Agenda Item 2.2

M E M O R A N D U M

TO: Local Agency Formation Commission

FROM: Stephen A. Lucas, Executive Officer
Jill Broderson, Management Analyst

SUBJECT: **Agenda Item 2.2 - Independent Auditors' Report and Financial Statements for Fiscal Years ending June 30, 2018 and 2017**

DATE: February 22, 2019 for the Meeting of March 7, 2019

The 2018 Annual Financial report accompanied by the independent auditor's report is hereby submitted. Joy McNulty, CPA with the accounting firm of K·COE ISOM has issued an "unqualified" opinion as stated in the second page of their report:

> *In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of LAFCO as of June 30, 2018 and 17, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.*

The audit was conducted in accordance with auditing standards generally accepted in the United States of America. Those standards require that the auditor plan and perform the audits to obtain a reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. Procedures selected depend upon the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making risk assessments, the audit considers internal control relevant to LAFCO's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also evaluates 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.

SUMMARY:

Overall, LAFCO's financial health remains positive. LAFCO has adequate funds to meet current obligations, with current liabilities at only 2.3% of cash on hand for general purposes. Net position has declined only because of the non-current liabilities that are required to be accrued under governmental accounting standards. Revenue decreased by 7.5% due to a reduction in filing fees and sphere of influence fees; while expenses increased by 9.5%, which was primarily due to the increase in employee benefits related to the implementation of governmental accounting standards.

ACTION REQUESTED: Accept Financial Statements and Supplementary Information with Independent Auditor's Report for Fiscal Years ending June 30, 2018 and 2017 prepared by K·COE ISOM, Certified Public Accountants.

Attachment

Butte Local Agency Formation Commission

Oroville, California

REPORT TO THE COMMISSIONERS

June 30, 2018

To the Commissioners
Butte Local Agency Formation Commission
Oroville, California

We have audited the financial statements of Butte Local Agency Formation Commission (LAFCo), as of and for the year ended June 30, 2018, and have issued our report thereon dated February 15, 2019. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated August 7, 2018, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

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

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

Planned Scope and Timing of the Audit

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

Compliance With All Ethics Requirements Regarding Independence

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

Safeguards have been implemented to reduce the threats on our independence. These safeguards include continuing education related to independence and ethics requirements; external peer review of our firm's quality control system; our firm's internal policies and procedures which are designed to monitor compliance with the independence requirements; and the involvement of another firm member who is responsible for completing an independent technical review of the financial statements and significant audit conclusions.

Qualitative Aspects of LAFCo's Significant Accounting Practices

Significant Accounting Policies Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by LAFCo is included in note 1 to the financial statements. As described in note 1 to the financial statements, during the year, LAFCo changed its method of accounting for other postemployment benefits obligation by adopting Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, and GASB Statement No. 85, *Omnibus 2017*. Accordingly, the cumulative effect of the accounting change as of the beginning of fiscal year 2018 has been reported in the statement of revenues, expenses, and changes in net position for the year ended June 30, 2018. No matters have come to our attention that would require us, under professional standards, to inform you about: (1) the methods used to account for significant unusual transactions, and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

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

The most sensitive accounting estimates affecting the financial statements are as follows:

- Management's estimate of the health care liability uses the alternative measurement method as provided in GASB Statement 75, since there are fewer than 100 employees eligible for the benefit. Management's estimate of the pension liability is based on the GASB 68 accounting valuation report received from CalPERS. We evaluated the key factors and assumptions used to develop the liabilities and related expense and determined that they are reasonable in relation to the basic financial statements.

- Management's estimates of the net pension liability and related balances for the deferred inflows/outflows of resources for the defined benefit pension plan administrated by CalPERS. The obligation, the deferred outflows of resources and the deferred inflows of resources, are based on an actuarial determination using various actuarial assumptions, which are described in note 3 to the financial statements. We evaluated key factors and assumptions used to develop the estimates and determined that they are reasonable in relation to the basic financial statements.

Financial Statement Disclosures Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting LAFCo's financial statements relate to the post-employment benefits other than pension benefits and to the net pension liability.

Significant Difficulties Encountered During the Audit

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

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Two immaterial adjustments were not recorded, which was to adjust the cash in county treasury to fair market value and accrue interest income recorded by the County. The net impact of these unrecorded misstatements would decrease net position by $1,710.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The following material misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management:

- Overstatement of cash in county treasury of ($7,350).
- Understatement of deferred outflows related to pensions of $6,356.
- Overstatement of deferred inflows related to pensions of $12,122.
- Understatement of net pension liability of ($28,228).
- Net understatement of the total OPEB liability of $8,083.

The net impact of the above adjustments was to decrease net position by $9,017.

Disagreements With Management

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

Representations Requested From Management

We have requested certain written representations from management that are included in the management representation letter dated February 15, 2019.

Management's Consultations With Other Accountants

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

Other Significant Matters, Findings, or Issues

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

KCoe Isom, LLP

February 15, 2019
Chico, California

Butte Local Agency Formation Commission

Oroville, California

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION WITH INDEPENDENT AUDITORS' REPORT

June 30, 2018 and 2017

K·COE ISOM

Butte Local Agency Formation Commission
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June 30, 2018 and 2017

INDEPENDENT AUDITORS' REPORT

To the Commissioners
Butte Local Agency Formation Commission
Oroville, California

We have audited the accompanying financial statements of Butte Local Agency Formation Commission (LAFCo), an independent agency of the state of California, as of and for the years ended June 30, 2018 and 2017; and the related notes to the financial statements, which collectively comprise LAFCo's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

LAFCo's 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 audits. We conducted our audits 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 audits 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 auditor considers internal control relevant to LAFCo'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 LAFCo'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.

INDEPENDENT AUDITORS' REPORT
(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LAFCo as of June 30, 2018 and 2017, and the changes in its financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted 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.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise LAFCo's basic financial statements. The budgetary comparison schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

INDEPENDENT AUDITORS' REPORT
(Continued)

The budgetary comparison schedule is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

KCoe Isom, LLP

February 15, 2019
Chico, California

FINANCIAL SECTION

Butte Local Agency Formation Commission

STATEMENTS OF NET POSITION

June 30		2018		2017
ASSETS				
Current Assets				
Cash - general	$	505,786	$	557,479
Cash - Sphere of Influence		247,065		225,938
Interest receivable		1,623		770
TOTAL ASSETS		754,474		784,187
DEFERRED OUTFLOWS OF RESOURCES FROM PENSIONS		125,821		119,465
LIABILITIES				
Current Liabilities				
Unearned revenue		-		82,810
Accounts payable and other current liabilities		11,641		922
Accrued salaries and benefits		-		16,514
Total Current Liabilities		11,641		100,246
Noncurrent Liabilities				
Accrued compensated leave		72,001		70,307
Other postemployment benefits obligation		-		33,248
Total OPEB liability		104,903		-
Net pension liability		149,099		120,871
Total Noncurrent Liabilities		326,003		224,426
TOTAL LIABILITIES		337,644		324,672
DEFERRED INFLOWS OF RESOURCES FROM PENSIONS		11,763		23,885
NET POSITION				
Unrestricted		283,823		329,157
Restricted - Sphere of Influence		247,065		225,938
TOTAL NET POSITION	$	530,888	$	555,095

The accompanying notes are an integral part of these financial statements.

Butte Local Agency Formation Commission

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Years Ended June 30	2018	2017
Revenues		
Agency funding	$ 604,246	$ 586,641
Filing fees and other	37,920	87,259
Sphere of Influence fees	20,770	42,241
Total Revenues	662,936	716,141
Expenses		
Salaries and wages	315,884	315,084
Employee benefits	134,330	107,353
Post-employment benefits	6,102	5,988
Communications	3,922	4,104
General insurance	4,465	3,833
Workers' compensation insurance	2,238	2,246
Memberships	5,338	4,577
Office and household expenses	4,669	3,196
Professional and specialized services	86,599	62,735
Publications and legal notices	1,290	2,278
Rents and leases	14,491	14,416
Special department expenses	4,294	5,183
Data processing	8,350	6,680
Transportation and travel	17,965	20,786
Utilities	6,568	4,534
Total Expenses	616,505	562,993
Operating Income	46,431	153,148
Interest earned	5,768	8,226
Excess Revenues	52,199	161,374
Net Position - as Previously Reported	555,095	393,721
Cumulative effect of change in accounting principles	(76,406)	-
Net Position - as Restated	478,689	393,721
Net Position - End of Year	$ 530,888	$ 555,095

The accompanying notes are an integral part of these financial statements.

Butte Local Agency Formation Commission

STATEMENTS OF CASH FLOWS

Years Ended June 30		2018		2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Agency funding	$	521,436	$	669,451
Filing fees		37,920		87,259
Sphere of Influence fees		20,770		42,241
Payments for employees and benefits		(466,137)		(461,858)
Payments to suppliers		(149,470)		(134,209)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		(35,481)		202,884
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received		4,915		7,456
Net Change in Cash		(30,566)		210,340
Cash - Beginning of Year		783,417		573,077
Cash - End of Year	$	752,851	$	783,417
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	$	46,431	$	153,148
Adjustments to reconcile operating income to net cash provided operating activities:				
Change in deferred outflow of resources		(6,356)		(53,880)
Change in deferred inflows of resources		(12,122)		(12,885)
Difference between pension expense recognized and deferred outflows of resources - contributions		28,228		31,153
Changes in assets and liabilities:				
Accounts payable		10,719		359
Accrued salaries and benefits		(16,514)		539
Accrued compensated leave		1,694		(1,692)
Accrued post-employment benefits		(4,751)		3,332
Unearned revenue		(82,810)		82,810
NET CASH PROVIDED BY OPERATING ACTIVITIES	$	(35,481)	$	202,884
Cash consisted of:				
General account	$	505,786	$	557,479
Sphere of Influence account		247,065		225,938
Total Cash	$	752,851	$	783,417

The accompanying notes are an integral part of these financial statements.

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities The Butte Local Agency Formation Commission (LAFCo) was formed in 1964. LAFCo is charged with the orderly formation of local government agencies. LAFCo is an independent agency of the state of California pursuant to the requirements of the Cortese-Knox-Hertzberg Act. Agency funding for the LAFCo budget is provided by the county of Butte at 45%, the cities within Butte County at 45%, and the special LAFCos located in Butte County at 10%.

LAFCo also charges fees for various proceedings such as annexations, special LAFCo formations, and mergers or dissolutions.

Basis of Accounting LAFCo applies the provision of the Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*. The statement incorporates into GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with GASB pronouncements: 1) Financial Accounting Standards Board (FASB) Statements and Interpretations; 2) Accounting Principles Board (APB) Opinions; and 3) Accounting Research Bulletins (ARB) of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

LAFCo also applies GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. These statements establish standards for reporting deferred outflows of resources, deferred inflows of resources, and net position for all state and local governments.

LAFCo has adopted the financial reporting provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, but has elected to not present management's discussion and analysis (MD&A) that GASB has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Budgetary Control LAFCo's fiscal year is the 12-month period beginning July 1. The general budget policy is that LAFCo submit to the Butte County Auditor a Commission-approved budget estimating revenues and expenditures prior to June 30. The final budget is legally enacted by resolution on or before June 15 after necessary adjustments, if any, have been made. Within certain legal restrictions, adjustments to final budget amounts may be made by the Commission during the year to account for unanticipated occurrences.

Cash LAFCo's cash balances consist of the general cash and the Sphere of Influence funds.

LAFCo maintains all of its cash in the Butte County Treasury as part of a common investment pool (the County Investment Pool). The County is restricted by *California Government Code*, Section 53635 pursuant to Section 53601, to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. Deposits in the County Investment Pool are valued using the amortized cost method (which approximates fair value) in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and includes accrued interest. The County Investment Pool has deposits and investments with a weighted-average maturity of less than three years. As of June 30, 2018, and June 30, 2017, the fair value of the County Investment Pool was 98.88% and 99.77%, respectively, of the carrying value and is deemed to represent a material difference. Information regarding the amount of dollars invested in derivatives with the County Investment Pool was not available. The County Investment Pool is subject to regulatory oversight by the Treasury Oversight Committee, as required by *California Government Code*, Section 27130.

Fair Value Measurements LAFCo accounts for certain assets and liabilities in accordance with GASB Statement No. 72, *Fair Value Measurement and Application.* LAFCo measures some assets for fair value on a recurring basis as described in note 2. LAFCo may be required, from time to time, to measure certain assets and liabilities at fair value on a non-recurring basis. These include assets that are adjusted for the lower of cost or market, such as an inventory valuation.

LAFCo classifies its fair value assets and liabilities into a hierarchy of three levels based on the markets in which they are traded and the reliability of the assumptions used to determine fair value. The asset or liability measurement level within the hierarchy is based on the lowest level of any assumption that is significant to the measurement.

Valuations within the hierarchy levels are based upon the following:

Level 1: Quoted market prices for identical instruments traded in active exchange markets.

Level 2: Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable or can be corroborated by observable market data.

Level 3: Model-based techniques that use at least one significant assumption not observable in the market.

These unobservable assumptions reflect an organization's estimates of assumptions that market participants would use on pricing an asset or liability. Valuation techniques include management's judgment and estimation which may be significant.

Net Position Net position restricted for specific purposes is required to be separately classified, which is the case with amounts classified as restricted for Sphere of Influence. The remaining balance in net position is unrestricted.

Operating Income and Expenses The statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating income and expenses. Operating revenues include all revenues received in order to provide services. These revenues are received from other governmental agencies and from the public. Operating expenses are all expenses incurred to provide services. Nonoperating revenues or expenses include interest income and, if material, the change in the fair value of cash in the Butte County Treasury.

Deferred Outflows/Inflows of Resources From Pensions In addition to assets, the statements of net position include a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period which will only be recognized as an outflow of resources (expense) in the future. LAFCo contributions, subsequent to the measurement date, and differences between contributions and proportionate share of contributions, related to pension plans are reported as deferred outflows of resources in the statement of net position. Contributions subsequent to the measurement date will be amortized during the next fiscal year as provided by accounting pronouncement GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Differences between contributions and proportionate share of contributions are amortized over the estimated service lives of the pension plan participants.

In addition to liabilities, the statements of net position include a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and would only be recognized as an inflow of resources (revenue) at that time. Changes in proportion, and the proportionate share of the net difference between projected and actual earnings on pension plan investments, are reported as deferred inflows of resources in the statements of net position. These amounts are amortized over the estimated service lives of the pension plan participants.

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

Net Pension Liability For purposes of measuring the net pension liability, deferred outflows of resources/deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the California Public Employees' Retirement System (CalPERS), and additions to/deductions from CalPERS's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments are recognized when due and payable with the benefit terms. Investments are reported at fair value.

Implementation of New Accounting Standards

Governmental Accounting Standards Board, Statement No. 75 LAFCo adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, for the fiscal year ended June 30, 2018. This statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. GASB Statement No. 75 replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Pensions, as amended*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to 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. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

Governmental Accounting Standards Board, Statement No. 85 LAFCo adopted the provisions of GASB Statement No. 85, *Omnibus 2017*, for the fiscal year ended June 30, 2018. This statement addresses practice issues that have been identified during implementation and application of certain GASB statements, including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. It addresses the timing of the measurement of pension or OPEB liabilities and expenditures recognized, recognizing on-behalf payments for pensions of OPEB, presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB, and accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

As a result of the adoption of GASB Statements No. 75 and 85, net position as of July 1, 2017, has been restated as follows:

Net Position - as Previously Reported	$	555,095
Cumulative Effect of Change in Accounting Principles		
Total OPEB liability		(76,406)
Net Position - as Restated	$	478,689

The comparative statements have not been restated to reflect OPEB expense accounting as required by GASB Statement No. 75, as amended by GASB Statement No. 85. Information was not available for such restatement.

2. CASH

LAFCo is required under state statutes to deposit money in the Butte County Treasury which, in turn, pays the claims of LAFCo. The Butte County Treasury is limited in investments by the *California Government Code*, Section 53635 pursuant to Section 53601, to invest in demand deposits with financial institutions, savings accounts, certificates of deposits, U.S. Treasury securities, federal agency securities, state of California notes or bonds, notes or bonds of agencies within the state of California, obligations guaranteed by the Small Business Administration, bankers' acceptances, commercial paper, and the Local Agency Investment Fund (LAIF) of the state of California. The deposits in the Butte County Treasury pooled funds are unrated.

Cash consisted of the following:

June 30, 2018	Maturities		Fair Value
Investments That are Not Securities (1)			
County treasurer's investment pool	1.9 years average	$	752,851

June 30, 2017	Maturities		Fair Value
Investments That are Not Securities (1)			
County treasurer's investment pool	1.8 years average	$	783,417

(1) ***Investments That are Not Securities*** A "security" is a transferable financial instrument that evidences ownership or creditorship, whether in physical or book-entry form. Investments that are not securities do not have custodial credit risk because they do not involve a transferable financial instrument. Thus, they are not categorized into custodial credit risk categories.

Concentration of Credit Risk – Investments

California Government Code, Section 53635, places the following concentration limits on the County Investment Pool:

> No more than 40% may be invested in eligible commercial paper; no more than 10% may be invested in the outstanding commercial paper of any single issuer; and no more than 10% of the outstanding commercial paper of any single issuer may be purchased.

California Government Code, Section 53601, places the following concentration limits on the LAFCo investments:

> No more than 5% may be invested in the securities of any one issuer, except the obligations of the U.S. government, U.S. government agencies, and U.S. government-sponsored enterprises; no more than 10% may be invested in any one mutual fund; no more than 25% may be invested in commercial paper; no more than 10% of the outstanding commercial paper of any single issuer may be purchased; no more than 30% may be invested in bankers' acceptances of any one commercial bank; no more than 30% may be invested in negotiable certificates of deposit; no more than 20% may be invested in repurchase agreements or reverse repurchase agreements; and no more than 30% may be invested in medium-term notes.

Fair Value Measurements

LAFCo categorizes fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs.

LAFCo has the following recurring fair value measurements as of June 30, 2018 and 2017:

County Investment Pool of $752,851 and $783,417, respectively, were valued using quoted prices for similar instruments in active market and quoted prices for identical or similar instruments in markets that are not active (level 2 inputs).

3. GENERAL INFORMATION ABOUT THE PENSION PLAN

Qualified employees are covered under a cost-sharing multiple-employer defined benefit pension plan maintained by an agency of the state of California. Classified employees are members of the California Public Employees' Retirement System (CalPERS).

California Public Employees' Retirement System (CalPERS)

Plan Description Classified employees participate in the Miscellaneous Plan (the Plan) under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by state statute, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a publicly available financial report that can be obtained at www.calpers.ca.gov.

Benefits Provided The Plan provides retirement, disability benefits, and death benefits to Plan members and beneficiaries. The benefits are based on members' years of service, age, final compensation, and benefit formula. Members become fully vested in their retirement benefits earned to date after five years of credited service.

Contributions Member contribution rates are defined by law. Employer contribution rates are determined by periodic actuarial valuations. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. Active plan members are required to contribute 7.00% of their salary, which is paid by LAFCo. The required employer contribution rates for the fiscal years ended June 30, 2018 and 2017, were 9.409% and 8.921%, respectively. The projected contribution rate for the 2018-19 fiscal year is 10.221%.

New CalPERS participants enrolled after January 1, 2013, are required to make contributions at a rate of 6.25% of eligible salary. LAFCo is required to match the contribution with a rate of 6.25% of eligible salaries.

Contributions to CalPERS for the fiscal years ended June 30, 2018 and 2017, were $32,585 and $34,468, respectively.

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

At June 30, 2018 and 2017, LAFCo reported a liability of $149,099 and $120,871, respectively, for LAFCo's proportionate share of the net pension liability. The net pension liability is measured annually as of June 30, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation one year prior and rolled forward to the measurement date. At June 30, 2018 and 2017, LAFCo's proportions were .00513% and .00348%, respectively.

For the year ended June 30, 2018, LAFCo recognized pension expense of $42,335. For the year ended June 30, 2017, LAFCo recognized a pension benefit of $1,145.

At June 30, 2018 and 2017, the deferred outflows of resources and deferred inflows of resources related to pensions were reported from the following sources:

June 30, 2018	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ 7,754	$ -
Differences between District contributions and proportionate share of contributions	17,246	-
Differences between expected and actual experience	276	3,959
Changes in assumptions	34,286	2,614
Changes in employer's proportion	33,674	5,190
District contributions subsequent to the measurement date	32,585	-
Total	$ 125,821	$ 11,763

June 30, 2017	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ 55,798	$ -
Differences between District contributions and proportionate share of contributions	14,944	925
Differences between expected and actual experience	874	-
Changes in assumptions	-	10,721
Changes in employer's proportion	13,381	12,239
District contributions subsequent to the measurement date	34,468	-
Total	$ 119,465	$ 23,885

The $32,585 reported as deferred outflows of resources related to pensions at June 30, 2018, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30		
2019	$	35,578
2020		30,572
2021		19,927
2022		(4,604)
Total	$	81,473

Actuarial Assumptions

The total pension liability in the actuarial valuations used for the years ended June 30, 2018 and 2017, were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Years Ended June 30	**2018**	**2017**
Valuation date	June 30, 2016	June 30, 2015
Measurement date	June 30, 2017	June 30, 2016
Actuarial cost method	Entry age normal	Entry age normal
Actuarial assumptions:		
Discount rate	7.15%	7.65%
Inflation	2.75%	2.75%
Salary increases	Varies by entry age and service	Varies by entry age and service
Investment rate of ret	7.50%	7.50%

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The actuarial assumptions used in the June 30, 2016 and 2015, valuations were based on the results of an actuarial experience study for the period July 1, 1997, through June 30, 2011.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long term (11+ years) using a building-block approach. Using the expected nominal returns for both short term and long term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The tables below reflect the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

June 30, 2018	Target Allocation	Rate of Return Years 1 - 10	Rate of Return Years 11+
Asset Class			
Global equity	47%	4.90%	5.38%
Global fixed income	19%	0.80%	2.27%
Inflation sensitive	6%	0.60%	1.39%
Private equity	12%	6.60%	6.63%
Real estate	11%	2.80%	5.21%
Infrastructure and forestland	3%	3.90%	5.36%
Liquidity	2%	-0.40%	-0.90%
Total	100%		

June 30, 2017	Target Allocation	Rate of Return Years 1 - 10	Rate of Return Years 11+
Asset Class			
Global equity	51%	5.25%	5.71%
Global fixed income	20%	9.90%	2.43%
Inflation sensitive	6%	0.45%	3.36%
Private equity	10%	6.83%	6.95%
Real estate	10%	4.50%	5.13%
Infrastructure and forestland	2%	4.50%	5.09%
Liquidity	1%	-0.55%	-1.05%
Total	100%		

Discount Rate

The discount rates used to measure the total pension liability at June 30, 2018 and 2017, were 7.15% and 7.65%, respectively. The amortization and smoothing periods adopted by CalPERS were utilized to determine whether the municipal bond rate should be used in the calculation of a discount rate. A projection of expected benefit payments and contributions was performed to determine if the assets would run out. The test revealed the assets would not run out. 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.

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

The following presents LAFCo's proportionate share of the net pension liability calculated using the applicable discount rate, as well as the LAFCo's proportionate share of the net pension liability if it was calculated using a discount rate that is one percentage point lower or higher, than the applicable current rate:

June 30, 2018	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
LAFCo's proportionate share of the net pension liability	$ 262,114	$ 149,099	$ 55,498

June 30, 2017	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
LAFCo's proportionate share of the net pension liability	$ 209,647	$ 120,871	$ 47,503

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in CalPERS's separately issued Comprehensive Annual Financial Report (CAFR).

4. POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description and Benefits Provided

LAFCo provides post-employment health care benefits to qualifying employees through a single-employer defined benefit healthcare plan administered by LAFCo (the Plan). The executive officer retiring before age 65, and his dependents, are eligible for post-retirement health coverage until he reaches age 65. Other employees with 10 years of continuous service are eligible up to age 65 for 12 months of post-retirement health coverage for the retiree only. In addition, employees have an option to receive one month of health coverage for each day of sick leave on accrual at the day of retirement.

Employees Covered

Employees covered by the benefit terms of the Plan consisted of:

June 30, 2018	
Inactive Plan members or beneficiaries currently receiving benefit payments	-
Active Plan members	1
Total	1

Contributions

The contribution requirements of Plan members and LAFCo are established and may be amended by LAFCo's Commissioners. Currently, LAFCo's policy is to contribute to the Plan on a pay-as-you-go basis. For the fiscal year ended June 30, 2018, LAFCo contributed $24,614 representing premium payments on behalf of plan members.

Net OPEB Liability

LAFCo's net OPEB liability for the Plan is measured as the total OPEB liability, less the Plan's fiduciary net position. The total OPEB liability of the Plan is measured as of June 30, 2018, using the alternative measurement method. The June 30, 2018, total OPEB liability was based on the alternative measurement method and assumptions as shown below.

Valuation date	June 30, 2018
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Salary increases	2.00%
Discount rate	2.91%
Healthcare cost trend rate	4.00%

In addition, the following simplifying assumptions were made:

Retirement Age for Active Employee: Based on the historical average retirement age for the covered group, the active plan member was assumed to retire at age 62.

Marital Status: Marital status of the member at the calculation date was assumed to continue throughout retirement.

Mortality: Life expectancies were based on a mortality table.

Turnover: The active member is expected to remain employed until retirement.

Health Insurance Premiums: The 2018 health insurance premiums were used as the basis for calculation of the present value of total benefits to be paid.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.91%. The discount rate is based on the index for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or better as required under GASB Statement No. 75.

Changes in the Total OPEB Liability

The changes in the total OPEB liability for the Plan are as follows:

Year Ended June 30, 2018		
Total OPEB Liability		
Service cost	$	19,863
Benefit payments - including refunds of employee contributions		(24,614)
Net Change in Total OPEB Liability		(4,751)
Total OPEB Liability - Beginning of Year		109,654
Total OPEB Liability - End of Year		104,903
Covered-employee payroll	$	120,102
LAFCo's total OPEB liability as a percentage of covered-employee payroll		87.34%

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents LAFCo's total OPEB liability calculated using the discount rate of 2.91%, as well as LAFCo's total OPEB liability if it was calculated using a discount rate that is one percentage point lower (1.91%) or one percentage point higher (3.91%) than the current rate:

June 30, 2018	1% Decrease (1.91%)	Current Discount Rate (2.91%)	1% Increase (3.91%)
Total OPEB liability	$ 106,698	$ 104,903	$ 103,169

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents LAFCo's total OPEB liability calculated using the healthcare cost trend rate of 4.00%, as well as LAFCo's total OPEB liability if it was calculated using a healthcare trend rate that is one percentage point lower (3.00%) or one percentage point higher (4.00%) than the current rate:

June 30, 2018	1% Decrease (3.00%)	Health Cost Trend Rates (4.00%)	1% Increase (5.00%)
Total OPEB liability	$ 94,114	$ 104,903	$ 116,819

OPEB Expense

For the year ended June 30, 2018, LAFCo recognized OPEB expense of $44,477.

Other Postemployment Benefits Obligation

As stated in note 1 to the financial statements, LAFCo implemented GASB Statements No. 75 and 85 for the fiscal year ended June 30, 2018. The other postemployment benefits obligation reported as of June 30, 2017, was valued as follows:

For the year ended June 30, 2017, the annual OPEB cost was calculated based on the annual required contribution (ARC) for the employer, an amount determined in accordance with the parameters of GASB Statement No. 45, using the alternative measurement method for fewer than 100 plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the annual OPEB cost for the year, the amount contributed to the plan, and the changes in the net OPEB obligations:

June 30, 2017		
Annual required contribution	$	2,417
Amortization on actuarial accrued liability (ALL)		882
Interest on net OPEB obligation		33
Annual OPEB Cost		3,332
Contributions		-
Net OPEB Obligation - Beginning of Year		29,916
Net OPEB Obligation - End of Year	$	33,248

Alternative Measurement Method Assumptions

The alternative valuation method of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events in the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan, and the annual required contributions of the employer, are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the benefits provided at the time of each valuation and the historical pattern of benefit costs at that point. The assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement Age for Active Employee: Based on the historical average retirement age for the covered group, the active plan member was assumed to retire at age 62.

Marital Status: Marital status of the member at the calculation date was assumed to continue throughout retirement.

Mortality: Life expectancies were based on a mortality table.

Turnover: The active member is expected to remain employed until retirement.

Healthcare Cost Trend Rate: A rate of 2.562 was used.

Health Insurance Premiums: The 2016 health insurance premiums were used as the basis for calculation of the present value of total benefits to be paid.

Inflation Rate and Payroll Growth Rate: Rates were not used.

5. OTHER RETIREMENT PLANS

Deferred Compensation 457 Plan

LAFCo also established a deferred compensation plan. In lieu of Social Security contributions, LAFCo contributes 6.2% of employees' wages into the deferred compensation plan, which is administered by LAFCo. For the years ended June 30, 2018 and 2017, $22,727, and $25,097, respectively, were contributed.

Sick Leave Buy-back Option

Upon retirement or termination in good standing, an employee who has accrued more than 240 hours of sick leave may be compensated for that portion over 240 hours at one-half the normal rate of pay up to a maximum of $3,000.

6. OPERATING LEASE AGREEMENT

LAFCo leases office space under an operating lease. A ten-year operating lease was signed on April 1, 2006, to March 31, 2016. The lease was renewed on April 1, 2016, to March 31, 2026. Two five-year renewal options are available with the amounts to be negotiated. Rent expense amounted to $14,191 and $20,981, respectively, for fiscal years ended June 30, 2018 and 2017. Minimum future rental payments as of June 30, 2018, are as follows:

Years Ending June 30		
2019	$	14,675
2020		14,895
2021		15,119
2022		15,345
2023		15,575
Thereafter		44,025
Total	$	119,634

7. RISK MANAGEMENT

LAFCo obtained general liability, auto liability, auto physical damage, public officials' errors and omissions, elected officials' personal liability, employment practices and benefits, fidelity blanket bond, property coverage, boiler and machinery coverage, and workers' compensation coverage from Special LAFCo Risk Management Authority (SDRMA). SDRMA is organized as a joint powers authority and provides coverage to certain maximum limits applied annually per occurrence or per year.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Years Ended June 30	2018	2017	2016	2015
LAFCo's portion of the net pension liability (asset)	0.00513%	0.00348%	0.00327%	0.00153%
LAFCo's proportionate share of the net pension liability (asset)	$ 149,099	$ 120,871	$ 89,719	$ 95,405
LAFCo's covered-employee payroll	$ 315,064	$ 313,151	$ 342,828	$ 332,843
LAFCo's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	47.32%	38.60%	26.17%	28.66%
Plan fiduciary net position as a percentage of the total pension liability	75.39%	74.06%	78.40%	79.82%

SCHEDULE OF CONTRIBUTIONS

Years Ended June 30	2018	2017	2016	2015
Contractually required contribution	$ 32,585	$ 34,468	$ 34,885	$ 35,663
Contributions in relation to the contractually required contribution	(32,585)	(34,468)	(34,885)	(35,663)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
LAFCo's covered-employee payroll	$ 315,064	$ 313,151	$ 342,828	$ 332,843
Contributions as a percentage of covered-employee payroll	10.34%	11.01%	10.18%	10.71%

See the accompanying notes to the required supplementary information.

Butte Local Agency Formation Commission

SCHEDULE OF CHANGES IN LAFCO'S TOTAL OPEB LIABILITY AND RELATED RATIOS

Year Ended June 30, 2018		
Total OPEB Liability		
Service cost	$	19,863
Benefit payments - including refunds of employee contributions		(24,614)
Net Change In Total OPEB Liability		(4,751)
Total OPEB Liability - Beginning of Year		109,654
Total OPEB Liability - End of Year	$	104,903
Covered-employee payroll	$	120,102
LAFCo's total OPEB liability as a percentage of covered-employee payroll		87.34%

See the accompanying notes to the required supplementary information.

Butte Local Agency Formation Commission

SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS

June 30		2016		2017
Actuarial accrued liability (AAL)	$	28,000	$	23,000
Actuarial value of plan assets		-		-
Unfunded Actuarial Accrued Liability (UAAL)	$	28,000	$	23,000
Funded ratio (actuarial value of plan assets/AAL)		0.00%		0.00%
Covered payroll (active members)	$	128,265	$	130,831
UAAL as a percentage of covered payroll		22.08%		17.58%

See the accompanying notes to the required supplementary information.

1. SCHEDULE OF CHANGES IN LAFCO'S TOTAL OPEB LIABILITY AND RELATED RATIOS

Changes in Benefit Terms

There were no significant changes in benefit terms during the measurement period ended June 30, 2018.

Changes in Assumptions

There were no changes in major assumptions during the measurement period ended June 30, 2018.

2. CHANGES OF BENEFIT TERMS

California Public Employees' Retirement System

There were no significant changes of benefit terms during the measurement period ended June 30, 2017.

3. CHANGES OF ASSUMPTIONS

California Public Employees' Retirement System

During fiscal year 2016-17, the financial reporting discount rate for the Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (PERF C) was lowered from 7.65% to 7.15%.

OTHER SUPPLEMENTARY INFORMATION SECTION

Butte Local Agency Formation Commission

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2018		Final Budget Amounts		Actual Amounts		Variance Over (Under) Budget
Revenues						
Sphere of Influence Trust Fund transfers	$	20,000	$	-	$	(20,000)
Agency funding		604,373		604,246		(127)
Filing fees and other		32,579		37,920		5,341
Sphere of Influence fees		-		20,770		20,770
Total Revenues		656,952		662,936		5,984
Expenses						
Salaries and wages		323,257		315,884		(7,373)
Employee benefits		153,717		134,330		(19,387)
Post-employment benefits		-		6,102		6,102
Communications		3,942		3,922		(20)
General insurance		4,600		4,465		(135)
Workers' compensation insurance		2,300		2,238		(62)
Memberships		5,200		5,338		138
Office and household expense		5,500		4,669		(831)
Professional and specialized services		65,936		86,599		20,663
Publications and legal notices		2,000		1,290		(710)
Rents and leases		14,800		14,491		(309)
Special department expense		3,500		4,294		794
Data processing		6,680		8,350		1,670
Transportation and travel		22,040		17,965		(4,075)
Utilities		4,800		6,568		1,768
Appropriation for contingencies		30,000		-		(30,000)
Appropriation for reserve		16,000		-		(16,000)
Total Expenses		664,272		616,505		(47,767)
Operating Income (Loss)		(7,320)		46,431		53,751
Interest earned		5,000		5,768		768
Unrealized gain (loss)		2,320		-		(2,320)
Excess Revenues	$	-	$	52,199	$	54,519

Butte Local Agency Formation Commission

BUDGETARY COMPARISON SCHEDULE

(Continued)

Year Ended June 30, 2018		
Sources/Inflows of Resources		
Budgeted revenue	$	656,952
Differences - Budget to GAAP		
Sphere of Influence Trust Fund transfers are a resource, but not current-year revenue for GAAP		(20,000)
Sphere of Influence fees recognized as revenue for GAAP when earned and not included as budgetary inflows		20,770
Agency funding was less than budgeted amount		(127)
Filing fees earned were more than budgeted amounts		5,341
Total Revenues Reported for GAAP	$	662,936
Uses/Outflows of Resources		
Budgeted expenses	$	664,272
Differences - Budget to GAAP		
Appropriation for reserve budgeted, but not an expense for GAAP		(16,000)
Contingency fund budgeted, but not an expense for GAAP		(30,000)
Operating expenses were less than budgeted amounts		(1,767)
Total Expenses Reported for GAAP	$	616,505