, 2018	June 30, 2018
Measurement Date	June 30, 2019	June 30, 2017
Actuarial Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions		
Discount Rate	7.15%	7.15%
Inflation	2.50%	2.50%
Payroll Growth	2.75%	2.75%
Projected Salary Increase	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment Rate of Return (1)	7.15%	7.15%
Mortality	Derived using CalPERS' Membership Data for All Funds	

(1) Compounded annually, net of administrative and investment expenses

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2019 valuation were based on the CalPERS Experience Study for the period from 1997 to 2007. Further details of the Experience Study can be found on the CalPERS website.

5. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.15% (7.15% for 2019) for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 (7.15% for 2019) percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.15 (7.15% for 2019) percent is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.15 (715% for 2019) percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.15 (7.15% for 2019) percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

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

LOCAL AGENCY FORMATION COMMISSION OF SOLANO COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

5. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

The tables below reflect the long-term expected real rate of return by asset class as of June 30, 2020 and 2019, respectively. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

	June 30, 2020		
Asset Class	Assumed Asset Allocation	Real Return Years 1-10 [(1)]	Real Return Years 11+ [(2)]
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

(1) An expected inflation of 2.00% used for this period.
(2) An expected inflation of 2.92% used for this period.

	June 30, 2019		
Asset Class	Assumed Asset Allocation	Real Return Years 1-10 [(1)]	Real Return Years 11+ [(2)]
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

(1) An expected inflation of 2.00% used for this period.
(2) An expected inflation of 2.92% used for this period.

5. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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 for each Plan, calculated using the discount rate for each Plan, 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 or 1-percentage point higher than the current rate:

	June 30, 2020		
	Discount Rate - 1% 6.15%	Current Discount Rate 7.15%	Discount Rate +1% 8.15%
Plan's Net Pension Liability	$ 82,449	$ 34,554	$ (4,980)

	June 30, 2019		
	Discount Rate - 1% 6.15%	Current Discount Rate 7.15%	Discount Rate +1% 8.15%
Plan's Net Pension Liability	$ 72,831	$ 34,445	$ 2,758

Pension Plan Fiduciary Net Position

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

Payable to the Pension Plan

The Commission had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2020.

6. SUBSEQUENT EVENTS

In March 2020, the World Health Organization declared the novel coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected public education, workforces, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses and organizations. It is not possible for management to predict the duration or magnitude of the adverse results of the outbreak and its disruptive effects on Solano LAFCO's operations and financial results at this time.

Management has reviewed its financial statements and evaluated subsequent events for the period of time from its year ended June 30, 2020, through November 24, 2020, the date the financial statements were issued. Management is not aware of any subsequent events, other than those described above, that would require recognition or disclosure in the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

SOLANO LOCAL AGENCY FORMATION COMMISSION ORGANIZATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET (NON-GAAP) AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2020

	Original and Final Budget	Actual	Budget Variance Favorable (Unfavorable)
REVENUES:			
Intergovernmental contributions	$ 629,726	$ 629,725	$ (1)
Charges for services	10,000	57,492	47,492
Interest income	3,000	12,959	9,959
Total Revenues	642,726	700,176	57,450
EXPENSES:			
Planning services	697,726	627,209	70,517
Excess/ (deficiency) of revenues over/ (under) expenditures	(55,000)	72,967	127,967
Beginning fund balance	327,043	327,043	-
Ending fund balance	$ 272,043	$ 400,010	$ 127,967

SOLANO LOCAL AGENCY FORMATION COMMISSION ORGANIZATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET (NON-GAAP) AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2019

	Original and Final Budget	Actual	Budget Variance Favorable (Unfavorable)
REVENUES:			
Intergovernmental contributions	$ 470,293	$ 470,293	$ 0
Charges for services	40,000	52,340	12,340
Interest income	3,000	12,000	9,000
Total Revenues	513,293	534,633	21,340
EXPENSES:			
Planning services	590,372	462,409	127,963
Excess/ (deficiency) of revenues over/ (under) expenditures	(77,079)	72,224	149,303
Beginning fund balance	254,819	254,819	-
Ending fund balance	$ 177,740	$ 327,043	$ 149,303

SOLANO LOCAL AGENCY FORMATION COMMISSION ORGANIZATION

SCHEDULE OF COMMISSIONS PROPORTIONATE SHARE OF NET PENSION LIABILITY

FOR THE YEAR ENDING JUNE 30, 2020 AND 2019

	June 30, 2014 [1]	June 30, 2015 [1]	June 30, 2016 [1]	June 30, 2017 [1]	June 30, 2018 [1]	June 30, 2019 [1]
Proportion of the net pension liability	0.00091%	0.00102%	0.00097%	0.00094%	0.00091%	0.00086%
Proportionate share of the net pension liability	$ 22,529	$ 27,991	$ 33,743	$ 37,102	$ 34,445	$ 34,554
Covered-employee payroll [2]	$ 144,690	$ 82,358	$ 91,786	$ 219,919	$ 241,470	$ 243,645
Proportionate Share of the net pension liability as percentage of covered-employee payroll	15.57%	33.99%	36.76%	16.87%	14.26%	14.18%
Plan's fiduciary net position as a percentage of the total pension liability	81.15%	79.89%	75.87%	75.39%	77.69%	77.73%
Proportionate share of aggregate employer contributions [3]	$ 16,554	$ 9,757	$ 16,483	$ 19,497	$ 28,278	$ 22,967

(1) Historical information is required only for measurement period for which GASB 68 is applicable.

(2) Covered employee payroll represented above is based on pensionable earning provided by the employer.

(3) The plans proportionate share of aggregate contributions may not match the actual contributions made by the employer during the measurement period. The plan's proportionate share of aggregate contributions is based on the plan's proportion of fiduciary net position shown on line 5 of the table above as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

SOLANO LOCAL AGENCY FORMATION COMMISSION ORGANIZATION

SCHEDULE OF CONTRIBUTIONS

FOR THE YEAR ENDING JUNE 30, 2020 AND 2019

	Fiscal Year (1)					
	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Actuarially Determined Contribution (2)	$ 16,554	$ 9,757	$ 16,483	$ 19,497	$ 28,278	$ 22,967
Contributions in relation to the actuarially determined contributions	(16,554)	(9,757)	(16,483)	(19,497)	(28,278)	(22,967)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll (3)	$ 144,690	$ 82,358	$ 91,786	$ 219,919	$ 241,470	$ 243,645
Contributions as a percentage of covered-employee payroll (3)	11.441%	11.847%	17.958%	8.866%	11.711%	9.426%

(1) Historical information is required only for measurement periods for which GASB 68 is applicable.

(2) Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contributions). However, some employers may choose to make additional contributions towards their site fund or their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions. CalPERS has determined that employer obligations referred to as "side funds" do not conform to the circumstances described in paragraph 120 of GASB, therefore are not considered separately financed specific liabilities.

(3) Covered-employee payroll represented above is based on pensionable earnings provided by the employer.

SOLANO LOCAL AGENCY FORMATION COMMISSION ORGANIZATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDING JUNE 30, 2020 AND 2019

PURPOSE OF SCHEDULES

A - Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget (Non-GAAP) and Actual - General Fund

The Commission employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Trustees to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

B - Schedule of Proportionate Share of the Net Pension Liability

Changes in Assumptions
There were no changes in assumptions.

Changes in Benefit Terms
There were no changes to benefit terms that applied to all members of the Public Agency Pool.

C - Schedule of Pension Contributions

If an employer's contributions to the plan are actuarially determined or based on statutory or contractual requirements, the employer's actuarially determined contribution to the pension plan (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll. In the future, as data becomes available, ten years of information will be presented.

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

	June 30, 2020	June 30, 2019
Valuation Date	June 30, 2018	June 30, 2018
Measurement Date	June 30, 2019	June 30, 2017
Actuarial Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions		
Discount Rate	7.15%	7.15%
Inflation	2.50%	2.50%
Payroll Growth	2.75%	2.75%
Projected Salary Increase	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment Rate of Return [1]	7.15%	7.15%
Mortality	Derived using CalPERS' Membership Data for All Funds	

[1] Compounded annually, net of administrative and investment expenses

OTHER REPORTS

James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

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*

INDEPENDENT AUDITOR'S REPORT

To the Commissioners of
Solano Local Agency Formation Commission Organization
675 Texas Street, Suite 6700
Fairfield, California 94533

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 governmental activities and major fund of Local Agency Formation Commission of Solano County, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Local Agency Formation Commission of Solano County's basic financial statements, and have issued our report thereon dated November 24, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly this communication is not suitable for any other purpose.

James Marta & Company LLP

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
November 24, 2020