

INTERNAL AUDIT SERVICES

**AN AUDIT OF THE
LOCAL AGENCY FORMATION COMMISSION
OF SOLANO COUNTY**



**Independent Auditor's Report and Financial Statements
For the fiscal year ended June 30, 2010**

**Auditor-Controller: Simona Padilla-Scholtens, CPA
Audit Manager: Ian Goldberg, CGAP
Auditor: Melinda Ingram, CPA**

**Local Agency Formation Commission
of Solano County**

For the fiscal year ended June 30, 2010

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**Local Agency Formation Commission
of Solano County**

For the fiscal year ended June 30, 2010

Commission Members*

Dr. John Saunderson, Chairperson
Public Member

Harry Price, Vice Chair
Mayor of Fairfield

James Spering
Solano County Supervisor

Jack Batchelor
Mayor of Dixon

Linda Seifert
Solano County Supervisor

Executive Officer: Shaun Pritchard

*Appointed as of audit report issuance date

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OFFICE OF THE AUDITOR-CONTROLLER

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COUNTY AUDITOR-CONTROLLER

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ASSISTANT AUDITOR-CONTROLLER

Independent Auditor's Report


Local Agency Formation Commission
of Solano County

We have audited the accompanying basic financial statements of the Local Agency Formation Commission of Solano County, as of and for the fiscal year ended June 30, 2010. These financial statements are the responsibility of the Local Agency Formation Commission's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Solano Local Agency Formation Commission as of June 30, 2010, and the changes in financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 4 through 9, the schedule of funding progress and budgetary comparison information on pages 22 through 23, are not a required part of the financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.


Simona Padilla-Scholtens, CPA
Auditor-Controller

June 20, 2011

Solano Local Agency Formation Commission

Management's Discussion and Analysis

As management of the Local Agency Formation Commission of Solano County, California (Commission), we offer readers of the Commission's financial statements this narrative overview and analysis of the financial activities of the Commission for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information in our financial statements.

Financial Highlights

- The Commission's net assets totaled \$217,006 at June 30, 2010. Of this amount, \$217,006 (unrestricted net assets) at June 30, 2010, may be used to meet the Commission's ongoing obligations to citizens and creditors.
- The Commission's total net assets decreased by \$140,863 as a result of the current year's operations.
- The Commission's governmental funds reported an ending fund balance of \$251,677 at June 30, 2010, of which \$244,733 is available for spending at the Commission's discretion (unreserved, undesignated fund balance).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. The Commission's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Commission's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on the Commission's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The statement of activities presents information showing how the Commission's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 10-11 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a Commission's near-term financing requirements.

Since the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Commission's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The basic governmental fund financial statements can be found on pages 12-15 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16-20 of this report.

Other information. 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. Required supplementary information can be found on pages 22-24 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a Commission's financial position. In the case of the Commission, assets exceeded liabilities by \$217,006 at June 30, 2010.

Solano Local Agency Formation Commission
Statement of Net Assets
as of June 30, 2010 and 2009

	6/30/2010	6/30/2009
Assets:		
Current assets	\$ 317,209	\$ 686,172
Total assets	\$ 317,209	\$ 686,172
Liabilities:		
Current liabilities	\$ 65,532	\$ 328,304
Noncurrent liabilities	34,671	-
Total liabilities	100,203	328,304
Net Assets:		
Unrestricted	217,006	357,869
Total net assets	217,006	357,869
Total liabilities and net assets	\$ 317,209	\$ 686,173

The total amount of unrestricted net assets of \$217,006 may be used to meet the Commission's ongoing obligations to citizens and creditors.

The key elements in the significant changes in current assets and liabilities are as follows:

Current assets: Current assets decreased by \$368,963 from fiscal year 2008/09 to 2009/10. The primary reason for the decrease is due to the credit calculated in the apportionment of the Commission's operating costs to Solano County and cities for the current fiscal year resulting in a decrease to the Commission's cash balance. The credit is determined based on the ending prior year fund balance. This credit will vary from year to year depending on the amount of actual expenditures that occurred, thus impacting fund balance. The overall goal is to maintain a large enough fund balance to cover all anticipated costs and have a reasonable reserve for unanticipated costs as well.

Current liabilities: Current liabilities decreased by \$262,772 from fiscal year 2008/09 to 2009/10. The primary reason for the decrease is the reduction in the amount due to other agencies (Solano County) for services provided and accounts payable, which represents amounts due to vendors for services and supplies purchased by the Commission.

Noncurrent liabilities: Noncurrent liabilities increased by \$34,671 from fiscal year 2008/09 to 2009/10. The increase is due to hiring administrative staff previously provided by contract with Solano County. This decision by the Commission resulted in recognizing the outstanding balance for the compensated absences and underfunding of the annual pension cost creating a net pension obligation.

Governmental activities decreased the Commission's net assets by \$140,863 during fiscal year 2009/10, which represents a decrease of 39.36% from fiscal year 2008/09 total net assets.

Solano Local Agency Formation Commission
Changes in Net Assets
For the fiscal years ended June 30, 2010 & 2009

	2010	2009
Expenses:		
Employee services	\$ 225,098	\$ -
Professional & specialized services	130,802	353,982
Rents & leases	28,057	30,286
Transportation & travel	9,082	3,820
Special departmental expense	7,428	470
Non-capitalized equipment	5,365	2,942
Supplies	5,001	4,320
Insurance	4,136	645
Communication	3,169	4,658
Memberships	776	-
Maintenance	70	2,285
Miscellaneous	757	3,423
Total program expenses	419,741	406,831
Program revenues:		
Charges for services	19,577	25,000
Total program revenues	19,577	25,000
Net program expenses	400,164	381,831
General revenues:		
Intergovernmental revenues	254,322	376,208
Revenues from the use of money and property	4,979	12,172
Total general revenues	259,301	388,380
Change in net assets	(140,863)	6,549
Net assets:		
Beginning of the year	357,869	351,320
End of the year	\$ 217,006	\$ 357,869

The key elements in the significant changes in net assets are as follows:

Program expenses: Program expenses increased from prior year due to the following:

- Professional & specialized services decreased by \$223,180 due to the transfer of employees to the independent LAFCo organization. This resulted in an increase to employee services in the amount of \$225,098. Prior to fiscal year 2009/10, these services were contracted by Solano County.
- Accrued compensated absences increased by \$30,473 due to the accrued leave balances of contracted employees converted to Commission employees.

General revenues: General revenues decreased from prior year due to the following:

- Intergovernmental revenue decreased by \$121,886 as a result of a decrease in the amount billed to the County and cities.
- Revenue from the use of money and property decreased by \$7,193 due to the decrease in the Commission's cash balance in the County Treasury and the overall decline in market interest rates resulting from the existing economic environment.

Financial Analysis of the Commission's Governmental Funds

As noted earlier, the Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The General Fund is a governmental fund type used 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. Such information is useful in assessing the Commission's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2010, the Commission's governmental fund reported an ending fund balance of \$251,677. The Commission's total fund balance decreased by \$106,192 for the fiscal year ended June 30, 2010. Of the ending fund balance, \$244,733 constitutes unreserved, undesignated fund balance, which is available for spending at the Commission's discretion.

Governmental revenues totaled \$278,878 in fiscal year 2009/10. This represents a 32.5% decrease from fiscal year 2008/09. The decrease is due to reductions in all Commission revenue streams, but primarily the intergovernmental revenue financed by the County and cities to fund the annual operating budget.

Conversely, expenditures totaled \$385,070 in fiscal year 2009/2010. This represents a 5% decrease from fiscal year 2008/09. This is primarily due to the overall decrease in professional & specialized services resulting from the Commission performing fewer mandated/requested functions to various agencies that required specialized services. The Commission also transitioned the contracted administrative function to employee services. Prior to fiscal year 2009/10, these services were contracted from Solano County. In addition, there were offsetting increases to transportation and travel, special departmental and insurance expenditures.

Budgetary Highlights

The General Fund budget (Original and Final versions) is reflected in the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual, as presented on page 23 in the Required Supplementary Information (RSI) section of this report.

There were changes between the original budget and the final budget of the General Fund in fiscal year 2009/10. The changes were the result of budget adjustments increasing appropriations for employee services, non-capitalized equipment, supplies and insurance and decreasing appropriations for professional and specialized services. For fiscal year 2009/10, revenues recognized were less than budget by \$128,410 and expenditures incurred were less than budget by \$149,251.

Long-term debt. At June 30, 2010 the Commission had \$34,671 of long term debt composed of compensated absences and net pension obligation. This amount is entirely backed by the full faith and credit of the Commission. For more information see Note II A on page 19 of this report.

Economic Factors and Next Year's Operating Activities

The Commission's management anticipates a continued decline in current economic conditions that will negatively impact charges for services and interest income. The Commission plans to offset the overall projected decrease by continuing to reduce operating costs wherever possible. More specifically, reducing office supplies, equipment, computer and travel expenses, renegotiating the agreement with County/ACS for access to the County's GIS database, reducing the Municipal Service Review Study Fund and forgoing the financial audit for the fiscal year 2010/11.

Requests for Information

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest with the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Commission Members, 744 Empire Street, Suite 216, Fairfield, CA 94533.

Local Agency Formation Commission of Solano County
Statement of Net Assets
June 30, 2010

ASSETS

Current assets

Cash & equivalents	\$ 316,849
Due from other agencies	360
Total current assets	317,209
Total assets	\$ 317,209

LIABILITIES

Current Liabilities

Accounts payable	\$ 23,530
Outstanding warrants	14,903
Due to other agencies	4,672
Deferred revenue	22,427
Total current liabilities	65,532

Noncurrent liabilities

Compensated absences	30,473
Net pension obligation	4,198
Total noncurrent liabilities	34,671
Total liabilities	100,203

Net Assets

Unrestricted	217,006
Total net assets	217,006
Total liabilities and net assets	\$ 317,209

The notes to the financial statements are an integral part of this statement.

Local Agency Formation Commission of Solano County
Statement of Activities
For the fiscal year ended June 30, 2010

Expenses:	
Employee services	\$ 225,098
Professional & specialized services	130,802
Rents & leases	28,057
Transportation & travel	9,082
Special departmental expense	7,428
Non-capitalized equipment	5,365
Supplies	5,001
Insurance	4,136
Communication	3,169
Memberships	776
Maintenance	70
Miscellaneous	757
Total program expenses	<u>419,741</u>
Program revenue:	
Charges for services	<u>19,577</u>
Total program revenue	<u>19,577</u>
Net program expenses	<u>400,164</u>
General revenues:	
Intergovernmental revenues	254,322
Revenues from the use of money and property	4,979
Total general revenues	<u>259,301</u>
Change in net assets	(140,863)
Net assets:	
Beginning of the year	<u>357,869</u>
End of the year	<u>\$ 217,006</u>

The notes to the financial statements are an integral part of this statement.

Local Agency Formation Commission of Solano County
Balance Sheet
Governmental Fund
June 30, 2010

Assets

Cash & equivalents	\$ 316,849
Due from other agencies	360
Total assets	<u>\$ 317,209</u>

Liabilities

Accounts payable	\$ 23,530
Outstanding warrants	14,903
Due to other agencies	4,672
Deferred revenue	22,427
Total liabilities	<u>65,532</u>

Fund Balance

Reserved:	
Encumbrances	6,944
Undesignated	244,733
Total fund balance	<u>251,677</u>
Total liabilities and fund balance	<u>\$ 317,209</u>

The notes to the financial statements are an integral part of this statement.

**Local Agency Formation Commission of Solano County
Reconciliation of the Balance Sheet
of the Governmental Fund to the Statement of Net Assets
For the fiscal year ended June 30, 2010**

Governmental Fund Balances	\$ 251,677
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Amounts reported for governmental activities in the statement of net assets are different because:

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds

Compensated absences	(30,473)
Net pension obligation	<u>(4,198)</u>

Net assets of governmental activities	<u>\$ 217,006</u>
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The notes to the financial statements are an integral part of this statement.

Local Agency Formation Commission of Solano County
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the fiscal year ended June 30, 2010

Revenues:	
Intergovernmental revenue	\$ 254,322
Charges for services	19,577
Revenues from the use of money and property	4,979
Total revenues	<u>278,878</u>
Expenditures:	
Employee services	190,427
Professional & specialized services	130,802
Rents & leases	28,057
Transportation & travel	9,082
Special departmental expense	7,428
Non-capitalized equipment	5,365
Supplies	5,001
Insurance	4,136
Communication	3,169
Memberships	776
Maintenance	70
Miscellaneous	757
Total expenditures	<u>385,070</u>
Excess of revenues over expenditures	(106,192)
Fund balance - beginning	<u>357,869</u>
Fund balance - ending	<u><u>\$ 251,677</u></u>

The notes to the financial statements are an integral part of this statement.

Local Agency Formation Commission of Solano County
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
of Governmental Fund to the Statement of Activities
For the fiscal year ended June 30, 2010

Net change in fund balance	\$ (106,192)
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Amounts reported for governmental activities in the statement of activities are different because:

Some expenses reported in the statement of activities do not require the use of current financial resources, and, therefore, are not reported as expenditures in the government fund.

Compensated absences	(30,473)
Net pension obligation	<u>(4,198)</u>

Change in net assets of governmental activities	<u>\$ (140,863)</u>
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The notes to the financial statements are an integral part of this statement.

Local Agency Formation Commission of Solano County
Notes to the Financial Statements
For the fiscal year ended June 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Local Agency Formation Commission (LAFCo) of Solano County was established in 1963 to administer a complex series of statutory laws and enabling acts that serve to encourage the orderly development and reorganization of Local Government Agencies, essential to the social, fiscal, and economic wellbeing of the State. The LAFCo operates under the authority of Government Code §56,000 et. seq. and the Cortese-Knox Hertzberg Local Government Reorganization Act of 2000.

The Commission is composed of five members who typically include two county supervisors, two city council representatives and one member representing the public at large. Commission members serve four-year terms.

B. Government-wide and Fund Financial Statements

The Commission's financial accounts are maintained in accordance with generally accepted accounting principles (GAAP) and the uniform accounting system for special purpose governments prescribed by the State Controller in compliance with the Government Code of the State of California.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

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. Property taxes are recognized as revenues in the year they are levied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both 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 government considers revenues to be available if they are collected within 90 days of the end of the current fiscal period.

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

Property taxes, licenses, grants, 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 the government receives cash.

The Commission reports the following major governmental fund:

The *General Fund* is the Commission's primary operating fund. It accounts for all financial resources of the general government, except those that are required to be accounted for in another fund.

The amounts reported as program revenues in the statement of activities include charges to customers for goods and services. General revenues include intergovernmental as well as interest income.

D. Assets, Liabilities and Net Assets or Equity

1. Cash and Cash Equivalents

The Commission's cash resides in the Solano County Treasury. The cash maintained in the County Treasury is pooled with the County of Solano. The Commission is a non-mandatory depositor. The Commission's ability to withdraw large sums of cash from the County Treasury may be subject to certain restrictions set forth by the County Treasurer.

The County's pooled cash and investments are invested pursuant to investment policy guidelines established by the County Treasurer and approved by the County Board of Supervisors. The objectives of the policy (in order of priority) are: legality, preservation of capital, liquidity, and yield. The policy addresses the soundness of financial institutions in which the County will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio which may be invested in certain instruments with longer terms of maturity. The County Treasury Oversight Committee annually reviews the investment policy and the portfolio activity. A detailed breakdown of cash and investments and a categorization of risk factors per GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, are presented in the County of Solano Comprehensive Annual Financial Report.

2. Due from Other Agencies

Due from other agencies represents the balance due from governmental entities outside the Commission.

3. Accounts Payable

Accounts payable represents the balance due for goods received and/or services rendered.

4. *Outstanding Warrants*

Outstanding warrants represent the amount of treasury warrants issued but not yet presented to the Treasurer for payment. When warrants are mailed, expenditures are recorded and an outstanding warrant liability is created, pending payment of the warrant.

5. *Due to Other Agencies*

Due to other agencies represent amounts owed to governmental entities outside the Commission.

6. *Deferred Revenue*

Deferred revenue represents amounts received that apply to a future accounting period.

7. *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. Accrued sick leave is contributed to a Retirement Health Savings Account to assist in payment of retiree medical expenses in accordance with Commission policy. Compensated absences leave is accrued when incurred in the government-wide financial statements. A liability is reported in the governmental fund only if unused vacation and sick leave after limitations are expected to be liquidated (paid out due to an employee separating from service with the Commission) with expendable available financial resources.

8. *Net Pension Obligation*

The cumulative difference between the Commission's annual pension cost, as determined by the annual CalPERS Actuarial Valuation, and the annual pension expense incurred is the net pension obligation.

9. *Net Assets/Fund Balance*

The government-wide financial statements utilize a net assets presentation. Net assets are categorized as unrestricted.

- *Unrestricted* – This category represents net assets of the Commission, not restricted for any project or other purpose.

In the fund financial statements, reservations or designations of fund balance segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by GAAP and by actions of the Commission.

As of June 30, 2010, the Commission reserved \$6,944 for encumbrances.

10. 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. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

II. DETAILED NOTES

A. Long-term Liabilities

Long-term obligation activity for the fiscal year ended June 30, 2010, was as follows:

Governmental Activities:	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Compensated absences	\$ -	\$ 30,473	\$ -	\$ 30,473	\$ -
Net pension obligation	-	4,198	-	4,198	-
Total long-term liabilities	<u>\$ -</u>	<u>\$ 34,671</u>	<u>\$ -</u>	<u>\$ 34,671</u>	<u>\$ -</u>

III. OTHER INFORMATION

A. Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Commission continues to carry commercial insurance for all risks of loss, including general liability, business, property, errors and omissions, fraud, workers' compensation and employee health and accident insurance.

B. Employee Pension Plan

1. Plan Description

The Commission contributes to the California Public Employees Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public employers within the State of California. Benefit provisions and all other requirements are established by state statute and local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from CalPERS Executive Office – 400 P Street – Sacramento, CA 95814.

2. Funding Policy

Active plan participants are required to contribute 8% of their annual covered salary to the fund. In addition, the Commission is required to contribute the actuarially determined rate necessary to fund the benefits for its members. The 2009/10 rate is 12.656% for miscellaneous employees. The actuarial methods and assumption used are those adopted by the CalPERS Board of Administration. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

3. Annual Pension Costs

For fiscal year 2009/10, the Commission's annual pension cost for the miscellaneous plan was \$37,086. The required contributions for fiscal year 2009/10 was determined as part of the January 31, 2009 New Agency Actuarial Valuation using the entry age actuarial cost method with the contributions determined as a percentage of covered payroll. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases ranging from 3.25% to 14.45%, depending on age, service, and type of employment, (c) payroll growth of 3.25% and (d) inflation of 3%. Complete information on assumptions and methods used is provided in the Actuarial Valuation Report as of January 31, 2009 for the Miscellaneous Plan of the Local Agency Formation Commission of Solano County.

Since the Commission's plan had less than 100 active members it is required to participate in a risk pool. Certain benefits are mandated for all rate plans that enter risk pools.

Information for the Miscellaneous Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/10	\$ 37,086	88.7%	\$ 4,198

REQUIRED SUPPLEMENTARY INFORMATION

Local Agency Formation Commission of Solano County
Schedule of Funding Progress
For the fiscal year ended June 30, 2010
Unaudited

The Schedule of Funding Progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll.

**Plan's Risk Pool History of Funded Status and Funding
Progress of the Miscellaneous Pension Plan**

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Liabilities	Funded Status	Annual Covered Payroll	Unfunded Actuarial Liability As a % of Payroll
6/30/05	\$ 872,346,612	\$ 729,556,809	\$ 142,789,803	83.6%	\$ 203,995,039	70.0%
6/30/06	\$ 1,280,157,040	\$ 1,069,546,974	\$ 210,610,066	83.6%	\$ 304,898,179	69.1%
6/30/07	\$ 1,627,025,950	\$ 1,362,059,317	\$ 264,966,633	83.7%	\$ 376,292,121	70.4%