

**EL DORADO LOCAL AGENCY  
FORMATION COMMISSION**

**AUDIT REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2006**

**EL DORADO LOCAL AGENCY FORMATION COMMISSION**

Audit Report  
For the Year Ended June 30, 2006

TABLE OF CONTENTS

	<u>Page</u>
Commission Membership .....	i
Independent Auditor’s Report .....	1-2
<u>Basic Financial Statements</u>	
Statement of Net Assets and Governmental Fund Balance Sheet.....	3
Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance .....	4
Statement of Fiduciary Net Assets – Agency Funds .....	5
Notes to Financial Statements .....	6-17
<u>Required Supplementary Information</u>	
Budgetary Comparison Schedule .....	18
Notes to the Required Supplementary Information .....	19
<u>Supplementary Information</u>	
Statement of Changes in Fiduciary Net Assets.....	20
<u>Other Report</u>	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	21-22

## EL DORADO LOCAL AGENCY FORMATION COMMISSION

### Commission Membership as of June 30, 2006

<u>Name</u>	<u>Position</u>	<u>Original Appt.</u>	<u>Term Expires</u>
Ted Long	Chair South Lake Tahoe	January 2005	January 2009
Gary Costamagna	Vice-Chair Special Districts El Dorado Hills County Water District	March 2003	January 2007
Rusty Dupray	Member County Representative County Board of Supervisors	January 2001	January 2010
Carl Hagen	Member City Representative Placerville	February 2005	January 2008
Francesca Loftis	Public Member	July 2003	January 2010
James R. Sweeney	Member County Representative County Board of Supervisors	September 2003	January 2008
Norm Rowett	Alternate Member Public Representative	May 2006	January 2008
Roberta Colvin	Alternate Member City Representative Placerville	January 2005	January 2008
Helen Baumann	Alternate Member County Representative County Board of Supervisors	January 2006	January 2010



BARTIG, BASLER & RAY, LLP

A GALLINA LLP COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

Ted Long, Chairman  
and Members of the El Dorado Local  
Agency Formation Commission  
Placerville, California

We have audited the accompanying basic financial statements of the El Dorado Local Agency Formation Commission (Commission) as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, and 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 El Dorado Local Agency Formation Commission as of June 30, 2006, and the respective changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

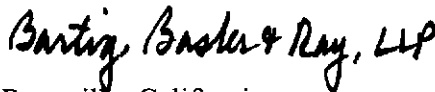
The Budgetary Comparison Schedule, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it. The Commission has not presented the Management Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not a required part of the basic financial statements.

Board of Commissioners  
El Dorado Local Agency Formation Commission  
Placerville, California

In accordance with *Government Auditing Standards*, we have also issued our report dated January 2, 2007, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The individual fund financial statement listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Commission. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

BARTIG, BASLER & RAY, LLP  
A Gallina LLP Company



Roseville, California  
January 2, 2007

**EL DORADO LOCAL AGENCY FORMATION COMMISSION**

Statement of Net Assets and  
Governmental Fund Balance Sheet  
June 30, 2006

<u>ASSETS</u>	<u>General Fund</u>	<u>Adjustments (Note 5)</u>	<u>Statement of Net Assets</u>
Cash in bank	\$ 200,716	\$ --	\$ 200,716
Imprest cash	484	--	484
Fees receivable	5,650	--	5,650
Prepaid expenses	13,151	--	13,151
Capital assets, net of accumulated depreciation	<u>--</u>	<u>5,732</u>	<u>5,732</u>
Total Assets	<u>\$ 220,001</u>	<u>\$ 5,732</u>	<u>\$ 225,733</u>
 <u>LIABILITIES</u>			
Accrued salaries and benefits	\$ 2,494	\$ --	\$ 2,494
Long-term liabilities:			
Compensated absences, due within one year	<u>--</u>	<u>5,882</u>	<u>5,882</u>
Total Liabilities	<u>2,494</u>	<u>5,882</u>	<u>8,376</u>
 <u>FUND BALANCES/NET ASSETS</u>			
Fund Balances:			
Reserved for imprest cash	484	(484)	--
Reserved for prepaid expenses	13,151	(13,151)	--
Unreserved:			
Designated for future retirement	7,521	(7,521)	--
Undesignated	<u>196,351</u>	<u>(196,351)</u>	<u>--</u>
Total Fund Balances	<u>217,507</u>	<u>(217,507)</u>	<u>--</u>
Total Liabilities and Fund Balances	<u>\$ 220,001</u>		
Net Assets:			
Invested in capital assets, net of related debt		5,732	5,732
Unrestricted		<u>211,625</u>	<u>211,625</u>
Total Net Assets		<u>217,357</u>	<u>\$ 217,357</u>
Total Liabilities and Net Assets		<u>\$ 5,732</u>	<u>\$ 225,733</u>

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

**EL DORADO LOCAL AGENCY FORMATION COMMISSION**

Statement of Activities and  
Governmental Fund Revenues, Expenditures and  
Changes in Fund Balance  
For the Year Ended June 30, 2006

	<u>General Fund</u>	<u>Adjustments (Note 5)</u>	<u>Statement of Activities</u>
<u>EXPENDITURES/EXPENSES</u>			
General Government:			
Salaries and benefits	\$ 277,917	\$ (33,936)	\$ 243,981
Services and supplies	123,828	--	123,828
Depreciation expense	--	1,580	1,580
Total Expenditures/Expenses	<u>401,745</u>	<u>(32,356)</u>	<u>369,389</u>
<u>PROGRAM REVENUES</u>			
Intergovernmental revenues	336,428	--	336,428
Application fees	47,981	--	47,981
Total Program Revenues	<u>384,409</u>	<u>--</u>	<u>384,409</u>
Net Program Revenues			<u>15,020</u>
<u>GENERAL REVENUES</u>			
Interest income	4,018	--	4,018
Total General Revenues	<u>4,018</u>	<u>--</u>	<u>4,018</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures/Change in Net Assets	(13,318)	32,356	19,038
Fund Balance/Net Assets - Beginning of Year	<u>230,825</u>	<u>(32,506)</u>	<u>198,319</u>
Fund Balance/Net Assets - End of Year	<u>\$ 217,507</u>	<u>\$ (150)</u>	<u>\$ 217,357</u>

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

**EL DORADO LOCAL AGENCY FORMATION COMMISSION**

Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2006

<u>ASSETS</u>	<u>Agency Funds</u>
Cash and cash equivalents	\$ 2,568
Accounts receivable	<u>3,082</u>
Total Assets	<u>\$ 5,650</u>
 <u>LIABILITIES</u>	
Fees payable	<u>\$ 5,650</u>
Total Liabilities	<u>\$ 5,650</u>

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



# EL DORADO LOCAL AGENCY FORMATION COMMISSION

Notes to Financial Statements  
June 30, 2006

Note 1: **Summary of Significant Accounting Policies**

A. **Reporting Entity**

The El Dorado Local Agency Formation Commission (Commission) was created in 1963 by the state legislature. The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 currently codifies LAFCO responsibility and marked significant reform to local government reorganization law. Between 1963 and 2000, various statutes concerning local government reorganization allowed local agency formation commissions in each county to function either as independent agencies or as part of the county government. In El Dorado County, the local agency formation commission functioned as part of the county government during this period. The Commission's role is to ensure the orderly formation of local government agencies, to preserve agricultural and open space lands, and to discourage urban sprawl. The Commission has jurisdiction over the County of El Dorado, the Cities of Placerville and South Lake Tahoe, 50 independent special districts and 6 dependent special districts located within the boundaries of El Dorado County.

The Commission is composed of seven members and four alternates who represent the following interests:

- Two members and one alternate selected from the El Dorado County Board of Supervisors
- Two members and one alternate selected from the City Councils selected by the City Selection Committee from the Cities of Placerville and South Lake Tahoe
- Two members and one alternate selected from the Special Districts Selection Committee
- One public member-at-large and one alternate public member selected by the County, City and District members listed above

# EL DORADO LOCAL AGENCY FORMATION COMMISSION

Notes to Financial Statements  
June 30, 2006

Note 1: **Summary of Significant Accounting Policies** (continued)

A. **Reporting Entity** (continued)

LAFCO includes all activities (operations of its administrative staff and commission officers) considered to be a part of the Commission. The Commission reviewed the criteria developed by the Governmental Accounting Standards Board (GASB) in its issuance of Statement No. 14, relating to the financial reporting entity to determine whether the Commission is financially accountable for other entities. The Commission has determined that no other outside entity meets the above criteria, and therefore, no agency has been included as a component unit in the financial statements. In addition, the Commission is not aware of any entity that would be financially accountable for the Commission that would result in the Commission being considered a component unit of that entity.

B. **Basis of Presentation and Accounting**

In this report, the government-wide statements and the fund statements for the Commission are presented on the same page with the adjustments column showing the differences.

*Government-Wide Statements*

The statement of net assets and statement of activities display information about the primary government (Commission). These statements include the financial activities of the overall Commission, except for fiduciary activities.

The statement of activities presents a comparison between direct expenses and program revenues for the Commission's governmental activity. Direct expenses are those that are specifically associated with the Commission. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of the Commission. Revenues that are not classified as program revenues, including all taxes and investment income, are presented instead as general revenues.

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 when the related cash flows take place. Nonexchange transactions in which the Commission gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants.

# EL DORADO LOCAL AGENCY FORMATION COMMISSION

Notes to Financial Statements  
June 30, 2006

Note 1: **Summary of Significant Accounting Policies** (continued)

**B. Basis of Presentation and Accounting** (continued)

*Government-Wide Statements* (continued)

Revenues from grants are recognized in the fiscal year in which all eligibility requirements have been satisfied.

When both restricted and unrestricted net assets are available, restricted resources are used before unrestricted resources.

*Fund Financial Statements*

The fund financial statements provide information about the Commission's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. Any remaining governmental funds are aggregated and reported as nonmajor funds.

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.

The Commission did not have any nonmajor governmental funds at June 30, 2006.

The Commission also reports two agency funds. Agency funds are used to account for situations in which the government receives and disburses resources in an agency capacity. Because all of the assets of agency funds are associated with third parties, agency funds have no equity; their assets equal their liabilities. LAFCO reports on the following two agency funds:

State Board of Equalization Filing Fees  
El Dorado Hills Incorporation Filing Fees

**EL DORADO LOCAL AGENCY FORMATION COMMISSION**

Notes to Financial Statements  
June 30, 2006

Note 1: **Summary of Significant Accounting Policies** (continued)

**B. Basis of Presentation and Accounting** (continued)

*Fund Financial Statements* (continued)

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. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Commission utilizes a sixty day availability period for revenue recognition for governmental fund revenues. Those revenues susceptible to accrual are taxes, intergovernmental revenues (grants), charges for services and interest revenues. Expenditures related to compensated absences are recorded only when payment is due.

**C. Capital Assets**

Capital assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. The Commission defines capital assets as assets with an initial, individual cost of more than \$1,500 for equipment and building and improvements and estimated useful lives in excess of five and fifteen years, respectively. Capital assets used in operations are depreciated or amortized (assets under capital leases) under the straight-line method over the lesser of the capital lease period or their estimated useful lives in the government-wide statements. Depreciation begins on the first day of the fiscal year following the period the asset is placed in service and ends in the fiscal year that it is retired from service or is full depreciated.

The estimated useful lives are as follows:

Equipment	5 years
Leasehold improvements	15 years

Costs of assets sold or retired (and related amounts of accumulated depreciation) are eliminated from the accounts in the year of sale or retirement. The proceeds from the sale of capital assets is included in the statement of revenues, expenditures and changes in fund balances of the related fund. The proceeds reported in the governmental funds are eliminated and the gain or loss on sale is reported in the government-wide presentation.

**EL DORADO LOCAL AGENCY FORMATION COMMISSION**

Notes to Financial Statements  
June 30, 2006

Note 1: **Summary of Significant Accounting Policies** (continued)

**D. Compensated Absences**

Commission employees accumulate unpaid vested benefits for compensatory time-off and vacation which is reported as a liability of the Commission. Vacation time accrues at varying amounts based on length of service and sick leave accrues at a rate of 96 hours a year. The accumulated benefits will be liquidated in future years as employees elect to use them. Upon termination or retirement, an employee will receive compensation for unused vacation and sick leave not to exceed 500 hours. Sick leave hours accumulated in excess of 500 hours are credited toward retirement.

There is no maximum accumulation for earned sick leave, although maximum number of hours paid shall not exceed 500. In order to receive payment for unused sick leave, employees must have five or more years of service. The following chart is used for unused sick leave accrual by non-management personnel.

<u>Years of Continuous Commission Service</u>	<u>% of Sick Leave Paid for Years of Continuous Service</u>
Years 5 through 10	20% of unused accrual
Years 11 through 15	40% of unused accrual
Years 16 through 20	70% of unused accrual
Years 21 forward	100% of unused accrual

Management employees with more than 5 years of service receive 100% of accrued leave for unused sick time, up to the maximum of 500 hours.

The Commission accounts for compensated absences in accordance with Governmental Accounting Standards Board Statement No. 16 *Accounting for Compensated Absences*. The earned vacation and sick time is payable upon termination and is reported as a liability in the government-wide financial statements.

**E. Use of Estimates**

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

# EL DORADO LOCAL AGENCY FORMATION COMMISSION

Notes to Financial Statements  
June 30, 2006

Note 1: **Summary of Significant Accounting Policies** (continued)

## F. Net Assets/Fund Balance

### Net Assets

The government-wide financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted, and unrestricted.

- *Invested in Capital Assets, Net of Related Debt* – This category groups all capital assets into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Assets* – This category represents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation. At June 30, 2006, the Commission had no net assets that were restricted.
- *Unrestricted Net Assets* – This category represents net assets of the Commission, not restricted for any project or other purpose.

### Fund Balances

In the fund financial statements, reserves and designations 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 actions of the Board and management and can be increased, reduced or eliminated by similar actions.

As of June 30, 2006, reservations of fund balance are described below:

The term “reserved” is used to indicate that a portion of reported fund balance is (1) legally restricted to a specific use or (2) not available for appropriation or expenditure.

The District has “reserved” fund balances as follows:

- *Reserved for Imprest Cash* represents the portion of the fund balance that is not available for expenditure because the Commission maintains various levels of revolving funds for daily operations.

**EL DORADO LOCAL AGENCY FORMATION COMMISSION**

Notes to Financial Statements  
June 30, 2006

Note 1: **Summary of Significant Accounting Policies** (continued)

F. **Net Assets/Fund Balance** (continued)

**Fund Balances** (continued)

- *Reserved for Prepaid Expenses* represents expenses paid for services not yet performed.

As of June 30, 2006, designations of fund balance are described below:

- *Designated for Future Retirement* represents the portion of the fund balance that has been earmarked for retirement health insurance benefits to be paid out at a later date.

Note 2: **Cash**

Cash at June 30, 2006, consisted of the following:

Deposits	<u>\$ 200,716</u>
	<u>\$ 200,716</u>

Government Accounting Standards Board Statement No. 40 requires additional disclosures about a government's deposit and investment risks that include credit risk, custodial risk, concentration risk and interest rate risk. The Commission has no deposit or investment policy that addresses a specific type of risk.

The Commission has no investments; all deposits are with commercial checking accounts.

Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2006, the recorded amount of the Commission's deposits was \$200,716 and the bank balance was \$225,606. Of the bank statement balance, \$100,000 was covered by federal depository insurance, and \$125,606 was subject to collateralized by California's multiple financial institution collateral pool that insures public deposits.

**EL DORADO LOCAL AGENCY FORMATION COMMISSION**

Notes to Financial Statements  
June 30, 2006

Note 3: **Capital Assets**

Capital asset activity for the year ended June 30, 2006, was as follows:

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2006</u>
Capital Assets, being Depreciated:				
Leasehold improvements	\$ 6,400	\$ --	\$ --	\$ 6,400
Equipment and vehicles	<u>10,438</u>	<u>--</u>	<u>(4,575)</u>	<u>5,863</u>
Total Capital Assets, being Depreciated	<u>16,838</u>	<u>--</u>	<u>(4,575)</u>	<u>12,263</u>
Less Accumulated Depreciation for:				
Leasehold improvements	(854)	(427)	--	(1,281)
Equipment and vehicles	<u>(8,672)</u>	<u>(624)</u>	<u>4,046</u>	<u>(5,250)</u>
Total Accumulated Depreciation	<u>(9,526)</u>	<u>(1,051)</u>	<u>4,046</u>	<u>(6,531)</u>
Total Capital Assets, Net	<u>\$ 7,312</u>	<u>\$ (1,051)</u>	<u>\$ (529)</u>	<u>\$ 5,732</u>

Note 4: **Long-Term Liabilities**

The following is a summary of long-term debt transactions of the Commission for the year ended June 30, 2006:

	<u>July 1, 2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2006</u>	<u>Amount</u> <u>Due Within</u> <u>One Year</u>
Compensated absences	<u>\$ 39,818</u>	<u>\$ 5,882</u>	<u>\$ (39,818)</u>	<u>\$ 5,882</u>	<u>\$ 5,882</u>



EL DORADO LOCAL AGENCY FORMATION COMMISSION

Notes to Financial Statements  
June 30, 2006

Note 5: **Reconciliation of Fund and Government-Wide Financial Statements**

A. **Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets on page 3 of this report.**

Amount reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	\$ 5,732
Compensated absences payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(5,882)</u>
	<u>\$ (150)</u>

B. **Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities on page 4 of this report.**

Amounts reported for governmental activities in the statement of activities are different because:

In the statement of activities, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense.

Current year depreciation expense	\$ (1,051)
Loss on retirement of capital assets	(529)

Changes in compensated absences payable reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>33,936</u>
	<u>\$ 32,356</u>

**EL DORADO LOCAL AGENCY FORMATION COMMISSION**

Notes to Financial Statements  
June 30, 2006

Note 6: **Related Party Transactions**

A. **Support Services**

Pursuant to an agreement between the County of El Dorado and the Commission, the County provides support services to the Commission that includes insurance and information technology services. During the year ended June 30, 2006, the Commission paid the County the following amounts for these services:

Insurance	\$	12,454
Office and Administrative		1,284
Information Technology Services		<u>8,228</u>
	\$	<u>21,966</u>

B. **Revenues**

Pursuant to Government Code Section 56381.1, the County provides one-third of the intergovernmental revenue to the Commission. The other two-thirds are funded by the City of Placerville, the City of South Lake Tahoe, and the 49 independent special districts.

Note 7: **Operating Lease**

In October 2003, the Commission entered into a noncancellable lease agreement for office space located at 550 E. Main Street, Suite E, Placerville, CA. The lease is for a term of 60 months and expires in October 2008. The Commission also leases a copier under a 60 month noncancellable lease agreement which expires in February 2008. Total lease payments charged to operations for the year ended June 30, 2006, were \$16,128.

Minimum required future rental payments under both noncancellable lease agreements are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2007	\$ 16,575
2008	16,624
2009	<u>5,425</u>
	<u>\$ 38,624</u>

## EL DORADO LOCAL AGENCY FORMATION COMMISSION

Notes to Financial Statements  
June 30, 2006

Note 8: **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; injuries to employees; and natural disasters. Worker's compensation liability insurance is provided through California Special District Risk Management Authority. The Commission participates in the County of El Dorado's risk pool for general, public official's errors and omissions, property, worker's compensation liability, health, life and disability. Information about coverage can be found in the County's basic financial statements. The County is self-insured up to a certain level, beyond which group-purchased commercial excess insurance is obtained through the California State Association of Counties. Loss contingency reserves established by the County are funded by contributions from various county departments and special districts. LAFCO pays an annual premium to the County that includes its pro-rata share of excess insurance premiums, charges for pooled risk, claims adjusting and legal costs, and administrative and other costs to operate the pool. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Additional information about available coverage can be obtained from the County's Risk Management Department.

Note 9: **Employee's Retirement Plan**

Plan Description

LAFCO contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan through the County's plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public employees within the State of California. All permanent full and part-time LAFCO employees working at least 1,000 hours per year are eligible to participate in PERS. Under PERS, benefits vest after five years of service. Upon retirement, participants are entitled to an annual retirement benefit, payable for life, in an amount equal to a benefit factor times their monthly average salary over the twelve highest earning consecutive months of employment. Copies of the PERS annual financial report may be obtained from their Executive Office, 400 Q Street, Sacramento, CA 95814.

# EL DORADO LOCAL AGENCY FORMATION COMMISSION

Notes to Financial Statements  
June 30, 2006

Note 9: **Employee's Retirement Plan** (continued)

## Funding Policy

Active plan members are required to contribute 7% of their annual covered salary. After two years of service, LAFCO makes the contributions required of LAFCO employees on their behalf and for their account. LAFCO is required to contribute at an actuarially determined rate, which was 12% for the year ended June 30, 2006. The contribution requirements of plan members and LAFCO are established and may be amended by PERS.

## Annual Pension Cost

For the year ending June 30, 2006, LAFCO incurred an annual pension cost of \$26,752. The required contribution was determined as part of the June 30, 2004 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary in duration of service ranging from 3.25% to 14.45% and (c) 3.25% cost of living adjustment. Both (a) and (b) include an inflation component of 3.0%. For additional information regarding PERS, refer to the financial statements of the County of El Dorado.

The funding status of the plan, including the actuarial value of the plan's assets and the actuarial accrued liability, cannot be determined for LAFCO since it is part of the County's plan.

## Trend Information for LAFCO

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>
June 30, 2004	\$ 13,846	100%
June 30, 2005	17,832	100%
June 30, 2006	26,752	100%

**REQUIRED SUPPLEMENTARY INFORMATION**

**EL DORADO LOCAL AGENCY FORMATION COMMISSION**

Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>REVENUES</u>				
Intergovernmental revenues	\$ 336,428	\$ 336,428	\$ 336,428	\$ --
Interest income	2,000	2,000	4,018	2,018
Application fees	<u>38,000</u>	<u>38,000</u>	<u>47,981</u>	<u>9,981</u>
Total Revenues	<u>376,428</u>	<u>376,428</u>	<u>388,427</u>	<u>11,999</u>
<u>EXPENDITURES</u>				
General Government:				
Salaries and benefits	313,352	300,177	277,917	22,260
Services and supplies	<u>182,238</u>	<u>195,413</u>	<u>123,828</u>	<u>71,585</u>
Total Expenditures	<u>495,590</u>	<u>495,590</u>	<u>401,745</u>	<u>93,845</u>
Changes in Fund Balance	<u>\$ (119,162)</u>	<u>\$ (119,162)</u>	(13,318)	<u>\$ 105,844</u>
Fund Balance - Beginning of Year			<u>230,825</u>	
Fund Balance - End of Year			<u>\$ 217,507</u>	

## **EL DORADO LOCAL AGENCY FORMATION COMMISSION**

Notes to Required Supplementary Information  
For the Year Ended June 30, 2006

### **BUDGET AND BUDGETARY REPORTING**

The Commission is required to prepare a budget each year based on estimates of revenues and expected expenditures. The budget is adopted on a basis consistent with generally accepted accounting principles. All changes to the budget during the year are reflected in these financial statements and require the approval of the governing board. All unencumbered annual appropriations lapse at the end of each fiscal year.

**SUPPLEMENTARY INFORMATION**



**EL DORADO LOCAL AGENCY FORMATION COMMISSION**

Statement of Changes in Fiduciary Assets and Liabilities  
 Agency Funds  
 For the Fiscal Year Ended June 30, 2006

	<u>Balance</u> <u>July 1, 2005</u>	<u>Debits</u>	<u>Credits</u>	<u>Balance</u> <u>June 30, 2006</u>
<u>State Board of Equalization</u>				
Assets:				
Cash	\$ 1,268	\$ 1,300	\$ --	\$ 2,568
Accounts receivable	--	3,082	--	3,082
Total Assets	<u>\$ 1,268</u>	<u>\$ 4,382</u>	<u>\$ --</u>	<u>\$ 5,650</u>
Liabilities:				
Due to general fund	\$ --	\$ --	\$ 5,650	\$ 5,650
Total Liabilities	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 5,650</u>	<u>\$ 5,650</u>
<u>El Dorado Hills Incorporation</u>				
Assets:				
Cash	\$ 21,710	\$ 63,206	\$ 84,916	\$ --
Total Assets	<u>\$ 21,710</u>	<u>\$ 63,206</u>	<u>\$ 84,916</u>	<u>\$ --</u>

**OTHER REPORT**



BARTIG, BASLER & RAY, LLP

A GALLINA LLP COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Commissioners  
El Dorado Local Agency Formation Commission  
Placerville, California

We have audited the financial statements of the El Dorado Local Agency Formation Commission as of and for the year ended June 30, 2006, and have issued our report thereon dated January 2, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the El Dorado Local Agency Formation Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

Board of Commissioners  
El Dorado Local Agency Formation Commission

We noted certain matters that we reported to management in a separate letter dated January 2, 2007.

This report is intended solely for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BARTIG, BASLER & RAY, LLP  
A Gallina LLP Company

*Bartig, Basler & Ray, LLP*

Roseville, California  
January 2, 2007