ORANGE COUNTY
LOCAL AGENCY FORMATION COMMISSION

FINANCIAL STATEMENTS

WITH REPORT ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

JUNE 30, 2015

ORANGE COUNTY
LOCAL AGENCY FORMATION COMMISSION

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June 30, 2015

INDEPENDENT AUDITORS' REPORT

The Commissioners of the Orange County
Local Agency Formation Commission
Santa Ana, California

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Offices located in Orange and San Diego Counties

Opinion

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

Emphasis of a Matter

As discussed in Notes 1D and 10 to the financial statements, the Commission implemented Governmental Accounting Standards Board's Statement No. 68-"*Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*", and Statement No. 71 - "*Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68*". The adoption of these standards required retrospective application resulting in a $1,155,424 reduction of previously reported net position. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the schedule of proportionate share of the net pension liability and the schedule of contributions - defined benefit pension plans as identified in the accompanying table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during the audit of the 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 November 3, 2015, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

White Nelson Diehl Evans LLP

Irvine, California
November 3, 2015

ORANGE COUNTY
LOCAL AGENCY FORMATION COMMISSION

STATEMENT OF NET POSITION

June 30, 2015

		Governmental Activities
ASSETS:		
Cash and investments	$	1,041,179
Receivables, net:		
Accounts		54
Accrued interest		370
Prepaid costs		18,116
Capital assets, net of depreciation		93,715
TOTAL ASSETS		1,153,434
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred amounts from pension		408,831
LIABILITIES:		
Accounts payable		42,697
Accrued liabilities		28,268
Due to other governments		33
Deferred lease incentive		80,672
Noncurrent liabilities:		
Net pension liability		1,303,484
Due within one year		16,866
Due in more than one year		8,433
TOTAL LIABILITIES		1,480,453
DEFERRED INFLOWS OF RESOURCES:		
Deferred amounts from pension		166,140
NET POSITION:		
Net investment in capital assets		93,715
Restricted for special projects		20,650
Unrestricted		(198,693)
TOTAL NET POSITION	$	(84,328)

See accompanying notes to the financial statements.

ORANGE COUNTY
LOCAL AGENCY FORMATION COMMISSION

STATEMENT OF ACTIVITIES

For the year ended June 30, 2015

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position
Functions/programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
General government:		$ 955,458	$ -	$ -	$ 955,458
Salaries and benefits	$ 584,414	-	-	-	(584,414)
Services and supplies	305,617	-	-	-	(305,617)
Refunds of unused deposit	11,490	-	-	-	(11,490)
Total governmental activities	$ 901,521	$ 955,458	$ -	$ -	53,937

General revenues:	
Interest	3,842
Other revenues	336
Loss on disposition of capital assets	(348)
Total general revenues	3,830
Change in net position	57,767
Net Position at Beginning of Year, as Restated	(142,095)
Net Position at End of Year	$ (84,328)

See accompanying notes to the financial statements.

ORANGE COUNTY
LOCAL AGENCY FORMATION COMMISSION

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2015

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and investments	$ 1,015,887	$ 25,292	$ 1,041,179
Receivables:			
Accounts	54	-	54
Accrued interest	370	-	370
Prepaid costs	142,899	-	142,899
TOTAL ASSETS	$ 1,159,210	$ 25,292	$ 1,184,502
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	$ 42,697	$ -	$ 42,697
Accrued liabilities	28,268	-	28,268
Due to other governments	33	-	33
TOTAL LIABILITIES	70,998	-	70,998
FUND BALANCES:			
Nonspendable:			
Prepaid costs	142,899	-	142,899
Restricted for:			
Special projects	-	25,292	25,292
Assigned for:			
Litigation	75,000	-	75,000
Unfunded liabilities	30,000	-	30,000
Unassigned	840,313	-	840,313
TOTAL FUND BALANCES	1,088,212	25,292	1,113,504
TOTAL LIABILITIES AND FUND BALANCES	$ 1,159,210	$ 25,292	$ 1,184,502

See accompanying notes to the financial statements.

ORANGE COUNTY
LOCAL AGENCY FORMATION COMMISSION

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

June 30, 2015

Fund balances - total governmental funds		$ 1,113,504
Amounts reported for governmental activities in the Statement of Net Position are different because:		
The net pension liability is not due and payable in the current period and, therefore, is not reported in the governmental funds.		(1,303,484)
Reclassification of prepaid pension amounts to deferred outflow of resources		(124,783)
Pension related deferred outflows of resources, net of accumulated amortization, have not been reported in the governmental funds:		
Employer contributions subsequent to the measurement date	$ 172,150	
Difference in projected and actual earnings on investments	56,440	
Changes in proportion and differences between employer contributions and the proportionate share of contributions	180,241	408,831
Pension related deferred inflows of resources, net of accumulated amortization, have not been reported in the governmental funds:		
Differences in expected and actual experience	$ (74,802)	
Changes in actuarial assumptions	(91,338)	(166,140)
Capital assets net of depreciation have not been included as financial resources in the governmental funds		93,715
Deferred lease incentive has not been included as financial resources in the governmental funds		(80,672)
Compensated absences have not been included in the governmental funds		(25,299)
Net position of governmental activities		$ (84,328)

See accompanying notes to the financial statements.

ORANGE COUNTY
LOCAL AGENCY FORMATION COMMISSION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the year ended June 30, 2015

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES:			
Charges for services:			
Assessments	$ 926,682	$ -	$ 926,682
Filing fees	-	28,776	28,776
Interest	3,842	-	3,842
Other	336	-	336
TOTAL REVENUES	930,860	28,776	959,636
EXPENDITURES:			
Current:			
General government:			
Salaries and benefits	536,729	11,303	548,032
Services and supplies	297,937	4,473	302,410
Refund of unused deposits from prior years	-	11,490	11,490
Capital outlay	10,961	-	10,961
TOTAL EXPENDITURES	845,627	27,266	872,893
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	85,233	1,510	86,743
FUND BALANCES - BEGINNING OF YEAR, AS RESTATED	1,002,979	23,782	1,026,761
FUND BALANCES - END OF YEAR	$ 1,088,212	$ 25,292	$ 1,113,504

See accompanying notes to the financial statements.

ORANGE COUNTY
LOCAL AGENCY FORMATION COMMISSION

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

For the year ended June 30, 2015

Net change in fund balances - total governmental funds			$	86,743
Amounts reported for governmental activities in the Statement of Activities are different because:				
Pension expense reported in the governmental funds includes the actual contributions made in the fiscal year. Pension expense reported in the Statement of Activities includes the changes in the net pension liability and pension related deferred outflows/inflows of resources.				
Change in net pension liability	$	(115,947)		
Change in deferred outflows of resources related to pensions		251,935		
Change in deferred inflows of resources related to pension		(166,140)		(30,152)
When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in the governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expenses, whereas net position decreases by the amount of depreciation expense charged for the year.				
Capital outlay	$	10,961		
Depreciation expense		(11,552)		
Loss on sale of capital assets		(348)		
				(939)
When a lessor pays for leasehold improvements a deferred lease incentive is recognized in the Statement of Net Position. The deferred lease incentive is amortized over the the lease term. Amortization of this amount reduces rent expense in the Statement of Activities.				8,345
Some of the compensated absences expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds				(6,230)
Change in net position of governmental activities			$	57,767

See accompanying notes to the financial statements.

ORANGE COUNTY
LOCAL AGENCY FORMATION COMMISSION

BUDGETARY COMPARISON STATEMENT
GENERAL FUND

For the year ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Fund balance, July 1, as restated	**$ 1,002,979**	**$ 1,002,979**	**$ 1,002,979**	**$ -**
Resources (inflows):				
Charges for services:				
Assessments	926,682	926,682	926,682	-
Filing fees	-	-	-	-
Refund				-
Interest	2,850	2,850	3,842	992
Other	-	-	336	336
Total resources (inflows)	929,532	929,532	930,860	1,328
Charges to appropriations (outflows):				
Current:				
General government:				
Salaries and benefits	606,826	606,826	536,729	70,097
Services and supplies	367,921	367,921	297,937	69,984
Capital outlay	10,961	10,961	10,961	-
Total charges to appropriations (outflows)	985,708	985,708	845,627	140,081
Excess of resources over (under) charges to appropriations	(56,176)	(56,176)	85,233	141,409
Fund balance, June 30	**$ 946,803**	**$ 946,803**	**$ 1,088,212**	**$ 141,409**

See accompanying notes to the financial statements.

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

A. Description of the Reporting Entity:

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

In 1963, the State Legislature created Local Agency Formation Commissions (Commissions) to help direct and coordinate California's growth in a logical, efficient, and orderly manner. Each county within California is required to have a Commission. The Commissions are charged with the responsibility of making difficult decisions on proposals for new cities and special districts, spheres of influence, consolidations, and annexations.

Prior to July 1, 2001, the Commission was a department of the County of Orange (County). The Commission has separated from the County and is now independent. The Commission's governing board consists of seven appointed board members. Two members are selected by the Orange County Board of Supervisors from their own membership, two are selected by the cities in the County, two are selected from special districts by the independent special district selection committee and one member is selected to represent the general public, who is appointed by the other members of the Commission.

Funding for the Commission operations is equally shared by the County, the 34 Orange County cities and the 27 independent special districts. Although the County of Orange contributes one-third of the Commission funding, the Commission is an independent agency and its budget is not subject to County approval. The Commission is staffed by a total of 4 full-time staff.

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

B. Government-wide and Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Commission. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a function or segment. Program revenues include charges for services that are restricted to meeting the operational or capital requirements of a particular function or segment. Use of money and other items not properly included among program revenues are reported instead as general revenues.

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

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

The Special Revenue Fund is used to account for resources derived from the specific revenue sources which are usually required by law or administrative regulation to be accounted for in separate funds. The Commission utilizes this fund to account for the different special projects.

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

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

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

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

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

Charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

D. New Accounting Pronouncements by the Government Accounting Standards Board (GASB):

Current Year Standards

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

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

D. New Accounting Pronouncements by the Government Accounting Standards Board (GASB) (Continued):

Current Year Standards (Continued)

Accounting changes implemented to conform to the provisions of these statements should be applied retroactively. The result of the implementation of these standards decreased the net position at July 1, 2014 by $1,155,424.

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

Pending Accounting Standards

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

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

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

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

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

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

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

E. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The Commission has three items that qualify for reporting in this category. The first item is a deferred outflow related to pensions resulting from the difference in projected and actual earnings on investments of the pension plan fiduciary net position. This amount is amortized over five years. The second item is a deferred outflow related to pensions for the changes in employer’s proportion and differences between the employer’s contributions and the employer’s proportionate share of contributions This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the Plans determined as of December 31, 2013 (the beginning of the measurement period ended December 31, 2014), which is 6.18 years. The third item is a deferred outflow related to pensions equal to the employer contributions made after the measurement date of the net pension liability.

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 future periods and will not be recognized as an inflow of resources (revenue) until that time. The Commission has two items that qualify for reporting in this category. The first item is a deferred inflow related to pensions resulting from the differences in expected and actual experience in the total pension liability. The second item is a deferred inflow related to pensions resulting from changes in actuarial assumptions. Both of these amounts are amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the Plans determined as of December 31, 2013 (the beginning of the measurement period ended December 31, 2014), which is 6.18 years.

F. Cash and Investments:

Investments are stated at fair value (the value at which a financial instrument could be exchanged, other than in a forced or liquidation sale).

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

G. Prepaid Costs and Deposits:

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid costs in both government-wide and fund financial statements.

H. Capital Assets:

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

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

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

Furniture and fixtures	10 years
Equipment	2 to 5 years
Leasehold improvements	Life of lease
Software	3 Years

I. Net Position and Fund Balances:

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

Net Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding against the acquisition, construction or improvement of those assets.

Restricted Net Position - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

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

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

I. Net Position and Fund Balances (Continued):

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

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

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

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

Assigned Fund Balance - This includes amounts that are designated by the Commissioners for specific purposes. The Commission has designated the fund balance for the following purposes:

<u>Litigation</u> - Funds assigned for costs related to agency legal challenges.

<u>Unfunded Liabilities</u> - Funds assigned to offset anticipated future agency liabilities (i.e., employee vacation and administrative leave payouts).

Unassigned Fund Balance - This is the residual classification that includes all spendable amounts not contained in the other classifications. The Commission has designated $100,000 of the unassigned fund balance to be available for contingencies, such as unforeseen future agency losses and/or urgencies (e.g. property or equipment damage, loss or theft).

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

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

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

J. Pensions:

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

K. Budgets and Budgetary Accounting:

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

L. Use of Estimates:

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

2. CASH AND INVESTMENTS:

Cash and Investments

Cash and investments at June 30, 2015 are classified in the accompanying Statement of Net Position as follows:

Cash and investments	$ 1,041,179

2. CASH AND INVESTMENTS (CONTINUED):

Cash and Investments (Continued)

Cash and investments held at June 30, 2015 consisted of the following:

Demand deposits	$ 427,795
Orange County Investment Fund	542,542
LAIF investments	70,842
Total Cash and Investments	$ 1,041,179

Investments Authorized by the Commission's Investment Policy

The Commission's investment policy is reviewed and adopted by the Commission each year. Regarding allowable investment types, the investment policy is more conservative and restrictive than the investment vehicles authorized by Section 53600.5 of the California Government Code. Investment vehicles not specifically identified in the Commission's investment policy are not authorized unless the policy is amended by the Board of Commissioners. Investments are limited to:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
United States Government Sponsored Agency Securities	5 years	None	40%
Negotiable Certificates of Deposit*	5 years	30%	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Orange County Investment Pool	N/A	None	None

N/A - Not Applicable

* - Issued by a nationally or state chartered bank, a state or federal savings and loan association, or savings bank with ratings equivalent by Fitch to be F 1 or better.

2. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Commission manages its exposure to interest rate risk is by investing in the portfolio of the State Local Agency Investment Fund (LAIF) and the Orange County Investment Pool which purchase a combination of shorter term and longer term investments. As of June 30, 2015, the Commission had investments in the Local Agency Investment Fund and the Orange County Investment Pool that act as demand deposits and are not exposed to any interest rate risk as described above.

Disclosures Relating to Credit Risk

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

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party. Deposits may be covered by federal deposit insurance. The California Government Code and the Commission's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The market value of the pledged securities in the collateral pool must equal at 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Commission deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Any deposits in excess of depository insurance limits at the end of the year are collateralized by securities held at the depository financial institution's trust department.

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF and the Orange County Investment Pool).

2. CASH AND INVESTMENTS (CONTINUED):

Investment in State Investment Pool

The Commission is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Commission's investment in this pool is reported in the accompanying financial statements at amounts based upon the Commission's pro rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Investment in County Investment Pool

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

3. CAPITAL ASSETS:

A summary of changes in capital assets for the year ended June 30, 2015 is as follows:

Governmental Activities

	Balance at July 1, 2014	Additions	Deletions	Balance at June 30, 2015
Capital assets, being depreciated:				
Furniture and fixtures	$ 30,601	$ 10,961	$ (23,578)	$ 17,984
Equipment	34,439	-	(8,120)	26,319
Leasehold improvements	40,361	89,017	(40,361)	89,017
Software	1,899	-	-	1,899
Total capital assets, being depreciated	107,300	99,978	(72,059)	135,219
Less accumulated depreciation for:				
Furniture and fixtures	(30,601)	(783)	23,578	(7,806)
Equipment	(28,802)	(2,424)	7,772	(23,454)
Leasehold improvements	(40,361)	(8,345)	40,361	(8,345)
Software	(1,899)	-	-	(1,899)
Total accumulated depreciation	(101,663)	(11,552)	71,711	(41,504)
Governmental activities capital assets, net	$ 5,637	$ 88,426	$ (348)	$ 93,715

Depreciation expense of $11,552 was charged to services and supplies.

In January 2015 the Commission's landlord provided leasehold improvements totaling $89,017 that will be amortized over the term of the lease. The leasehold improvements are shown as a capital asset and a deferred lease incentive in the Statement of Net Position. Amortization of the deferred lease incentive for the year ended June 30, 2015 was $8,345 and appropriately offset rent expense.

4. INSURANCE:

Insurance is provided on behalf of the Commission by the County of Orange's insurance policy. The Commission pays its pro-rata share of insurance costs to the County. For coverage limits see the County of Orange Comprehensive Annual Financial Report. This report can be obtained at the Auditor-Controller County of Orange office located at Hall of Finance and Records, 12 Civic Center Plaza, Room 202, Santa Ana, CA 92702.

5. LONG-TERM LIABILITIES:

The following is a summary of changes in long-term liabilities of the Commission for the year ended June 30, 2015:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Compensated absences	$ 19,069	$ 12,178	$ (5,948)	$ 25,299

	Due Within One Year	Due in More Than One Year
Compensated absences	$ 16,866	$ 8,433

6. RETIREMENT PLANS:

A. General Information about the Pension Plans:

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the Commission's Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the Orange County Employees Retirement System (OCERS). Benefit provisions under the Plans are established by State statute and Commission resolution. OCERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the OCERS website.

Benefits Provided

OCERS provides service retirement, disability, death and survivor benefits to eligible employees. All regular full-time employees of the Commission who work a minimum of 20 hours per week become members of OCERS effective on the first day of employment in an eligible position. New members employed after January 1, 2013 are designated as PEPRA subject to the provisions of California Government Code 7522 et seq. and AB 197. Members hired prior to January 1, 2013 are eligible to retire once they attain the age of 50 and have acquired 10 or more years of retirement service credit. A member with 30 years of service is eligible to retire regardless of age. Members who are hired on or after January 1, 2013, are eligible to retire once they have attained the age of 52, and have acquired 5 years of retirement service credit. All members can also retire at the age of 70 regardless of service.

6. PENSION PLANS (CONTINUED):

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

Benefits Provided (Continued)

The retirement benefit the member will receive is based upon age at retirement, final average compensation, years of retirement service credit and retirement plan and tier. OCERS provides an annual cost-of-living benefit to all retirees that is based upon the Consumer Price Index for All Urban Consumers for the Los Angeles-Riverside-Orange County Area, and is capped at 3.0%.

The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous		
Hire date	Prior to December 12, 2012	After December 12, 2012 (Classic OCERS Members)	On or After January 1, 2013 (New OCERS Members)
Benefit formula	2.7%@55	1.62%@65	1.62%@65
Benefit vesting schedule	10 years of service	10 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 65	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	0.79% to 1.62%	1.0% to 1.62%
Required employee contribution rates	10-16%	7-12%	5-9%
Required employer contribution rates	35.41%	29.84%	31.10%

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 all Plans are determined annually on an actuarial basis as of December 31 by OCERS. 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.

6. PENSION PLANS (CONTINUED):

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

Contributions (Continued)

For the year ended June 30, 2015, the contributions recognized as part of pension expense for all Plans were as follows:

	Miscellaneous
Contributions - employers	$ 104,000
Contributions - employee	$ 70,510

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

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

	Proportionate Share of Net Pension Liability
Miscellaneous	$ 1,303,484

The Commission's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each Plan is measured as of December 31, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013 rolled forward to December 31, 2014 using standard update procedures. The Commission's proportionate share of the net pension liability was based on a projection of the Commission's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

6. PENSION PLANS (CONTINUED):

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

The Commission's proportionate share of the net pension liability for all Plans as of December 31, 2013 and 2014 was as follows:

	Miscellaneous
Proportion - December 31, 2013	0.022%
Proportion - December 31, 2014	0.026%
Change - Increase (Decrease)	0.004%

For the year ended June 30, 2015, the Commission recognized pension expense of $149,406. At June 30, 2015, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 172,150	$ -
Differences between actual and expected experience	-	(74,802)
Change in assumptions	-	(91,338)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	180,241	-
Net differences between projected and actual earnings on plan investments	56,440	-
Total	$ 408,831	$ (166,140)

6. PENSION PLANS (CONTINUED):

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

$172,150 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 years ending June 30, 2016 and 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2016	$ 16,832
2017	16,832
2018	16,832
2019	16,832
2020	2,722
Thereafter	491
	$ 70,541

6. PENSION PLANS (CONTINUED):

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

Actuarial Assumptions

The total pension liabilities in the December 31, 2013 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	December 31, 2013
Measurement Date	December 31, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.25%
Inflation	3.00%
Payroll Growth	3.00%
Projected Salary Increase	4.25% - 13.5% (1)
Investment Rate of Return	7.25% (2)
Mortality	Derived using OCERS' Membership Data

(1) Depending on age, service and type of employment
(2) Net of pension plan investment expenses, including inflation

The underlying mortality assumptions used in the total pension liability at December 31, 2014 were based on the results of the actuarial experience study for the period January 1, 2011 through December 31, 2013 using the RP-2000 Combined Healthy Mortality Table projected with the Society of Actuaries Scale BB to 2020. For healthy members, no adjustments are made. For members that are disabled, the ages are set forward six years for males and three years for females. The mortality assumptions for all groups are then customized to account for OCERS' Plan membership experience.

The underlying mortality assumptions used in the total pension liability at December 31, 2013 were based on the results of the actuarial experience study for the period January 1, 2008 through December 31, 2010 using the RP-2000 Combined Healthy Mortality Table. For healthy members, the ages are set back two years. For members that are disabled, the ages are set forward three years. The mortality assumptions for all groups are then customized to account for OCERS' Plan membership experience.

6. PENSION PLANS (CONTINUED):

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

Discount Rate

The discount rate used to measure the total pension liability as of December 31, 2014 and 2013 was 7.25%. In determining the discount rate OCERS took into account the projection of cash flows and assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future members and their beneficiaries, as well as projected contributions from future members, are not included. Based on those assumptions, the Plans' fiduciary net position were projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of December 31, 2014 and 2013.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The 7.25% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 16 basis points. An investment return excluding administrative expenses would have been 7.41%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. OCERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

OCERS performs an actuarial experience study, which is a review of the actuarial experience of the OCERS Plans. Each study utilizes the census data of the last three actuarial valuations and includes the proposed actuarial assumptions to be used in future actuarial valuations. The last actuarial experience study was performed for January 1, 2011 through December 31, 2013 and is available on the OCERS website. OCERS also performs a review of economic actuarial assumptions every three years in conjunction with completion of the triennial experience study. Economic assumptions include such things as OCERS' investment return, salary increases and inflation. The last review of economic actuarial assumptions was for December 31, 2014 and is available on the OCERS website.

6. PENSION PLANS (CONTINUED):

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

Discount Rate (Continued)

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. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding expected inflation and deducting expected investment expenses. Additional information on the target allocation and projected arithmetic real rate of return for each major asset class is available in the OCERS' Comprehensive Annual Financial Report for the year ended December 31, 2014 available on the OCERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation (approved by the Board) and projected arithmetic real rates of return for each major asset class, after deducting inflation but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equity	14.90%	5.92%
Small/Mid Cap U.S. Equity	2.73%	6.49%
Developed International Equity	10.88%	6.90%
Emerging International Equity	6.49%	8.34%
Core Bonds	10.00%	0.73%
Global Bonds	2.00%	0.30%
Emerging Market Debt	3.00%	4.00%
Real Estate	10.00%	4.96%
Diversified Credit (US Credit)	8.00%	4.97%
Diversified Credit (Non-US Credit)	2.00%	6.76%
Hedge Funds	7.00%	4.13%
GTAA	7.00%	4.22%
Real Return	10.00%	5.86%
Private Equity	6.00%	9.60%
Total	100.00%	

6. PENSION PLANS (CONTINUED):

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

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

The following presents the Commission's proportionate share of the net pension liability for all Plans, 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:

	Miscellaneous
1% Decrease	6.25%
Net Pension Liability	$ 1,859,920
Current Discount Rate	7.25%
Net Pension Liability	$ 1,303,484
1% Increase	8.25%
Net Pension Liability	$ 845,957

Pension Plans Fiduciary Net Position

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

C. Payable to the Pension Plans:

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

7. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN:

Plan Description

The Commission's employees participate in a Retiree Medical Plan (Plan), a cost-sharing multiple-employer defined benefit postemployment healthcare plan. The plan is offered and administered by the County of Orange. The County identifies this plan as a single-employer plan, as it is considered the primary plan participant and the other participating entities are considered immaterial to the plan as a whole. The plan assists retirees with the cost of retiree health insurance premiums and/or Medicare premiums. The County has the authority to establish and amend benefit provisions to the Retiree Medical Plan. The County issues a publicly available financial report that includes financial statements and required supplementary information for the Retiree Medical Plan. That report may be obtained by writing Auditor-Controller's Office; County of Orange, 12 Civic Center Plaza, Santa Ana, California 92702 or you can access its website at http://www.ac.ocgov.com.

Funding

The plan covers full time employees of the Commission and is administered through the County of Orange Retiree Medical Plan. An actuarial valuation is performed for the County of Orange which includes the Commission's employees. The Commission shares proportionally in the plan and the same contribution rates apply for its employees.

The Commission is contractually required to contribute at a rate assessed each year by the Plan. For fiscal year 2014-2015 the annual required contribution was 3.63% of annual covered payroll which was equal to the contribution made by the Commission. The employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The purpose of the contributions is to fund the plan in order to cover the future costs of benefits as employees' retire. Currently, contributions are not required from plan members.

In order to more adequately fund the benefits under the Plan, the County adopted the County of Orange Retiree Medical Trust (Trust) effective July 2, 2007. The Trust is an Internal Revenue Code section 115 trust. In addition the County and OCERS have entered into agreements for OCERS to establish an Internal Revenue code section 401(h) account, invest monies of the 401(h) account and the Trust and to act as paying agent for benefits under the Retiree Medical Plan (except for the lump sum payment).

7. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED):

Benefits

All of the Commission's full-time employees participate in the plan. Employees who retire at or after age 50 with ten or more years of service, or have 30 years of service with no age requirement are entitled to a monthly grant to be used to offset the cost of OPEB. The monthly grant is calculated as a dollar amount multiplied by years of service at retirement.

The grant dollar amount is adjusted annually by a cost-of-living-adjustment based on the average percentage change in health care premiums.

Contributions

The Commission pays the County of Orange for its pro-rata share of OPEB costs as determined by the County. The total amount of contributions by the Commission for the year ended June 30, 2015, was $11,859.

Information on the annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the three years ended June 30, 2015, 2014, and 2013, are presented below:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/13	$ 12,595	100%	$ -
6/30/14	11,742	100%	-
6/30/15	11,859	100%	-

8. COMMITMENTS:

The Commission is obligated under operating lease agreements for the rental of office space and various equipment. Future minimum lease payments for office space and various equipment under these operating leases are as follows:

Fiscal Year	Amount
2016	$ 60,874
2017	66,775
2018	68,713
2019	70,651
2020	60,587
	$ 327,600

The rental agreement, which is included in the County Services Agreement between the County of Orange and the Commission, was effective through December 2014. In January 2015, the Commission entered into a new lease agreement with a third party. The total amount of rental payments for office space and equipment for the year ended June 30, 2015 was $44,552.

9. RELATED PARTY TRANSACTIONS:

The Commission and the County of Orange (County) entered into a County Services Agreement to provide office space (see Note 8), liability and workers' compensation insurance, employee benefits administration, payroll, information technology support, and billing and collection services. The total amount paid by the Commission to the County for the year ended June 30, 2015, was $49,808.

10. RESTATEMENTS OF PRIOR YEAR FINANCIAL STATEMENTS:

The implementation of GASB Statement Numbers 68 and 71 requires reporting the net pension liability of the Commission’s defined benefit pension plans in the financial statements and is applied retroactively by restating the net position as of the beginning of the fiscal year. The implementation of GASB Numbers 68 and 71 resulted in reducing net position in the statement of activities by $1,155,424 as of July 1, 2014.

The Commission reclassified beginning fund balance in the statement of revenues, expenditures, and changes in fund balances between the general and special revenue fund to correct an error in previously identified activity for the special revenue fund. The fund balance of the general fund was decreased by $2,909 from $1,005,888 to $1,002,979 while the fund balance of the special revenue fund was increased by $2,909 from $20,873 to $23,782.

11. SUBSEQUENT EVENTS:

Events occurring after June 30, 2015 have been evaluated for possible adjustments to the financial statements or disclosure as of November 3, 2015, which is the date these financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

ORANGE COUNTY
LOCAL AGENCY FORMATION COMMISSION

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Last Ten Fiscal Years*

	2015	2014
Proportion of the net pension liability	0.026%	0.022%
Proportionate share of the net pension liability	$ 1,303,484	$ 1,187,537
Covered - employee payroll	$ 352,758	$ 285,719
Proportionate share of the net pension liability as percentage of covered - employee payroll	369.51%	415.63%
Plan's fiduciary net position	$ 875,289	$ 764,774
Plan fiduciary net position as a percentage of the total pension liability	67.15%	64.40%

Notes to Schedule:

Benefit Changes:
All members with membership dates on or after January 1, 2013 enter the new Plans created by the California Public Employees' Pension Reform Act of 2013 (PEPRA).

Changes in Assumptions:
In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of employees.

* - Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

ORANGE COUNTY
LOCAL AGENCY FORMATION COMMISSION

SCHEDULE OF CONTRIBUTIONS

Last Ten Fiscal Years*

	2015	2014
Contractually required contribution (actuarially determined)	$ 104,000	$ 102,589
Contributions in relation to the actuarially determined contributions	104,000	102,589
Contribution deficiency (excess)	$ -	$ -
Covered - employee payroll	$ 352,758	$ 285,719
Contributions as a percentage of covered - employee payroll	29.48%	35.91%

Notes to Schedule:

Valuation Date	12/31/2013

Methods and Assumptions Used to Determine Contribution Rates:

Cost sharing employers	Entry Age Actuarial Cost Method
Amortization method	Level percentage of payroll, closed
Remaining amortization period	21 years
Asset valuation method	5-year smoothed market
Inflation	3.00%
Salary increases	4.25%, average, including inflation of 3.0%
Investment rate of return	7.75%, net of pension plan investment expense, including inflation
Retirement age	58 years
Mortality	RP-2000 Healthy Mortality Table

* - Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.