



Solano Local Agency Formation Commission

675 Texas St. Ste. 6700 • Fairfield, California 94533

(707) 439-3897

www.solanolafco.com

Staff Report

DATE: June 9, 2025

TO: Local Agency Formation Commission

FROM: Christina Love, Deputy Executive Officer

SUBJECT: **LAFCO Project No. 2025-01 Independent Auditor's Final Report for Fiscal Years 2024 and 2023**

Recommendation:

RECEIVE and REVIEW, ADOPT, and DIRECT staff to file the FY 2024 and 2023 Independent Auditor's Final Report.

Executive Summary:

The Independent Auditor's report concludes that Solano LAFCO's financial reporting is in compliance with State and Federal laws for independent agencies and that the financial statements present fairly the financial position of the Commission.

Discussion:

Audit Report

The Commission's outside audit firm, James Marta & Company, LLP (Auditor), has completed the LAFCO biennial audit for FY 2024 and FY 2023. The purpose of the biennial audit is for an independent third-party to review and assess the Commission's financial records to determine their compliance with generally accepted governmental accounting standards and adopted state laws. The outside audit also provides an opportunity for a third-party to identify reporting errors and omissions as well as to offer suggestions for improvements.

The Auditor's *Final Financial Statements with Independent Auditor's Report* (Report) is Attachment A. On page 1 of the report is a clear statement that:

"James, Marta & Company, LLP, found that the accompanying financial statements present fairly, in all material respects, the financial position of the governmental activities, the general fund and the aggregate remaining fund information of the Commission as of June 30, 2024 and 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States."

On pages 4-9 of the Report is the Management Discussion and Analysis (MD&A), as written by Solano LAFCO staff and reviewed by the Auditor for accuracy. Included in the MD&A are the following Financial Highlights:

- Net Position¹: The Commission finished June 30, 2024, with a net position of \$1,000,369; a decrease of \$47,549 from the prior year. June 30, 2023, ended with a net position of \$1,047,918; an increase of \$231,888 from the prior year. (MD&A Section IV)
- Fund Balance²: The Commission finished June 30, 2024, with a fund balance of \$1,155,384; and June 30, 2023, with \$1,205,836. The entire fund balance is unassigned and includes the Commission's contingency designated reserve of 20% of annual budgeted expenditures in any given year. (MD&A Section V)

Conclusion:

Staff agrees with the statements in the final reports. Staff recommends that the Commission receive, review, adopt, and direct staff to file the FY 2024 and 2023 Independent Auditor's Final Report.

Attachments:

Attachment A – Financial Statements with Independent Auditor's Report for the Fiscal Years ended June 30, 2024, and 2023

1 Net position is the difference between all of the Commission's assets, deferred outflows, liabilities, and deferred inflows. The Commission has no capital assets and no restricted net position. The net position includes all pension and post-employment liabilities.

2 The Commission's fund balance includes unassigned fund balance (the residual classification for the general fund and includes the contingency reserve fund of not less than 20% of annual budgeted expenditures in any given year intended for extraordinary, unbudgeted, and high-priority expenditures).

Attachment A



James Marta & Company LLP
Certified Public Accountants
Accounting, Auditing, Consulting, and Tax

**COMMUNICATION WITH THOSE CHARGED
WITH GOVERNANCE**

May 15, 2025

Commissioners
 Local Agency Formation Commission of Solano County
 Fairfield, California

We have audited the financial statements of Local Agency Formation Commission of Solano County (the Commission) as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements and have issued our report thereon dated May 15, 2025. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated February 3, 2025, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

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

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

Planned Scope and Timing of the Audit

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

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm has complied with all relevant ethical requirements regarding independence.

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We follow the AICPA Ethics Standard Rule 201C, in conjunction with this, we annually review with all engagement staff potential conflicts and obtain a conflict certification. In addition, we inquire on each engagement about potential conflicts with staff. We have not identified any relationships or other matters that in the auditor's judgment may be reasonably thought to bear on independence.

Significant Risks Identified

We did not identify any accounts to be significant risks.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Commission is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year audited. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. However, there are upcoming Governmental Accounting Standards that we have listed in Attachment I.

Significant Accounting Estimates

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

The most significant accounting estimates affecting the financial statements are the Commission's proportionate share of net pension liability. The estimate of the Commission's proportionate share of net pension liability is based on an actuarial study. We evaluated key factors and assumptions used to develop the estimates and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The pension disclosures included in footnote 5, required significant judgement to calculate the Commission's proportionate share of the net pension liability for CalPERS.

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Significant Unusual Transactions

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. The following significant unusual transactions identified as a result of our audit procedures were brought to the attention of management:

None.

Identified or Suspected Fraud

We have not identified or obtained information that indicates that fraud may have occurred.

Significant Difficulties Encountered during the Audit

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

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. There were no uncorrected misstatements identified as a result of our audit procedures.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. In the current year, no uncorrected misstatements were identified as a result of our audit procedures. The attached schedule of audit adjustments was identified as a result of our audit procedures were brought to the attention of, and corrected by, management. (See attachment II)

Disagreements with Management

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

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. There were no circumstances that affected the form and content of our auditor's report.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated May 15, 2025. (See attachment III)

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Management's Consultations with Other Accountants

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

Other Significant Matters, Findings, or Issues

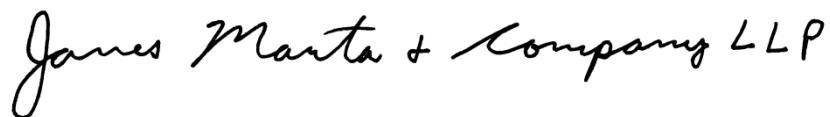
In the normal course of our professional association with the Commission, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect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

Other Services

We have assisted management in preparing the financial statements of the Commission in conformity with U.S. generally accepted accounting principles based on information provided by management.

Management's responsibilities for other services included designating qualified individuals with the skill, knowledge, and experience to be responsible and accountable for overseeing financial statement preparation and any other nonattest services we performed as part of this engagement. Management has represented that they have evaluated the adequacy and results of those services and is accepting responsibility for them.

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



James Marta & Company LLP
Certified Public Accountants
Sacramento, California
May 15, 2025

James Marta & Company LLP
Certified Public Accountants

Upcoming Changes in Accounting Estimates

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the Commission in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the Commission. For the complete text of these and other GASB standards, visit www.gasb.org and click on the "Standards & Guidance" tab. If you have questions regarding the applicability, timing, or implementation approach for any of these standards, please contact your audit team.

GASB Statement No. 101, Compensated Absences
Effective for the fiscal year ending June 30, 2025

The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

The Commission is currently assessing the financial statement impact of GASB 101.

GASB Statement No. 102, Certain Risk Disclosures
Effective for the fiscal year ending June 30, 2025

The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints.

We do not expect this standard to have any significant impact on the Commission.

GASB Statement No. 103, Financial Reporting Model Improvements
Effective for the fiscal year ending June 30, 2026

The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

We do not expect this standard to have any significant impact on the Commission.

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Attachment II
Journal Entry Report

Adjusting Journal Entries

Account	Description	Debit	Credit
Adjusting Journal Entry JE # 1			
To adjust accrued vacation for CY			
0002500	Vacation expense	21,768.00	
0005500	Accrued Vacation		21,768.00
Total		21,768.00	21,768.00
Adjusting Journal Entry JE # 2			
to adjust pension liability accounts			
0005700	Deferred inflows	664.00	
0005800	Deferred outflows	25,449.00	
0002600	Pension Expense		6,916.00
0005600	Pension Liability		19,197.00
Total		26,113.00	26,113.00

Reclassifying Journal Entries

None.

Proposed Journal Entries

None.

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Attachment I
Attachment III
Management Representation Letter



MANAGEMENT REPRESENTATION LETTER

May 15, 2025

James Marta & Company LLP
 Certified Public Accountants
 Sacramento, California

This representation letter is provided in connection with your audit of the governmental activities, the general fund of Local Agency Formation Commission of Solano County as of June 30, 2024 and 2023 and for the years then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, of the various opinion units of Local Agency Formation Commission of Solano County in accordance with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of May 15, 2025.

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated February 3, 2025 for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
- We acknowledge that we are responsible for distributing the issued report as well as the communication with governance letter and internal control letter to all governing board members.

Commissioners

John Vasquez, Chair • Nancy Shopay, Vice Chair • Mitch Mashburn • Steve Bird • John Carli

Alternate Commissioners

Alma Hernandez • Wanda Williams • Jack Batchelor

Staff

Rich Seithel, Executive Officer • Christina Love, Deputy Executive Officer • Aaron Norman, Analyst II • Tyra Hays, Project Specialist • Jeffrey Lum, Project Specialist • Sam Bass, Office Administrator/Clerk • Mala Subramanian, Lead Legal Counsel

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Attachment III
Management Representation Letter

- We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- We have a process to track the status of audit findings and recommendations.
- We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- The effects of uncorrected misstatements summarized in the attached schedule and aggregated by you during the current engagement are immaterial, both individually and in the aggregate, to the applicable opinion units and to the financial statements as a whole.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- We have reviewed and approved the adjusting journal entries reflected in the audit statements and Attachment A.
- All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
- All funds and activities are properly classified.
- All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus* as amended, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
- All components of net position, nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.
- All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
- All interfund and intra-entity transactions and balances have been properly classified and reported.
- Special items and extraordinary items have been properly classified and reported.
- Deposit and investment risks have been properly and fully disclosed.
- Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
- All required supplementary information is measured and presented within the prescribed guidelines.
- With regard to investments and other instruments reported at fair value:

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Certified Public Accountants

Attachment III
Management Representation Letter

- The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
- The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
- The disclosures related to fair values are complete, adequate, and in accordance with U.S. GAAP.
- There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
- With respect to preparation of the financial statements, reconciliation of long-term debt, GASB 34 conversion entries, and Pension calculations and related disclosures, we have performed the following:
 - Made all management decisions and performed all management functions;
 - Assigned a competent individual to oversee the services;
 - Evaluated the adequacy of the services performed;
 - Evaluated and accepted responsibility for the result of the service performed; and
 - Established and maintained controls, including a process to monitor the system of internal control.

Information Provided

- We have provided you with:
 - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
- We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- Local Agency Formation Commission of Solano County has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- We have disclosed to you all guarantees, whether written or oral, under which Local Agency Formation Commission of Solano County is contingently liable.

- We have disclosed to you all nonexchange financial guarantees, under which we are obligated and have declared liabilities and disclosed properly in accordance with GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, for those guarantees where it is more likely than not that the entity will make a payment on any guarantee.
- For nonexchange financial guarantees where we have declared liabilities, the amount of the liability recognized is the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. Where there was no best estimate but a range of estimated future outflows has been established, we have recognized the minimum amount within the range.
- We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
- We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- There are no:
 - Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
 - Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
 - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62
- Local Agency Formation Commission of Solano County has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
- We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

Pension and Postretirement Benefits

- We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefit liabilities and costs for financial accounting purposes are appropriate in the circumstances.
- We are unable to determine the possibility of a withdrawal liability in a multiemployer benefit plan.

Required Supplementary Information

With respect to the required supplementary information accompanying the financial statements:

- We acknowledge our responsibility for the presentation of the required supplementary information in accordance with accounting principles generally accepted in the United States of America and Governmental Accounting Standards.

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Certified Public Accountants

Attachment I
Attachment III
Management Representation Letter

- We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with accounting principles generally accepted in the United States of America and Governmental Accounting Standards.
- The methods of measurement or presentation have not changed from those used in the prior period.

To the best of our knowledge and belief, no events have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.



Richard Seithel, LAFCO Executive Officer

James Marta & Company LLP
Certified Public Accountants

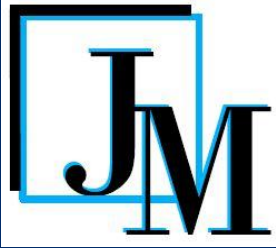
Attachment III
Management Representation Letter

Attachment A
Journal Entry Report

Adjusting Journal Entries

Account	Description	Debit	Credit
Adjusting Journal Entry JE # 1			
To adjust accrued vacation for CY			
0002500	Vacation expense	21,768.00	
0005500	Accrued Vacation		21,768.00
Total		21,768.00	21,768.00
Adjusting Journal Entry JE # 2			
to adjust pension liability accounts			
0005700	Deferred inflows	664.00	
0005800	Deferred outflows	25,449.00	
0002600	Pension Expense		6,916.00
0005600	Pension Liability		19,197.00
Total		26,113.00	26,113.00

Attachment I



JAMES MARTA & COMPANY LLP

**LOCAL AGENCY FORMATION COMMISSION
OF SOLANO COUNTY**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT**

**FOR THE FISCAL YEARS ENDED
JUNE 30, 2024 AND 2023**

WWW.JPMCPA.COM

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SACRAMENTO, CA 95825

(916) 993-9494
(916) 993-9489 FAX

LOCAL AGENCY FORMATION COMMISSION OF SOLANO COUNTY

JUNE 30, 2024 AND 2023

COMMISSION MEMBERS

John Vasquez
Solano County Supervisor

Nancy Shopay
Public Member

Mitch Mashburn
Solano County Supervisor

Steve Bird
Mayor of Dixon City

John Carli
Mayor of Vacaville City

ALTERNATE COMMISSION MEMBERS

Wanda Williams
Solano County Supervisor

Alma Hernandez
Mayor of Suisun City

Jack Batchelor
Public Member

LOCAL AGENCY FORMATION COMMISSION OF SOLANO COUNTY
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James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

INDEPENDENT AUDITOR'S REPORT

To the Commissioners of
 Local Agency Formation Commission of Solano County
 Fairfield, California

Opinions

We have audited the financial position of the governmental activities, the general fund and the aggregate remaining fund information of the Local Agency Formation Commission of Solano County (the Commission), as of and for the years ended June 30, 2024 and 2023, and the related Statement of Governmental Fund Revenues, Expenses and Changes in Fund Balance and Statement of Activities and notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the governmental activities, the general fund and the aggregate remaining fund information of the Commission as of June 30, 2024 and 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

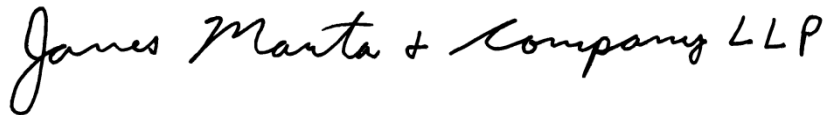
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion, Analysis, Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget (Non-GAAP) and Actual - General Fund 2024 and 2023, Schedule of Proportionate Share of Net Pension Liability and Schedule of Contributions 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 May 15, 2025 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
May 55, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

LOCAL AGENCY FORMATION COMMISSION OF SOLANO COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024 AND 2023

The Management's Discussion and Analysis (MD&A) provides an overview of the financial activities of the Local Agency Formation Commission of Solano County, California (the Commission) for the fiscal years ending on June 30, 2024, and June 30, 2023. These statements below are supported by notes to the basic financial statements within the Independent Auditor's Report.

I. General Financial Highlights: Net Position vs. Fund Balance

- Net Position¹: The Commission finished June 30, 2024, with a net position of \$1,000,369; a decrease of \$47,549 from the prior year. June 30, 2023, ended with a net position of \$1,047,918; an increase of \$231,888 from the prior year. (MD&A Section IV)
- Fund Balance²: The Commission finished June 30, 2024, with a fund balance of \$1,155,384; and June 30, 2023, with \$1,205,836. The entire fund balance is unassigned and includes the Commission's contingency designated reserve of 20% of annual budgeted expenditures in any given year. (MD&A Section V)

II. Office Activities for FY 2024 and FY 2023

Fiscal Years 2024 and 2023 experienced staffing growth. Growth was necessary as workload continued to increase with projects that were complicated, complex, and longer-term projects. A brief summary of each year's notable events is as follows:

FY 2024

- **Staffing:** The FY 24 Final Budget was adjusted to include hiring a fifth employee for a new job classification position: Project Specialist. Therefore, FY 24 included salaries and benefits for five full-time employees: an Executive Officer position, a Deputy Executive Officer position, an Analyst II position, and an Office Administrator/Clerk position, and a new Project Specialist position. The new Project Specialist Position was filled in September 2023.
- **Workplan:** The LAFCO offices relocated in September 2023 to a temporary location because it outgrew the space available. During the year, LAFCO conducted a policy audit that resulted in several policy updates. The Commission completed the following projects: Rural North Vacaville Water District Sphere of Influence; a Gov. Code §56134 Contract for Fire Services between the City of Fairfield and Cordelia Fire Protection District; a group of nine island annexations for the City of Fairfield; and several detachments for special districts. Staff began working on municipal service reviews for the four cemetery districts within Solano County.

1 Net position is the difference between all of the Commission's assets, deferred outflows, liabilities, and deferred inflows. The Commission has no capital assets and no restricted net position. The net position includes all pension and post-employment liabilities.

2 The Commission's fund balance includes unassigned fund balance (the residual classification for the general fund and includes the contingency reserve fund of not less than 20% of annual budgeted expenditures in any given year intended for extraordinary, unbudgeted, and high-priority expenditures).

LOCAL AGENCY FORMATION COMMISSION OF SOLANO COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024 AND 2023

FY 2023

- **Staffing:** The Final Budget including hiring a 4th full-time employee to fill a new job classification position for an Office Administrator/Clerk. Therefore, the FY 23 final budget projected salaries and benefits for 4 full-time employees: an Executive Officer position, a Deputy Executive Officer position, an Analyst II position, and a new Office Administrator/Clerk position. However, the fiscal year started with a vacant analyst position which was not filled until October 2022. Filling the position for the Office Administrator/Clerk was delayed because the anticipated office relocation was delayed, therefore the position was not filled until the end of May 2024. The extended vacancies resulted in a decrease in benefits and salary expenses (categorized as Employee Services). Office Supply expenses were higher because of the necessary equipment needed for fourth employee.
- **Workplan:** Staff began the process of planning to relocate the LAFCO offices for a temporary location, which was anticipated in spring 2023 (ultimately delayed until fall 2023). Staff continued working on the Fire District Reorganization and began analyzing a Gov. Code §56134 Contract for Fire Services between the City of Fairfield and Cordelia Fire Protection District. Additionally, staff completed the Rural North Vacaville Water District MSR; a biennial audit; and began the Solano Irrigation District Municipal Service Review. The Commission completed several applications for annexations or detachments from Rural North Vacaville Water District and Solano Irrigation District. Staff also negotiated a group of island annexations for the City of Fairfield.

III. Basic Financial Statements

The Commission's basic financial statements are comprised of government-wide financial statements and fund financial statements.

1. Government-wide financial statements (Section IV). The government-wide financial statements include the financial activities of the overall government. 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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.
2. Fund financial statements (page 12-14). Fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances. These statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. They 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.
3. Governmental funds (Section V). Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. 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 has one governmental fund.
4. Other information (pages 31-35). In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Commission's budgetary comparison schedule for the General Fund and the schedule of funding progress for the retirement program.

LOCAL AGENCY FORMATION COMMISSION OF SOLANO COUNTY**MANAGEMENT'S DISCUSSION AND ANALYSIS****JUNE 30, 2024 AND 2023****IV. Government-wide Financial Analysis**

Government-wide Financial Statements are prepared on an accrual basis, which means they measure the flow of all economic resources of the Commission as a whole. The statement of net position and the statement of activities present information about the following:

The statement of net position provides information about the financial position of the Commission as a whole, including any capital assets and long-term liabilities on a full accrual basis. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating. (page 10)

The statement of activities provides information about all of the Commission's revenues and all of its expenses, also on a full accrual basis, with emphasis on measuring net revenues or expenses of the Commission's programs. The statement of activities explains in detail the change in Net Position for the year. Revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. (page 11)

In the case of the Commission, the net position was \$1,000,369 on June 30, 2024 and \$1,047,918 at June 30, 2023. The Commission's net position is entirely categorized as unrestricted net position which may be used to meet the Commission's ongoing obligations to citizens and creditors. Governmental activities decreased the Commission's net position by \$47,549 during FY 2024 and increased the Commission's net position by \$231,888 during FY 2023. The reasons for the increases are explained in Section II, and in the following table and discussion.

SUMMARY OF NET POSITION

	As of June 30:		
	2024	2023	2022
Current Assets	\$ 1,193,249	\$ 1,205,836	\$ 861,736
Total Assets	1,193,249	1,205,836	861,736
Deferred outflows of resources related to pensions	125,108	99,659	83,889
Current Liabilities	82,516	92,531	85,562
Long-Term Liabilities	234,036	162,946	43,698
Total Liabilities	316,552	255,477	129,260
Deferred inflows of resources related to pensions	1,436	2,100	335
Net Position	\$ 1,000,369	\$ 1,047,918	\$ 816,030

LOCAL AGENCY FORMATION COMMISSION OF SOLANO COUNTY**MANAGEMENT'S DISCUSSION AND ANALYSIS****JUNE 30, 2024 AND 2023**

Assets: Assets refer to cash and investments, prepaid expenses, and deposits with other agencies. The Commission's assets primarily consist of cash and investments, which is the accumulated fund balance at the end of each fiscal year. The Commission is required to participate in Solano County's external investment pool because Solano County holds the Commission's cash deposit and investments.

- Current assets decreased by \$12,587 from FY 2023 to 2024. This decrease is reflective of an increase in service and supply expenses related to the office relocation into a larger office space to accommodate increases in staff (cost of move and increase in lease cost). LAFCO also entered into a lease for a wide-format plotter/map printer. Additionally, in FY 23 the Solano County Surveyor began to back-charge LAFCO for time spent reviewing previously approved project maps. This was an unexpected and unknown expense which resulted in a decrease in cash and investments for FY 24.

Liabilities: Liabilities represent financial obligations of an entity to transfer assets or provide services to other entities in the future as a result of past transactions or events. Current liabilities refer to obligations due within one year or the governmental unit's normal operating cycle, such as accounts payable, outstanding warrants/checks, and unearned revenue. Whereas long-term liabilities refer to any debts over one year, such as leases, pensions, and compensated absences.

- Current liabilities decreased by \$10,015 from FY 2023 to 2024. The primary reason for the decrease staff completed several projects in FY 23 and FY 24, but few new applications were submitted. When a project is completed, funds are transferred from unearned revenues into charges for service revenues. With fewer new applications, the liability account for unearned revenues was less.
- Long-term liabilities increased by \$71,090 because of staffing increasing from two employees to five employees.

V. Financial Analysis of the Commission's Governmental Funds

The Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The "General Fund" is a governmental fund type employed to account for general government functions of the Commission. The focus of the Commission's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. (pages 10-11)

SUMMARY CHANGES IN NET POSITION

	For the Year Ended June 30:		
	2024	2023	2022
Revenues	\$ 960,187	\$ 926,867	\$ 789,536
Expenditures	(1,007,736)	(694,979)	(558,872)
Excess (Deficiency)	<u>\$ (47,549)</u>	<u>\$ 231,888</u>	<u>\$ 230,664</u>
	As of June 30:		
	2024	2023	2022
Fund Balances	\$ 1,081,283	\$ 1,113,305	\$ 776,174
Net Position	\$ 1,000,369	\$ 1,047,918	\$ 816,030

LOCAL AGENCY FORMATION COMMISSION OF SOLANO COUNTY**MANAGEMENT'S DISCUSSION AND ANALYSIS****JUNE 30, 2024 AND 2023**

Revenues: Revenues include intergovernmental contributions, program revenues/charges for services (application fees), and interest income. Intergovernmental revenues totaled \$895,788 in both FY 2024 FY 2023.

- Intergovernmental contributions remained the same in both FY 2023 and 2024 because of authorized fund balance allocations with the approved budgets.
- Program revenues remained relatively the same in both FY 2023 and 2024 of \$52,000 and \$53,000 because of staff's ability to complete and close projects, allowing fees to be transferred from unearned revenue to actual revenue.

Expenses: Expenses refer to employee services (payroll), professional and contract services, office supplies and equipment, office space and equipment rentals, memberships, and travel. Expenses totaled \$1,045,209 in FY 2024 and \$641,736 in FY 2023. (page 14)

- The increase in FY 2024 is due to the increase in staff, equipping an office for new staff, and the cost relocating the LAFCO offices and equipment. Professional Services increased because the service costs from Solano County GIS and County Surveyor increased. Lastly, the new office location was larger than the former space and therefore cost more.
- In FY 2023, Employee Services increased because of increased staffing with associated office supplies and expenses related to equipping a new office.

Fund Balance: The fund balance consists of all unspent and unrestricted funds at the end of the year, which includes monies in the Commission's 20% designated reserve. Fund balance is also affected by the cost of covering liabilities – such as being able to payout pension liability and compensated absences, should a staff person retire or leave.

- The fund balance increased by \$337,131 on June 30, 2023; and decreased by \$32,022 on June 30, 2024.
 - o In FY 24, project applications submitted the prior year were completed and closed, creating realized revenues. However, staffing increased again, along with the associated office expenses for equipping a new position. The expenses for the new staff position were not included in the intergovernmental charges, but were part of an adjusted final budget with an approved fund balance allocation. Therefore, the revenues from intergovernmental charges do not reflect the adjusted expense for a fifth employee.
 - o In the FY 23, relocation expenses and contract expenses that were included in the intergovernmental charges were unrealized and therefore were added to the fund balance. Additionally, project applications submitted the prior year were completed and closed, creating realized revenues.

LOCAL AGENCY FORMATION COMMISSION OF SOLANO COUNTY**MANAGEMENT'S DISCUSSION AND ANALYSIS****JUNE 30, 2024 AND 2023**

VI. Debt Administration

Long-term obligations: Long-term obligations are the long-term liabilities for compensated absences (vacation, sick pay, and administrative leave) and net pension liabilities. This amount shown is entirely backed by the full faith and credit of the Commission. (page 22)

- June 30, 2024, reflected a balance of \$203,911 which consisted of \$115,130 of compensated absences and \$88,781 of pension liability. Both increased from the prior year because of the addition of one employee, totaling five employees.
- June 30, 2023, reflected a balance of \$162,946 which consisted of \$93,362 in compensated absences and \$69,584 in pension liability. Both increase from the prior year because of the addition of one employees, totaling four employees.

VII. Requests for Information

This financial report is designed to provide a general overview of the Commission's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Solano Local Agency Formation Commission, 601 Texas Street, 2nd Floor, Fairfield, CA 94533.

BASIC FINANCIAL STATEMENTS

LOCAL AGENCY FORMATION COMMISSION OF SOLANO COUNTY**STATEMENT OF NET POSITION****JUNE 30, 2024 AND 2023**

	2024	2023
ASSETS		
Cash and investments	\$ 1,151,850	\$ 1,205,592
Accounts receivable	-	96
Deposits with others	235	148
Due from other agencies	3,299	-
Right-to-use lease asset, net	37,865	-
Total Assets	1,193,249	1,205,836
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions (note 5)	125,108	99,659
LIABILITIES		
Accounts payable and accrued expenses	26,434	12,788
Outstanding warrants	996	2,625
Due to other agencies	9,140	5,511
Unearned revenue	37,531	71,607
Lease liability		
Due within one year	8,415	-
Due in more than one year	30,125	-
Compensated absences	115,130	93,362
Net pension liability	88,781	69,584
Total Liabilities	316,552	255,477
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions (note 5)	1,436	2,100
NET POSITION		
Unrestricted	1,000,369	1,047,918
Total Net Position	\$ 1,000,369	\$ 1,047,918

See accompanying notes to the basic financial statements.

LOCAL AGENCY FORMATION COMMISSION OF SOLANO COUNTY
STATEMENT OF NET ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
EXPENSES:		
Employee Services	\$ 781,236	\$ 566,662
Professional Services	180,646	107,694
Rent Expense	41,087	23,733
Non Capitalized expense	3,457	6,381
Supplies	6,052	1,233
Insurance	8,317	7,025
Memberships	9,822	9,122
Communication	8,055	6,816
Travel	12,956	12,718
Miscellaneous	9,108	5,595
	<u>1,060,736</u>	<u>746,979</u>
Program revenues:		
Charges for services	<u>53,000</u>	<u>52,000</u>
	<u>1,007,736</u>	<u>694,979</u>
General revenues		
Intergovernmental Revenue	895,788	895,788
Interest Income	<u>64,399</u>	<u>31,079</u>
	<u>960,187</u>	<u>926,867</u>
Change in net position	<u>(47,549)</u>	<u>231,888</u>
Net position beginning	<u>1,047,918</u>	<u>816,030</u>
Net position - ending	<u><u>\$ 1,000,369</u></u>	<u><u>\$ 1,047,918</u></u>

See accompanying notes to the basic financial statements.

LOCAL AGENCY FORMATION COMMISSION OF SOLANO COUNTY
GOVERNMENTAL FUND BALANCE SHEET

JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash and investments	\$ 1,151,850	\$ 1,205,592
Accounts receivable	-	96
Deposits with others	235	148
Due from other agencies	<u>3,299</u>	<u>-</u>
Total Assets	<u>1,155,384</u>	<u>1,205,836</u>
LIABILITIES		
Accounts payable and accrued expenses	26,434	12,788
Outstanding warrants	996	2,625
Due to other agencies	9,140	5,511
Unearned revenue	<u>37,531</u>	<u>71,607</u>
Total Liabilities	<u>74,101</u>	<u>92,531</u>
FUND BALANCE		
Unassigned	<u>1,081,283</u>	<u>1,113,305</u>
Total fund balance	<u>1,081,283</u>	<u>1,113,305</u>
Total Liabilities and Fund Balances	<u><u>\$ 1,155,384</u></u>	<u><u>\$ 1,205,836</u></u>

See accompanying notes to the basic financial statements.

LOCAL AGENCY FORMATION COMMISSION OF SOLANO COUNTY
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF NET POSITION

FOR THE FISCAL YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Total fund balances - governmental funds	\$ 1,081,283	\$ 1,113,305
<p>Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:</p> <p>Capital assets, lease assets, and subscription assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation, lease assets and accumulated amortization, and subscription assets and accumulated amortization.</p>		
Lease assets relating to governmental activities, net	37,865	-
<p>Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:</p>		
Net pension liability	(88,781)	(69,584)
Compensated absences payable	(115,130)	(93,362)
Lease liability	(38,540)	-
<p>Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are:</p>		
Deferred outflows of resources related to pensions	125,108	99,659
Deferred inflows of resources related to pensions	<u>(1,436)</u>	<u>(2,100)</u>
Total net position, governmental activities:	<u>\$ 1,000,369</u>	<u>\$ 1,047,918</u>

See accompanying notes to the basic financial statements.

LOCAL AGENCY FORMATION COMMISSION OF SOLANO COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

FOR THE FISCAL YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
REVENUES:		
Intergovernmental Contributions	\$ 895,788	\$ 895,788
Charges for Services	53,000	52,000
Interest Income	64,399	31,079
Total revenues	<u>1,013,187</u>	<u>978,867</u>
EXPENSES:		
Employee Services	766,384	461,419
Professional Services	180,646	107,694
Rent Expense	40,412	23,733
Non Capitalized expense	3,457	6,381
Supplies	6,052	1,233
Insurance	8,317	7,025
Memberships	9,822	9,122
Communication	8,055	6,816
Travel	12,956	12,718
Miscellaneous	9,108	5,595
Total expenditures/expenses	<u>1,045,209</u>	<u>641,736</u>
Excess/ (deficiency) of revenues over/ (under) expenditures	(32,022)	337,131
FUND BALANCES:		
Beginning of the Year	<u>1,113,305</u>	<u>776,174</u>
Ending of the Year	<u><u>\$ 1,081,283</u></u>	<u><u>\$ 1,113,305</u></u>

See accompanying notes to the basic financial statements.

LOCAL AGENCY FORMATION COMMISSION OF SOLANO COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE
STATEMENT OF ACTIVITIES

FOR THE FISCAL YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Total net change in fund balances - governmental funds	\$ (32,022)	\$ 337,131
Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:		
Capital outlay: In governmental funds, the costs of capital assets, lease assets and subscription assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets, lease assets and subscription assets are allocated over their estimated useful lives and their lease terms as depreciation expense and amortization expense respectively. The difference between capital outlay expenditures and depreciation expense and amortization expense for the period is:		
Amortization expense	8,894	-
Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:		
	(9,569)	-
Compensated absences in governmental funds are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:		
Compensated absences payable	(21,768)	(26,574)
Pensions: In government funds, pension costs are recognized when employer contributions are made in the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:		
	<u>6,916</u>	<u>(78,669)</u>
Total change in net position - governmental activities	<u>\$ (47,549)</u>	<u>\$ 231,888</u>

See accompanying notes to the basic financial statements.

LOCAL AGENCY FORMATION COMMISSION OF SOLANO COUNTY**NOTES TO THE BASIC FINANCIAL STATEMENTS****JUNE 30, 2024 AND 2023****1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****A. ORGANIZATION**

Local Agency Formation Commissions of Solano County (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 PRESENTATIONGovernment-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

LOCAL AGENCY FORMATION COMMISSION OF SOLANO COUNTY**NOTES TO THE BASIC FINANCIAL STATEMENTS****JUNE 30, 2024 AND 2023**

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 ACCOUNTINGGovernment-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

LOCAL AGENCY FORMATION COMMISSION OF SOLANO COUNTY**NOTES TO THE BASIC FINANCIAL STATEMENTS****JUNE 30, 2024 AND 2023**

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

LOCAL AGENCY FORMATION COMMISSION OF SOLANO COUNTY**NOTES TO THE BASIC FINANCIAL STATEMENTS****JUNE 30, 2024 AND 2023**

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.

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

LOCAL AGENCY FORMATION COMMISSION OF SOLANO COUNTY**NOTES TO THE BASIC FINANCIAL STATEMENTS****JUNE 30, 2024 AND 2023**

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.

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.

N. FINANCING LEASES

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. The long-term liability and corresponding asset for financial leases are recorded in the financial statements to the extent that the Commission's lease capitalization threshold is met, \$30,000. Amortization of related assets using the straight-line method over the life of the contract. As of June 30, 2024, the Commission has a copier lease that meets the threshold, with the minimum payment as follows:

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Minimum Payment</u>
2025	\$ 8,415
2026	8,803
2027	9,210
2028	9,631
2029	2,481
	<u>\$ 38,540</u>

LOCAL AGENCY FORMATION COMMISSION OF SOLANO COUNTY**NOTES TO THE BASIC FINANCIAL STATEMENTS****JUNE 30, 2024 AND 2023****2. CASH AND INVESTMENTS**

Cash and investments as of June 30, 2024 and 2023 consisted of Cash in County Treasury of \$1,151,850 and \$1,205,592, 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, 2024 is 354 days and was 347 days as of June 30, 2023. 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, 2024 are as follows:

Description	Level 1	Level 2	Level 3	Total
US Agency, Treasury & Municipal Notes (USATM):				
US Agency Notes:	\$ 630,983	\$ -	\$ -	\$ 630,983
US Treasury Notes:	236,770	-	-	236,770
Municipal Notes:	38,688	-	-	38,688
Corporate Stocks	41,929	-	-	41,929
LAIF	19,553	12,606	-	32,159
Money Market Accounts	-	168,355	-	168,355
Cash Held in Bank	2,965	-	-	2,965
Total	\$ 970,889	\$ 180,961	\$ -	\$ 1,151,850

LOCAL AGENCY FORMATION COMMISSION OF SOLANO COUNTY**NOTES TO THE BASIC FINANCIAL STATEMENTS****JUNE 30, 2024 AND 2023****2. CASH AND INVESTMENTS (continued)**

Investments' fair value measurements at June 30, 2023 are as follows:

Description	Level 1	Level 2	Level 3	Total
US Agency, Treasury & Municipal Notes (USATM):				
US Agency Notes:	\$ 765,956	\$ -	\$ -	\$ 765,956
US Treasury Notes:	179,130	-	-	179,130
Municipal Notes:	55,963	-	-	55,963
Supranationals	5,835	-	-	5,835
Corporate Stocks	61,450	-	-	61,450
LAIF	18,087	11,662	-	29,749
Money Market Accounts	-	102,526	-	102,526
Cash Held in Bank	4,982	-	-	4,982
Total	\$ 1,091,404	\$ 114,188	\$ -	\$ 1,205,592

3. LONG-TERM OBLIGATIONS

The commission has long-term liabilities for compensated absences and net pension liabilities. The summaries for June 30, 2024 and 2023 are as follows:

	Balance June 30, 2023	Additions	Deletions	Balance June 30, 2024	Balance Due In One Year
Net pension liability (asset)	\$ 69,584	\$ 19,197	\$ -	\$ 88,781	\$ -
Compensated Absences	93,362	21,768	-	115,130	-
Totals	\$ 162,946	\$ 40,965	\$ -	\$ 203,911	\$ -

	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023	Balance Due In One Year
Net pension liability	\$ (23,090)	\$ 92,674	\$ -	\$ 69,584	\$ -
Compensated Absences	66,788	26,574	-	93,362	-
Totals	\$ 43,698	\$ 119,248	\$ -	\$ 162,946	\$ -

LOCAL AGENCY FORMATION COMMISSION OF SOLANO COUNTY**NOTES TO THE BASIC FINANCIAL STATEMENTS****JUNE 30, 2024 AND 2023**

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. The Commission's lease agreement ended as of December 31, 2022, and entered into the month-to-month invoice arrangement based on the previous payment schedule, with The County of Solano until September 6, 2023. As of September 7, 2023, the Commission moved to a temporary office building, from 675 Texas, suite 6700 to 601 Texas, 2nd floor, continuing the month-to-month invoice arrangement.

Total building rent expense for the years ended June 30, 2024 and 2023 was \$32,704 and \$17,820, 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.

LOCAL AGENCY FORMATION COMMISSION OF SOLANO COUNTY**NOTES TO THE BASIC FINANCIAL STATEMENTS****JUNE 30, 2024 AND 2023****5. EMPLOYEE RETIREMENT PLAN (continued)**

The Plans' provisions and benefits in effect as of June 30, 2024 and 2023, respectively, are summarized as follows:

	June 30, 2024		June 30, 2023	
	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Hire Date				
Benefit formula	2.7% @ 55	2.7% @ 62	2.7% @ 55	2.7% @ 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	50 - 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	7.00%	8.25%	7.00%	7.25%
Required employer contribution rates	16.87%	8.00%	14.90%	7.76%

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, 2024 and 2023, the contributions recognized as part of pension expense for the Plan were as follows:

	Miscellaneous	
	June 30, 2024	June 30, 2023
Contributions - employer	\$ 67,790	\$ 42,108
Contributions - employee (paid by employer)	-	-

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

As of June 30, 2024 and 2023, 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 (Asset)	
	June 30, 2024	June 30, 2023
Miscellaneous	\$ 88,781	\$ 69,584

LOCAL AGENCY FORMATION COMMISSION OF SOLANO COUNTY**NOTES TO THE BASIC FINANCIAL STATEMENTS****JUNE 30, 2024 AND 2023****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, 2023, 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, 2022 rolled forward to June 30, 2023 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, 2024 and 2023 was as follows:

Proportion - June 30, 2023	0.001490%
Proportion - June 30, 2024	0.001780%
Change - Increase/(Decrease)	0.000290%

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, 2022, 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, 2021 rolled forward to June 30, 2022 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, 2023 and 2022 was as follows:

Proportion - June 30, 2022	-0.001220%
Proportion - June 30, 2023	0.001490%
Change - Increase/(Decrease)	0.002710%

For the years ended June 30, 2024 and 2023, the Commission recognized pension expense of \$60,875 and \$120,777, respectively. The Commission's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2024		June 30, 2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 5,360	\$ -	\$ 7,130	\$ -
Differences between Expected and Actual Experience	4,535	704	1,397	936
Differences between Projected and Actual Investment Earnings	14,374	-	12,746	-
Differences between Employer's Contributions and Proportionate Share of Contributions	11,616	732	7,725	1,164
Change in Employer's Proportion	21,431	-	28,552	-
Pension Contributions Made Subsequent to Measurement Date	67,792	-	42,109	-
	<u>\$ 125,108</u>	<u>\$ 1,436</u>	<u>\$ 99,659</u>	<u>\$ 2,100</u>

LOCAL AGENCY FORMATION COMMISSION OF SOLANO COUNTY**NOTES TO THE BASIC FINANCIAL STATEMENTS****JUNE 30, 2024 AND 2023****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, 2024. 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, 2024	Year Ended June 30	June 30, 2023
	Deferred Outflows/(Inflows) of Resources		Deferred Outflows/(Inflows) of Resources
2025	\$ 25,337	2024	\$ 23,195
2026	14,965	2025	17,216
2027	15,166	2026	7,243
2028	412	2027	7,796
2029	-	2028	-
Thereafter	-	Thereafter	-
	<u>\$ 55,880</u>		<u>\$ 55,450</u>

Actuarial Assumptions – The total pension liabilities in the June 30, 2023 and 2022 actuarial valuations were determined using the following actuarial assumptions:

June 30, 2023		
	Miscellaneous	Safety
Valuation Date	June 30, 2022	June 30, 2013
Measurement Date	June 30, 2023	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost	
Actuarial Assumptions		
Discount Rate	6.90%	7.50%
Inflation	2.30%	2.75%
Payroll Growth Rate	2.75%	
Projected Salary Increase (1)	Varies by Entry Age and Service	
Investment Rate of Return (2)	6.80%	
Mortality	Derived using CalPERS' Membership Data for all Funds	

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses

LOCAL AGENCY FORMATION COMMISSION OF SOLANO COUNTY**NOTES TO THE BASIC FINANCIAL STATEMENTS****JUNE 30, 2024 AND 2023**

	June 30, 2022	
	Miscellaneous	Safety
Valuation Date	June 30, 2021	June 30, 2013
Measurement Date	June 30, 2022	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost	
Actuarial Assumptions		
Discount Rate	7.15%	7.5%
Inflation	2.50%	2.75%
Payroll Growth Rate	2.75%	
Projected Salary Increase (1)	Varies by Entry Age and Service	
Investment Rate of Return (2)	7.15%	
Mortality	Derived using CalPERS' Membership Data for all Funds	

(1) Net of pension plan investment expenses, including inflation

(2) Net of pension plan investment expenses.

The mortality table used was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 6.90% (7.15% for 2022) 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 6.90% (7.15% for 2022) 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 6.90% (7.15% for 2022) 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 6.90% (7.15% for 2022) 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 6.90% (7.15% for 2022) 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.

LOCAL AGENCY FORMATION COMMISSION OF SOLANO COUNTY**NOTES TO THE BASIC FINANCIAL STATEMENTS****JUNE 30, 2024 AND 2023**

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.

The tables below reflect the long-term expected real rate of return by asset class as of June 30, 2024 and 2023, 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, 2024 and 2023

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	50.00%	4.80%	5.98%
Global Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Infrastructure and Forestland	0.00%	0.00%	0.00%
Liquidity	1.00%	0.00%	-0.92%
	<u>100%</u>		

(a) An expected inflation of 2.00% used for this period

(b) An expected inflation of 2.92% used for this period

LOCAL AGENCY FORMATION COMMISSION OF SOLANO COUNTY**NOTES TO THE BASIC FINANCIAL STATEMENTS****JUNE 30, 2024 AND 2023****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, 2024		
	Discount Rate - 1% 5.90%	Current Discount Rate 6.90%	Discount Rate +1% 7.90%
Plan's Net Pension Liability	\$ 198,658	\$ 88,781	\$ (1,657)

	June 30, 2023		
	Discount Rate - 1% 6.15%	Current Discount Rate 7.15%	Discount Rate +1% 8.15%
Plan's Net Pension Liability	\$ 172,801	\$ 69,584	\$ (15,338)

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, 2024.

LOCAL AGENCY FORMATION COMMISSION OF SOLANO COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

6. SUBSEQUENT EVENTS

Management has reviewed its financial statements and evaluated subsequent events for the period of time from its year ended June 30, 2024, through May 15, 2025, 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, 2024**

	Original and Final Budget	Actual	Budget Variance Favorable (Unfavorable)
REVENUES:			
Intergovernmental contributions	\$ 895,788	\$ 895,788	\$ -
Charges for services	50,000	53,000	3,000
Interest income	5,000	64,399	59,399
Total Revenues	<u>950,788</u>	<u>1,013,187</u>	<u>62,399</u>
EXPENSES:			
Planning services	<u>1,045,559</u>	<u>1,045,209</u>	<u>350</u>
Excess/ (deficiency) of revenues over/ (under) expenditures	(94,771)	(32,022)	62,749
Beginning fund balance	<u>1,047,918</u>	<u>1,113,305</u>	<u>65,387</u>
Ending fund balance	<u>\$ 953,147</u>	<u>\$ 1,081,283</u>	<u>\$ 128,136</u>

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, 2023**

	Original and Final Budget	Actual	Budget Variance Favorable (Unfavorable)
REVENUES:			
Intergovernmental contributions	\$ 895,788	\$ 895,788	\$ -
Charges for services	75,000	52,000	(23,000)
Interest income	3,000	31,079	28,079
Total Revenues	<u>973,788</u>	<u>978,867</u>	<u>5,079</u>
EXPENSES:			
Planning services	<u>1,048,788</u>	<u>641,736</u>	<u>407,052</u>
Excess/ (deficiency) of revenues over/ (under) expenditures	(75,000)	337,131	412,131
Beginning fund balance	<u>816,030</u>	<u>776,174</u>	<u>(39,856)</u>
Ending fund balance	<u>\$ 741,030</u>	<u>\$ 1,113,305</u>	<u>\$ 372,275</u>

SOLANO LOCAL AGENCY FORMATION COMMISSION ORGANIZATION

**SCHEDULE OF COMMISSIONS PROPORTIONATE SHARE
OF NET PENSION LIABILITY**

FOR THE YEAR ENDING JUNE 30, 2024 AND 2023

	June 30, 2014 ⁽¹⁾	June 30, 2015 ⁽¹⁾	June 30, 2016 ⁽¹⁾	June 30, 2017 ⁽¹⁾	June 30, 2018 ⁽¹⁾	June 30, 2019 ⁽¹⁾	June 30, 2020 ⁽¹⁾	June 30, 2021 ⁽¹⁾	June 30, 2022 ⁽¹⁾	June 30, 2023 ⁽¹⁾
Proportion of the net pension liability	0.00091%	0.00102%	0.00097%	0.00094%	0.00091%	0.00086%	0.00109%	0.00122%	0.14900%	0.17800%
Proportionate share of the net pension liability (asset)	\$ 22,529	\$ 27,991	\$ 33,743	\$ 37,102	\$ 34,445	\$ 34,554	\$ 45,991	\$ (69,081)	\$ 69,584	\$ 88,781
Covered-employee payroll ⁽²⁾	\$ 144,690	\$ 82,358	\$ 91,786	\$ 219,919	\$ 241,470	\$ 243,645	\$ 341,282	\$ 304,271	\$ 351,558	\$ 580,063
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%	13.48%	-22.70%	19.79%	15.31%
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%	77.71%	90.49%	90.81%	89.07%
Proportionate share of aggregate employer contributions ⁽³⁾	\$ 16,554	\$ 9,757	\$ 16,483	\$ 34,071	\$ 28,278	\$ 22,967	\$ 37,304	\$ 34,071	\$ 42,108	\$ 67,790

(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, 2024 AND 2023

	Fiscal Year ⁽¹⁾									
	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Actuarially Determined Contribution ⁽²⁾	\$ 16,554	\$ 9,757	\$ 16,483	\$ 19,497	\$ 28,278	\$ 22,967	\$ 37,304	\$ 34,071	\$ 42,108	\$ 67,790
Contributions in relation to the actuarially determined contributions	(16,554)	(9,757)	(16,483)	(34,071)	(28,278)	(22,967)	(37,304)	(34,071)	(42,108)	(67,790)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ (14,574)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll ⁽³⁾	\$ 144,690	\$ 82,358	\$ 91,786	\$ 219,919	\$ 241,470	\$ 243,645	\$ 341,282	\$ 304,271	\$ 351,558	\$ 580,063
Contributions as a percentage of covered-employee payroll ⁽³⁾	11.441%	11.847%	17.958%	8.866%	11.711%	9.426%	10.931%	11.198%	11.978%	11.687%

(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, 2024 AND 2023****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 eight years are shown.

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Valuation Date	June 30, 2022	June 30, 2021
Measurement Date	June 30, 2023	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost	Entry-Age Normal Cost
Actuarial Assumptions		
Discount Rate	6.90%	7.15%
Inflation	2.30%	2.50%
Payroll Growth Rate	2.75%	2.75%
Projected Salary Increase	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment Rate of Return (1)	6.80%	7.15%
Mortality	Derived using CalPERS' Membership Data for all Funds	

(1) Net of pension plan investment expenses, including inflation

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
Local Agency Formation Commission of Solano County
601 Texas Street, 2nd Floor
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, 2024 and 2023, 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 May 15, 2025.

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) as a basis for designing audit procedures that are appropriate in 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.

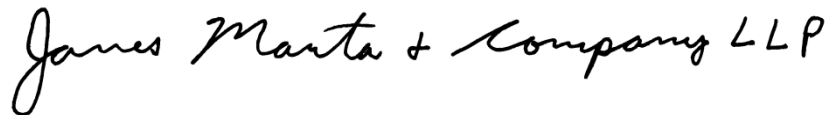
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
May 15, 2025