LOCAL AND REGIONAL GOVERNMENT SERVICES AUTHORITIES

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LGS EXECUTIVE COMMITTEE AGENDA

Agenda materials may be viewed on the Agency's web site or by contacting the Executive Director prior to the meeting.

REGULAR MEETING
February 28, 2013
2:00 p.m.

Dublin City Hall, Library Program Room
100 Civic Plaza
Dublin, CA 94568

1. CALL TO ORDER

2. CHANGES TO THE ORDER OF AGENDA

3. APPROVAL OF CONSENT AGENDA

Consent agenda items are considered to be routine and will be enacted by one motion. There will be no separate discussion on these items unless members of the Executive Committee, staff or public request specific items to be removed for separate action.

A. Approval of **November 15th 2012** Minutes *Action*
B. Approval of Payments and Deposits made October 2012 through December 2012

4. TREASURER'S REPORT

A. Review of Quarterly Financial Reports through December 2012 *Information*
B. Approval of Fiscal Year-End 2012 Financial Reports *Action*

5. OLD BUSINESS - None

6. NEW BUSINESS - None

7. PUBLIC COMMENT

Each speaker is limited to two minutes. If you are addressing the Executive Committee (EC) on a non-agenda item, the EC may briefly respond to statements made or questions posed as allowed by the Brown Act (Government Code Section 54954.2). However, the EC's general policy is to refer items to staff for attention, or have a matter placed on a future EC agenda for a more comprehensive action or report.

8. NEXT MEETING: May 16th 1:00 p.m. at Larkspur City Hall.

Americans with Disabilities Act

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact Richard Averett at (650) 587-7301. Notification in advance of the meeting will enable Agency to make reasonable arrangements to ensure accessibility.

Administrative Offices: P.O. Box 1350 · Carmel Valley, CA 93924 *ph:* 831/308-1508 *fax:* 831/308-1509
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DRAFT ACTION MINUTES

LOCAL GOVERNMENT SERVICES
JOINT POWERS AUTHORITY
EXECUTIVE COMMITTEE MINUTES
NOVEMBER 15, 2012

The Local Government Services Joint Powers Authority held a regular meeting of the Executive Committee at the Yountville Community Center Board Room, 6516 Washington Street, Yountville, CA 94599. The meeting was called to order at 2:43 p.m.

1. CALL TO ORDER

Members Present: Dan Schwarz, Chair
Steve Rogers, Vice-Chair
Ken Nordhoff, Member
Julie Carter, Alternate Member
Anil Comelo, Alternate Member

Members Absent: Nancy Mackle, Member
Joni Pattillo, Member
Herb Pike, Member

Other Attendees: Richard Averett, Executive Director
Jennifer Bower, Human Resources
Glenn Lazof, Project Manager
Sherry Kelly, Authority Clerk

2. CHANGES TO THE ORDER OF AGENDA

By consensus, members agreed that in the future approval of Payments and Deposits and Investment Reports should be placed on the Consent Calendar.

3. APPROVAL OF CONSENT AGENDA

A. Approval of **August 16th 2012** Minutes
Action: Moved, seconded (Rogers/Nordhoff) and carried unanimously to approve the Consent Calendar.

4. TREASURER'S REPORT

A. Review of Month-End Financial Reports through September 2012
Information: Report presented by Glenn Lazof, Project Manager.

B. Approval of Payments and Deposits made July 2012 through September 2012
Action: Moved, seconded (Nordhoff/Rogers) and carried unanimously to approve Payments and Deposits.

5. OLD BUSINESS - None

6. NEW BUSINESS - None

7. PUBLIC COMMENT - None

8. ADJOURNMENT – The meeting adjourned at 2:45 p.m. The next meeting is scheduled for February 21, 2013 at 1:00 p.m. at Dublin City Hall, Regional Meeting Room, Dublin, California.

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TO: EXECUTIVE COMMITTEE **EC Meeting: 2-28-13**
FROM: GLENN LAZOF, Project Manager **Item: 3B**
SUBJECT: PAYMENTS MADE OCTOBER 2012 THROUGH DECEMBER 2012

RECOMMENDATION

Review and approve expenditures made by the JPA for the period(s) indicated.

BACKGROUND

The Executive Committee reviews and approves expenditures made by the JPA on a monthly basis. This approval process is a component of the JPA's internal controls.

The following procedures are being implemented to maintain effective internal controls.

1. Invoices are received by staff or the JPA fiscal agent for the period October through December, McGilloway Ray Brown & Kaufman Accounting and Consulting (MRBK);
2. The fiscal agent reviews for accuracy, including reviewing payments for employee benefits against payroll and employee census data, and prepares checks and supporting documentation for Executive Director;
3. Invoices are approved for payment by the Executive Director;
4. The Executive Director reviews and signs/authorizes the check or electronic payment;
5. MRBK prepares and submits to our bank, Wells Fargo, a wire transfer record, and the Executive Director or his designee electronically reviews and approves each wire; and
6. All payments are brought to the next Executive Committee meeting for review and approval.

FISCAL IMPACT

The net impact of all payments and deposits made this period maintains a minimal bank cash balance consistent with meeting funding obligations, while maximizing interest earnings in the Local Agency Investment Fund (LAIF) and CalTrust medium term and short term investment pools. Note that any apparent negative bank balances at the end of a month are due to timing of expenses consistent with accrual accounting. Staff seeks to minimize bank charges at all times.

The fiscal impact of approving the attached list of expenditures is included in the approved FY2013 budget or in subsequently approved action by the Executive Committee.

Local Government Services
Check Detail
October - December, 2012

	Date	Transaction Type	Num	Name	Memo/Description	Clr	Amount
110010 Wells Fargo - Cash							
	10/04/2012	Check	EFT	ADP Net Checks	Sep 30 Payroll	R	-95,052.05
					Sep 30 Payroll		-95,052.05
	10/04/2012	Check	EFT	ADP FWH/SWH/Med	Sep 30 Payroll	R	-28,825.58
					Sep 30 Payroll		-28,825.58
	10/04/2012	Check	EFT	ADP FWH/SWH/Med	Sep 30 Payroll	R	-1,500.00
					Sep 30 Payroll		-1,500.00
	10/05/2012	Check	EFT	Unified Trust	401/457 Deposits	R	-5,806.21
					401/457 Deposits		-5,806.21
	10/10/2012	Bill Payment (Check)	1915	Payal Singh, Attorney	Legal Fees for ER sponsorship process for V.Tabjulu	R	-1,225.00
							-1,225.00
	10/10/2012	Bill Payment (Check)	1916	Department of Homeland Security	I-140 USCIS Filing Fees V. Tabjulu	R	-580.00
							-580.00
	10/11/2012	Check	EFT	Wells Fargo	Service Charges	R	-178.10
					Service Charges		178.10
	10/12/2012	Check	EFT	ADP Fees	ADP Fees	R	-387.44
					ADP Fees		387.44
	10/12/2012	Check	EFT	CalPers - Retirement	Employer Code 1816 093012 plus survivor benefits	R	-21,347.38
					Employer Code 1816 093012 plus survivor benefits		-21,347.38
	10/12/2012	Check	EFT	CalPers - Retirement	Employer Code 1816 093012 plus survivor benefits	R	-21,347.38
					Employer Code 1816 093012 plus survivor benefits		-21,347.38
	10/18/2012	Check	1917	Vision Service Plan	Nov Premium 12 275218 00003-COBRA	R	-15.28
					Nov Premium 12 275218 00003-COBRA		15.28
	10/18/2012	Check	1918	Vision Service Plan	Nov Premium 12 275218 00001	R	-876.48
					Nov Premium 12 275218 00001		-876.48
	10/19/2012	Check	EFT	ADP Net Checks	Oct 15 Payroll	R	-93,203.91
					Oct 15 Payroll		-93,203.91

10/19/2012	Check	EFT	ADP FWH/SWH/Med	Oct 15 Payroll	R	-28,179.59
				Oct 15 Payroll		-28,179.59
10/23/2012	Check	EFT	Unified Trust	Oct 15 Payroll	R	-5,883.16
				Oct 15 Payroll		-5,883.16
10/26/2012	Check	EFT	ADP Fees	ADP Fees	R	-341.04
				ADP Fees		341.04
10/26/2012	Check	EFT	CalPers	100000013240925 Oct Invoice	R	-30,425.71
				100000013240925 Oct Invoice		-30,425.71
10/31/2012	Check	1920	Reliance	Oct Contributions	R	-3,441.84
				Oct Contributions		-788.34
				Oct Contributions		-1,359.19
				Oct Contributions		-1,294.31
10/31/2012	Deposit		RGS	Deposit	R	380,922.72
				ZBA Transfer		-21,216.77
				ZBA Transfer		-125,377.63
				ZBA Transfer		-5,806.21
				ZBA Transfer		-3,843.63
				ZBA Transfer		-31,400.81
				ZBA Transfer		-43,082.20
				ZBA Transfer		-121,383.50
				ZBA Transfer		-5,883.16
				ZBA Transfer		-341.04
				ZBA Transfer		-22,587.77
10/31/2012	Check	EFT	CalPers - Retirement	Employer Code 1816 101512 plus survivor benefits	R	-22,587.77
				Employer Code 1816 101512 plus survivor benefits		-22,587.77
11/01/2012	Check	EFT	RGS	ZBA Transfer	R	-42,694.76
				ZBA Transfer		42,694.76
11/06/2012	Check	EFT	ADP Net Checks	Oct 31 Payroll	R	-93,596.69
				Oct 31 Payroll		-93,596.69
11/06/2012	Check	EFT	ADP FWH/SWH/Med	Oct 31 Payroll	R	-29,386.96
				Oct 31 Payroll		-29,386.96
11/08/2012	Check	EFT	Unified Trust	401/457 Transfer	R	-7,423.96
				401/457 Transfer		-7,423.96
11/09/2012	Check	EFT	ADP Fees	ADP Fees	R	-19.80
				ADP Fees		19.80

11/09/2012	Check	EFT	RGS	ZBA Transfer	R	-175,000.00
				ZBA Transfer		175,000.00
11/12/2012	Bill Payment (Check)	1921	EDD	932-0540-9 Various	R	-1,797.21
						-1,797.21
11/13/2012	Check	EFT	Wells Fargo	Service Charges	R	-183.70
				Service Charges		183.70
11/14/2012	Check	EFT	CalPers	100000013876131 Nov Health EFT	R	-23,371.65
				100000013876131 Nov Health EFT		-23,371.65
11/14/2012	Check	EFT	CalPers - Retirement	Employer Code 1816 93012 plus survivor benefits	R	-21,347.38
				Employer Code 1816 93012 plus survivor benefits		-21,347.38
11/16/2012	Check	EFT	CalPers - Retirement	Employer Code 1816 103112 plus survivor benefits	R	-22,982.43
				Employer Code 1816 103112 plus survivor benefits		-22,982.43
11/16/2012	Check	EFT	ADP Fees	ADP Fees	R	-374.49
				ADP Fees		374.49
11/23/2012	Check	EFT	ADP Net Checks	Nov 15 Payroll	R	-91,713.61
				Nov 15 Payroll		-91,713.61
11/23/2012	Check	EFT	ADP FWH/SWH/Med	Nov 15 Payroll	R	-28,600.39
				Nov 15 Payroll		-28,600.39
11/26/2012	Check	EFT	Unified Trust	401/457 Transfer	R	-8,189.53
				401/457 Transfer		-8,189.53
11/27/2012	Check	1922	Accurate Printing	VOID: Business Cards for Ed Sum GJE, RGJE created on 11/27/2012	R	0.00
						0.00
11/30/2012	Check	1923	Reliance	Nov Contributions	R	-3,444.27
				Nov Contributions		-788.89
				Nov Contributions		-1,360.13
				Nov Contributions		-1,295.25
11/30/2012	Check	1925	Vision Service Plan	Dec Premium 12 275218 00001	R	-798.56
				Dec Premium 12 275218 00001		-798.56
11/30/2012	Check	1926	Vision Service Plan	Dec Premium 12 275218 00003	R	-15.28
				Dec Premium 12 275218 00003		15.28
11/30/2012	Deposit		RGS	Deposit	R	556,775.18

				ZBA 11/1		-1,225.00
				ZBA 11/5		21,347.38
				ZBA 11/5		21,347.38
				ZBA 11/6		-127,164.83
				ZBA 11/7		-891.76
				ZBA 11/8		-7,423.96
				ZBA 11/9		-19.80
				ZBA 11/13		-183.70
				ZBA 11/14		-48,160.87
				ZBA 11/16		-198,356.92
				ZBA 11/19		-1,797.21
				ZBA 11/23		-120,314.00
				ZBA 11/26		-8,189.53
				ZBA 11/30		-352.84
11/30/2012	Check	EFT	ADP Fees	ADP Fees	R	-352.84
				ADP Fees		352.84
12/03/2012	Check	EFT	CalPers - Retirement	Employer Code 1816 111512 plus survivor benefits	R	-23,559.73
				Employer Code 1816 111512 plus survivor benefits		-23,559.73
12/06/2012	Check	EFT	ADP Net Checks	Nov 30 Payroll	R	-86,485.18
				Nov 30 Payroll		-86,485.18
12/06/2012	Check	EFT	ADP FWH/SWH/Med	Nov 30 Payroll	R	-26,002.08
				Nov 30 Payroll		-26,002.08
12/07/2012	Check	EFT	Unified Trust	401/457 Transfer	R	-9,176.21
				401/457 Transfer		-9,176.21
12/07/2012	Check	EFT	Unified Trust	401/457 Transfer	R	-106.25
				401/457 Transfer		-106.25
12/10/2012	Check	EFT	CalPers	100000013876131 Dec Health EFT	R	-26,742.15
				100000013876131 Dec Health EFT		-26,742.15
12/10/2012	Check	1924	Allied Administrators	Jan premium Employer I.D. 79360	R	-4,203.23
				Jan premium Employer I.D. 79360		-4,203.23
12/11/2012	Check	EFT	Wells Fargo	Service Charges	R	-189.96
				Service Charges		189.96
12/14/2012	Check	EFT	ADP Fees	ADP Fees	R	-374.49
				ADP Fees		374.49
12/18/2012	Check	EFT	CalPers - Retirement	Employer Code 1816 113012 plus survivor benefits	R	-21,542.79

				Employer Code 1816 113012 plus survivor benefits		-21,542.79
12/20/2012	Check	EFT	ADP Net Checks	Dec 15 Payroll	R	-92,305.51
				Dec 15 Payroll		-92,305.51
12/20/2012	Check	EFT	ADP FWH/SWH/Med	Dec 15 Payroll	R	-24,998.51
				Dec 15 Payroll		-24,998.51
12/20/2012	Check	EFT	ADP FWH/SWH/Med	Dec 15 Payroll	R	-920.59
				Dec 15 Payroll		-920.59
12/21/2012	Check	EFT	Unified Trust	401/457 Transfer	R	-8,704.15
				401/457 Transfer		-8,704.15
12/21/2012	Check	EFT	Unified Trust	401/457 Transfer	R	-106.25
				401/457 Transfer		-106.25
12/28/2012	Check	1927	Vision Service Plan	Jan Premium 12 275218 00003		-15.28
				Jan Premium 12 275218 00003		15.28
12/28/2012	Check	1928	Vision Service Plan	Jan Premium 12 275218 00001		-790.90
				Jan Premium 12 275218 00001		-790.90
12/28/2012	Check	1929	Reliance	Dec Contributions		-3,444.27
				Dec Contributions		-788.89
				Dec Contributions		-1,360.13
				Dec Contributions		-1,295.25
12/28/2012	Check	EFT	ADP Fees	ADP Fees	R	-586.38
				ADP Fees		586.38
12/31/2012	Deposit		RGS	Deposit	R	351,246.46
				ZBA Transfer 12/4		-23,559.73
				ZBA Transfer 12/6		-112,487.26
				ZBA Transfer 12/7		-9,282.46
				ZBA Transfer 12/11		-26,932.11
				ZBA Transfer 12/12		-4,203.23
				ZBA Transfer 12/13		-798.56
				ZBA Transfer 12/14		-374.49
				ZBA Transfer 12/17		-21,542.79
				ZBA Transfer 12/18		-3,444.27
				ZBA Transfer 12/20		-118,239.89
				ZBA Transfer 12/21		-8,810.40
				ZBA Transfer 12/28		-586.38
				ZBA Transfer 12/31		-20,984.89

12/31/2012	Check	EFT	CalPers - Retirement	Employer Code 1816 123112 plus survivor benefits	R	-20,984.89
				Employer Code 1816 123112 plus survivor benefits		-20,984.89

Thursday, Feb 21, 2013 01:31:25 PM PST GMT-8

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TO: EXECUTIVE COMMITTEE **EC Meeting: 2-28-13**
FROM: GLENN LAZOF, Project Manager **Item: 4A**
SUBJECT: FINANCIAL REPORT ANALYSIS

RECOMMENDATION

No action is required of the Executive Committee. These are informational, preliminary financial reports through November 2012 month-end, and are attached for review. All reports are draft and unaudited. Note that net equity has been reduced by $500,000 in LGS and $300,000 in RGS as a result of Board approval to make additional contributions to the insurance JPA, MSA.

P&L ANALYSIS

Through November 2012, the net income for the JPAs was as follows:

- LGS net income equals $70,566 for the fiscal-year-to-date (FYTD). The balance sheet shows Total Equity of $1,092,100.
- RGS net income equals $360,285 for the FYTD. The balance sheet shows Total Equity of $905,156.
- Combined LGS/RGS net income equals $430,851 for the 2013 FYTD. Combined Total Equity equals $1,997,256.

Accruals for earned but not paid leave time have not been posted to the financials. Contributions for Other Post-Employment Benefits are set aside monthly, and will be allocated to clients prior to finalizing the fiscal year financial reports. The results shown are preliminary, unaudited estimates. Combined financial performance has continued to be positive since 'turning the corner' in March 2007, because increased client services revenue has outstripped more modestly increasing support expenses.

However, the loss of two major clients (TJPA services ended December 2011 and Gold Coast services ended August 2012) without replacement clients has dramatically slowed growth. Without the reversal of claims expense taken last year, the two JPAs would show only $44,201 net income to-date. Administrative costs will begin to come down this month, as we complete our transition away from more costly contract payroll and financial services. This change will also give us more capacity to provide additional services and will enable us to devote more attention to outreach to new and existing client agencies. But it will take some time – perhaps a year – before net income returns to levels experienced the last several fiscal years.

10:30 a.m.
2/26/13
Accrual Basis

Local Government Services
Profit Loss by Class
July - November, 2012

	Admin - JPAs	Lincoln	MTC	MTD	Rohnert Park
Income					
440301 Client Billings		$ 42,072	$ 833,329		$ 63,364
440410 Client Administrative Fees				365,000	
480000 Miscellaneous			7,583	119	
Total Income	**0**	**42,072**	**840,913**	**365,119**	**63,364**
Expenses					
511010 Salaries - Regular		38,747	533,572	216,108	37,344
511020 Salaries - Temp/Part Time			(4)		
512002 Medicare Employer Expense		568	7,621	3,101	510
512005 Health Insurance Expense		1,610	45,854	25,156	5,736
512006 Dental Insurance Expense		175	6,427	3,275	348
512007 Vision Insurance Expense		46	1,747	779	133
512008 Life Insurance Expense		105	1,832	713	
512009 Long Term Disability Expense		180	2,886	1,224	
512010 Stars 401A Expense			(121)	0	
512011 Stars 457 Expense			9	0	
512012 Calpers Retirement Expense		3,004	88,246	22,342	5,801
512014 Short Term Disability Expense		179	2,858	1,214	
512015 Unemployment Insurance Expense			1,797		
512018 FSA Health & Day Care Expense			1,838	432	
520202 Bank Fees & Services					
520302 Legal Services			1,805		
529997 Administrative Services - RGS	250,000				
Total Expenses	250,000	44,614	696,366	274,344	49,872
Net Operating Income	(250,000)	(2,542)	144,546	90,775	13,492
Other Expenses					
529994 Allowed OPEB Expense	44,585				
529998 Allocated Admin. Services - RGS	(250,000)	4,870	106,936	42,268	7,335
Total Other Expenses	(205,415)	4,870	106,936	42,268	7,335
Net Other Income	205,415	(4,870)	(106,936)	(42,268)	(7,335)
Net Income	**$ (44,585)**	**$ (7,413)**	**$ 37,610**	**$ 48,507**	**$ 6,157**

10:30 a.m.
2/26/13
Accrual Basis

Local Government Services
Profit Loss by Class
July - November, 2012

	SBWMA	TAM	TOTAL
Income			
440301 Client Billings	$ 75,202	$ 834,433	$ 1,848,400
440410 Client Administrative Fees		(73,000)	292,000
480000 Miscellaneous	3,750		11,453
Total Income	**78,952**	**761,433**	**2,151,852**
Expenses			
511010 Salaries - Regular	55,126	507,338	1,388,235
511020 Salaries - Temp/Part Time			(4)
512002 Medicare Employer Expense	795	7,393	19,989
512005 Health Insurance Expense	7,036	34,678	120,069
512006 Dental Insurance Expense	901	6,327	17,453
512007 Vision Insurance Expense	199	1,361	4,265
512008 Life Insurance Expense	181	1,411	4,243
512009 Long Term Disability Expense	313	2,713	7,315
512010 Stars 401A Expense	106		(15)
512011 Stars 457 Expense			9
512012 Calpers Retirement Expense	5,381	87,511	212,285
512014 Short Term Disability Expense	298	2,438	6,986
512015 Unemployment Insurance Expense			1,797
512018 FSA Health & Day Care Expense			2,270
520202 Bank Fees & Services			0
520302 Legal Services			1,805
529997 Administrative Services - RGS			250,000
Total Expenses	70,335	651,171	2,036,701
Net Operating Income	8,617	110,263	115,151
Other Expenses			
529994 Allowed OPEB Expense			44,585
529998 Allocated Admin. Services - RGS	9,140	79,450	(0)
Total Other Expenses	9,140	79,450	44,585
Net Other Income	(9,140)	(79,450)	(44,585)
Net Income	**$ (523)**	**$ 30,812**	**$ 70,566**

6:40 p.m.
2/24/13
Accrual Basis

Local Government Servivces
Balance Sheet
As of November 30, 2012

	Total
ASSETS	
Current Assets	
Bank Accounts	
110010 Wells Fargo - Cash	$ (4,245)
Total Bank Accounts	**(4,245)**
Accounts Receivable	
131320 Accounts Receivable - Trade	530,014
Total Accounts Receivable	**530,014**
Other current assets	
143006 Due from RGS	2,374,280
Total Other current assets	**2,374,280**
Total Current Assets	**2,900,049**
Other Assets	
160001 Workers Comp Deposits/Credits	26,217
160002 Genaral Liability Depos CaLJPIA	17,844
Total Other Assets	**44,061**
TOTAL ASSETS	**2,944,110**
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
220010 Accounts Payable	-
222001 Accounts Payable - RGS	-
Total Accounts Payable	**-**
Other Current Liabilities	
214071 Claims Reserve Payable MSA	500,000
221001 Calpers Retirement Liab	45,103
221003 457/401A Retirement Liab	9,286
221006 FSA Health & Day Care	9,273
221009 General Liability Insurance	(1,500)
221023 Dental Insurance Liability	3,729
221024 Vision Insurance Liability	(876)
230060 Accrued Salaries, Wages & Taxes	112,487
240010 Deferred Revenue	449,000
240011 Refundable Deposits	240,403
250001 Accrued Vacation, Sick & Admin	164,718
250002 Contra Vacation, Sick and Admin	(12,203)
Total Other Current Liabilities	**1,519,420**
Total Current Liabilities	**1,519,420**
Long-Term Liabilities	
260002 Other Post Employment Benefits	332,589
Total Long-Term Liabilities	**332,589**
Total Liabilities	**1,852,009**
Equity	
370000 Fund Bal Unreserved/Unrestrictd	724,223
3900 Retained Earnings	297,312
Net Income	70,566
Total Equity	**1,092,100**
TOTAL LIABILITIES AND EQUITY	**$ 2,944,110**

LOCAL AND REGIONAL GOVERNMENT SERVICES AUTHORITIES

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TO: EXECUTIVE COMMITTEE **EC Meeting: 02-28-13**
FROM: GLENN LAZOF, Project Manager **Item: 4B**
SUBJECT: APPROVAL OF AUDIT REPORTS FOR FISCAL YEAR ENDING JUNE 30, 2012

RECOMMENDATION

Review and approve the independent audit reports for fiscal year 2012.

BACKGROUND

The outside audit firm of Mayer Hoffman McCann, P.C. was retained to complete the fiscal year (FY) 2007 and FY2008 audits, and has completed all subsequent annual audits of both Local and Regional Government Services Authorities through FY2012. Electronic copies of the June 30, 2012 audits, along with SAS (Statement on Auditing Standards) letters 114 and 115 were distributed to the Finance Committee, Executive Committee and Board of Directors on February 13, 2013. Audited financial statements are posted to the JPA web site.

AUDIT RESULTS

LGS and RGS audit results are summarized below, with more information and analysis in the Management Discussion and Analysis section of each audit report. Overall, the FY2012 audit results indicate continuation of very positive financial results based on a sound business model. These financial results better enable the JPAs to provide quality services to our clients and employees.

Working with our auditors, two categories of significant adjustments were made for fiscal year 2012.

1. Accruals for sick and administrative leave: Sick and administrative leave is not normally paid out following termination. Audit adjustments were made to LGS and RGS to reduce compensated absences (that is, to unaccrue sick and administrative leaves) to properly reflect that leave balances of this type are not subject to automatic pay out at termination. For RGS the resulting increase in year-end net assets was $110,117. For LGS the resulting increase in year-end net assets was $146,861.
2. Outstanding probable liability claim: An adjustment of $386,650 was made to RGS for a probable claim now under litigation. During FY 2013, the Board approved transferring a total of $800,000 from LGS and RGS to MSA to fund this and other potential claims expenses and the FY2012 adjustment in RGS was reversed.

RGS FINANCIAL HIGHLIGHTS

- Total net assets from operations increased $263,420 in FY2012 and $181,613 in FY2011.
- Revenues from client reimbursements for services provided increased $2,759,208 in FY2012 from the 2011 FY and $2,423,792 in FY2011 from FY2010.
- Total operating expenditures increased $2,677,401 in FY2012 from FY2011 and increased $2,469,814 in FY 2011 from FY2010.
- Net Assets at the end of the fiscal year are $842,519 in FY2012 and were $468,982 in FY 2011, increasing $373,537 over the fiscal year.

- Net assets at the end of FY2011 were restated by $110,117 to reduce compensated absences for sick and administrative leave not paid out upon termination of employees.

LGS FINANCIAL HIGHLIGHTS

- Total net assets from operations increased $297,313 in FY2012 and $143,059 in FY2011.
- Revenues from client reimbursements for services provided increased $394,041 in FY2012 from the 2011 FY and $1,542,921 in FY2011 from FY2010.
- Total operating expenditures decreased $548,925 in FY2012 from FY2011 and increased $1,709,697 in FY 2011 from FY2010.
- Net Assets at the end of the fiscal year are $1,521,534 in FY2012 and were $1,077,360 in FY 2011.
- Net assets at the end of FY2011 were restated by $146,861 to reduce compensated absences for sick and administrative leave not paid out upon termination of employees.

LOCAL GOVERNMENT SERVICES AUTHORITY

Basic Financial Statements

Year ended June 30, 2012

LOCAL GOVERNMENT SERVICES AUTHORITY

Basic Financial Statements

Year ended June 30, 2012

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Board of Directors
Local Government Services Authority
Carmel Valley, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying basic financial statements of the Local Government Services Authority (the "Authority") as of and for the year ended June 30, 2012 as listed in the table of contents. These basic financial statements are the responsibility of the management of the Authority. Our responsibility is to express an opinion on these basic financial statements based on our audit. The prior year partial comparative information has been derived from the Authority's financial statements for the year ended June 30, 2011 whose report, dated January 4, 2012 we expressed an unqualified opinion on those financial statements.

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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2012 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that *management's discussion and analysis* beginning on page 3 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 the 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 regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures to not provide us with sufficient evidence to express and opinion or provide any assurance.

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In accordance with *Government Auditing Standards*, we have also issued a report dated February 6, 2013 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayer Hoffman McCann P.C.

Irvine, California
February 6, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

LOCAL GOVERNMENT SERVICES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Years ended June 30, 2012 and 2011

The following discussion and analysis of the financial performance of Local Government Services Authority ("Authority") provides an overview of the Authority's financial activities for the fiscal years ended June 30, 2012 and 2011. Please read it in conjunction with the financial statements identified in the accompanying table of contents.

FINANCIAL HIGHLIGHTS

- Total net assets increased $297,313 in FY 2012 and increased $143,059 in FY2011.
- Revenues from client reimbursements for services provided decreased $394,041 in FY2012 from fiscal year 2011 and increased $1,542,921 in FY2011 from fiscal year 2010.
- Total operating expenditures decreased $548,295 in FY 2012 from the 2011 fiscal year and increased $1,709,697 in FY2011 from the 2010 fiscal year.
- Net assets at the end of the fiscal year are $1,521,534 in FY2012 and were $1,077,360 in FY2011.
- Net assets as of June 30, 2011 were restated by $146,861 to reduce compensated absences for sick and admin leave not paid out upon termination of an employee.

OVERVIEW OF THE FINANCIAL STATEMENTS

Using the Accompanying Financial Statements

The annual report consists of three parts – *management's discussion and analysis* (this section), the *basic financial statements*, and *notes to the basic financial statements*:

The basic financial statements include the following:

- The Statement of Net Assets provides both *long-term* and *short-term* information about the Authority's overall financial status.
- The Statement of Revenues, Expenses and Changes in Net Assets reports the revenues and expenses of the Authority for the fiscal year on an accrual basis of accounting and relates this to the increase in the net assets of the Authority.
- The Statement of Cash Flows reports the Authority's operating cash flow and reconciles operating income to the net cash provided by operating activities.

The notes to the financial statements provide additional information about the nature of the Authority's activities and operations and its significant accounting policies, as well as, more detailed explanations about some of the information contained in the basic financial statements.

The Authority operates as an enterprise, meaning that charges for services are expected to cover all expenses. Therefore, the Authority uses *proprietary fund* statements.

Proprietary fund statements offer *short-* and *long-term* financial information about the activities the government operates in a manner similar to a private business.

Government Fund Reporting:

Figure A-1 summarizes the major features of government financial statements, including the portion of the government they cover and the types of information they contain. Because the Authority is an enterprise fund, the financial statements adhere to the Proprietary Funds format.

Figure A-1
Major Features of Government-wide and Fund Financial Statements

		Fund Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Authority government (except fiduciary funds) and the Authority's component units	The activities of the Authority that are not proprietary or fiduciary	Activities the Authority operates similar to private businesses	Instances in which the Authority is the trustee or agent for someone else's resources
Required financial statements	• Statement of net assets • Statement of activities	• Balance sheet • Statement of revenues, expenditures and changes in fund balances	• Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows	• Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Modified accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term debt included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Authority's fiduciary funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid.

Reporting the Authority as a Whole

The accompanying **basic financial statements** include two statements that present financial data for the Authority as a whole. One of the most important questions asked about the Authority's finances is, "Is the Authority, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets report information about the Authority as a whole and about its activities in a way

that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Authority's net assets and changes in them. You can think of the Authority's net assets – the difference between assets and liabilities –as one way to measure the Authority's financial health, or *financial position*. Over time, *increases and decreases* in the Authority's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other factors, however, such as changes in client needs/agreements for services and changes in the Authority's cost structure, to assess the *overall health* of the Authority.

In the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets, the Authority services are presented as Business-type activities:

- Business-type activities – The Authority charges a fee to customers to help it cover all of the cost of the services accounted for in the fund.

Reporting the Authority's Proprietary Fund

The **accompanying basic financial statements** provide detailed information on the Authority's only fund – and thus the Authority as a whole. The Authority Board may establish other funds to help it control and manage money for particular purposes or to show that it is meeting administrative responsibilities for using certain grants or other money. The Authority's one fund is a *proprietary fund*.

Proprietary funds – When an agency charges customers for the services it provides – whether to outside customers or to other units of the agency – these services are generally reported in proprietary funds. Required financial statements for proprietary funds include a Statement of Net Assets; a Statement of Revenues, Expenses and Changes in Net Assets; and a Statement of Cash Flows.

LOCAL GOVERNMENT SERVICES AUTHORITY
Statement of Net Assets
June 30, 2010, 2011 & 2012

Table 1

	Business-Type Activities		
	2010	2011	2012
ASSETS			
Current Assets	$1,939,682	$2,607,415	$2,560,241
Total Assets	1,939,682	2,607,415	2,560,241
LIABILITIES			
Current Liabilities	613,992	864,418	635,400
Noncurrent Liabilities	391,389	665,637	403,307
Total Liabilities	1,005,381	1,530,055	1,038,707
NET ASSETS			
Unrestricted	934,301	1,077,360	1,521,534
Total Net Assets	934,301	1,077,360	1,521,534
Total net assets and liabilities	$1,939,682	$2,607,415	$2,560,241

The increase in net assets is an indication that the overall operating financial position of the Authority improved during each of the last two years: by $297,313 in FY2012 and by $143,059 in FY2011, as indicated in the Changes in Net Assets Table 2 below. The remaining increase in net assets of $146,861 is attributable to prior period audit adjustment to accrue only unpaid vacation leave and not unpaid sick or administrative leave, since sick and admin leave is not paid upon termination of an employee. The net assets of the Authority's business-type activities increased from prior year restated net assets by 28 percent in 2012 and by 15 percent in 2011.

A summary of the statement of activities follows:

Change in Net Assets – Year Ended
June 30, 2010, 2011 & 2012
Table 2

	Business - Type Activities		
	2010	2011	2012
Operating Revenues			
Charges for services	$ 5,743,146	$ 7,286,067	$ 6,892,026
Total revenues	$ 5,743,146	$ 7,286,067	$ 6,892,026
Operating Expenses			
Salaries and benefits	$ 4,702,001	$ 5,914,003	$5,625,962
Professional services	1,678	2,756	2,756
Administration	729,632	1,226,249	965,995
Total expenses	$ 5,433,311	7,143,008	6,594,713
Change in net assets	$ 309,835	143,059	$ 297,313
Beginning net assets	624,466	934,301	1,077,360
Prior period adjustment	-	-	146,861
Ending net assets	$ 934,301	$ 1,077,360	$1,521,534
Less Reserve	467,151	448,180	760,767
Remaining Net Assets	467,150	629,180	760,767

Business-Type Activities

Revenues of the Authority's operations (see Table 2) decreased by 5.4 percent in F2012 and increased by 27 percent in FY2011. Operating expenses decreased by 7.6 percent in FY2012 from FY2011, and increased by 31 percent in FY2011 from FY2010.

LONG-TERM DEBT

The Authority (JPA) has no long-term debt other than compensated absences. Additional information on the Authority's long-term debt can be found in the notes to the accompanying basic financial statements.

BUDGET VERSUS ACTUAL PERFORMANCE

In FY2012, the primary reason for the variances from budget was the unexpected delay in termination of an LGS client until mid-year. This termination was planned and budgeted to occur in August, but LGS continued providing services through the end of the calendar year when the client could assume full operational responsibility for the services LGS had provided. Another reason for actual performance exceeding budget was the additional staffing provided for LGS' largest client. This increase over budgeted business services provided is reflected in revenues and expenses that increased 38% and 35%, respectively, above budgeted levels. The budget was adopted anticipating an $80,400 addition to net earnings. Actual net addition to net assets was $216,913 more than budgeted primarily due to these two factors – extended duration of services to one terminating client and additional services provided another client.

Budget Performance – Budget vs. Actual
June 30, 2012
Table 3

	Budget Performance Budget vs. Actual		
	FY12 Budget	FY12 Actual	Variance
Operating Revenues			
Charges for Services	$4,984,200	$6,892,026	$ 1,907,826
Total Revenues	$4,984,200	$6,892,026	$ 1,907,826
Operating Expenses			
Salaries and Benefits	$3,979,600	$5,625,962	$1,646,362
Professional Services	292,100	2,756	(289,344)
Administration	632,100	965,995	333,895
Total Expenses	$4,903,800	$6,594,713	$1,690,913
Net Addition/(Reduction) in net Assets	$ 80,400	$ 297,313	$ 216,913

Future Financial Performance

One existing major client, with 12 to 13 assigned staff, was terminated in fiscal year 2012. However, JPA support services remain structured so that changes in service demand can quickly adjust up or down to client needs. Therefore, we do not expect this decrease in client services nor normal fluctuations in the number of clients or level of client services provided to significantly impact the JPA's financial position. Additional client growth has historically more than offset decreased revenue from projects completed during the year. The loss of this major client is anticipated to reduce net additional assets through fiscal year end 2013, before new client growth can fully make up for the decrease in total services provided.

Since restructuring its administrative functions during fiscal year 2008, the JPA has experienced sustained, positive financial performance. The JPA has been successful in adding new clients to replace completed client assignments. Management is not aware of any other commitments or conditions that may have a significant impact on the financial condition or operating results of the Authority after the date of the financial statements presented.

Contacting the Authority's Financial Management

This financial report is designed to provide our customers and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Chief Financial Officer, Local Government Services Authority, PO Box 1350, Carmel Valley, CA 93924.

BASIC FINANCIAL STATEMENTS

LOCAL GOVERNMENT SERVICES AUTHORITY

Statement of Net Assets

June 30, 2012

(with comparative information for the prior year)

	2012	2011
Assets		
Current assets:		
Cash and investments (note 2)	$ 2,012,120	$ 1,158,786
Accounts receivable	473,153	1,062,001
Due from other governments	-	305,875
Prepaids	30,907	44,481
Deposits	44,061	36,272
Total current assets	2,560,241	2,607,415
Total assets	2,560,241	2,607,415
Liabilities		
Current liabilities:		
Accounts payable	166,082	229,276
Unearned revenue	179,500	214,500
Client deposits	240,403	240,403
Compensated absences - current portion (note 3)	49,415	180,239
Total current liabilities	635,400	864,418
Noncurrent liabilities:		
Compensated absences - long term (note 3)	115,303	420,559
Claims payable - long term (note 3 and 7)	-	64,078
OPEB liability - long term (note 3 and 8)	288,004	181,000
Total noncurrent liabilities	403,307	665,637
Total liabilities	1,038,707	1,530,055
Net Assets		
Net assets:		
Unrestricted (note 4)	1,521,534	1,077,360
Total net assets	$ 1,521,534	$ 1,077,360

See accompanying notes to the basic financial statements.

LOCAL GOVERNMENT SERVICES AUTHORITY

Statement of Revenues, Expenses and Changes in Net Assets

Year ended June 30, 2012

(with comparative information for the prior year)

	2012	2011
Operating revenues:		
Charges for services	$ 6,892,026	$ 7,286,067
Total operating revenues	6,892,026	7,286,067
Operating expenses:		
Salaries & benefits	5,625,962	5,914,003
Professional services	2,756	2,756
Administration	965,995	1,226,249
Total operating expenses	6,594,713	7,143,008
Change in net assets	297,313	143,059
Net assets at beginning of year, as restated (note 9)	1,224,221	934,301
Net assets at end of year	$ 1,521,534	$ 1,077,360

See accompanying notes to the basic financial statements.

LOCAL GOVERNMENT SERVICES AUTHORITY

Statement of Cash Flows

Year ended June 30, 2012

(with comparative information for the prior year)

	2012	2011
Cash flows from operating activities:		
Cash received from customers	$ 7,570,995	$ 6,713,287
Cash paid to suppliers for goods and services	(983,234)	(1,057,462)
Cash paid to employees for services	(5,734,427)	(5,802,718)
Net cash provided by (used for) operating activities	853,334	(146,893)
Net increase (decrease) in cash and cash equivalents	853,334	(146,893)
Cash and cash equivalents at beginning of year	1,158,786	1,305,679
Cash and cash equivalents at end of year	$ 2,012,120	$ 1,158,786
Reconciliation of change in net asset to net cash provided by (used for) operating activities:		
Change in net assets	$ 297,313	$ 143,059
Adjustments to reconcile change in net asset to net cash provided by (used for) operating activities:		
(Increase) decrease in accounts receivable	408,094	(467,530)
(Increase) decrease in due from other governments	305,875	(305,875)
(Increase) decrease in prepaids	13,574	(4,949)
(Increase) decrease in deposits	(7,789)	(36,272)
Increase (decrease) in accounts payable	(63,194)	40,892
Increase (decrease) in deferred revenue	(35,000)	200,625
Increase (decrease) in compensated absences	(108,465)	111,285
Increase (decrease) in claims payable	(64,078)	(9,128)
Increase (decrease) in OPEB liability	107,004	181,000
Total adjustments	556,021	(289,952)
Net cash provided by (used for) operating activities	$ 853,334	$ (146,893)

There were no significant noncash financing or investing activities for the years ended June 30, 2012 or 2011.

See accompanying notes to the basic financial statements.

LOCAL GOVERNMENT SERVICES AUTHORITY

Notes to the Basic Financial Statements

Year ended June 30, 2012

(1) Summary of Significant Accounting Policies

Nature of Business

The Local Government Services Authority (the "Authority") was organized March 1, 2001 under the provisions of the Joint Exercise of Powers Act of the Government Code of the State of California. The purpose of the Authority is to provide services for public agencies and other non-profit entities at reduced net costs.

Members of the Authority currently include the City of San Rafael, City of Larkspur, the Association of Bay Area Governments (ABAG), the Town of Yountville, the City of Dublin and the City of Walnut Creek. A six-member board consisting of one representative from each member controls the Authority. None of the member entities exercise specific control over budgeting and financing of the Authority's activities beyond their representation on the board. Accounting and payroll services were provided by McGilloway, Ray, Brown & Kaufman. As of January 1, 2013, the Authority will provide accounting services with Authority staff.

The following is a summary of the significant accounting policies of the Authority:

Basis of Accounting

The Authority is accounted for as an enterprise fund (proprietary fund type). A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. The activities of enterprise funds closely resemble those of ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges. The Authority utilizes the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized as they are incurred.

The Authority applies all applicable GASB pronouncements in accounting and reporting for proprietary operations as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB's) of the Committee on Accounting Procedure.

Investments

For financial reporting purposes, investments are adjusted to their fair value whenever the difference between fair market value and the carrying amount is material. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

(1) Summary of Significant Accounting Policies, (Continued)

Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates, and have an original maturity date of 3 months or less.

Receivables

The Authority extends credit to customers in the normal course of operations. The Authority did not experience any significant bad debt losses; accordingly, no provision has been made for doubtful accounts, and accounts receivable is shown at full value.

Compensated Absences

The Authority has a PTO (paid time off) policy in effect. It is the Authority's policy to permit employees to accumulate earned but unused vacation leave. Vacation hours can accrue up to a maximum of two times the annual allowable amount, subject to the individual employment agreement. The Authority pays all earned vacation pay upon termination. All accumulated vacation pay is recorded as an expense and a liability at the time the benefit is earned.

Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Prior Year Information

Prior year data has been included where practical for comparison purposes only. The prior year data does not represent a complete presentation in accordance with generally accepted accounting principles.

(2) Cash and Investments

Cash and investments held by the Authority at June 30, 2012 consist of the following:

Deposits with financial institutions	$ -
Investments	2,012,120
Total cash and investments	$2,012,120

Investments Authorized by the California Government Code and the Authority's Investment Policy

The table below identifies the investment types that are authorized for California local governments by the California Government code. The Authority's investment policy is more restrictive as to investment vehicles permitted for use by the Authority. The table also identifies certain provisions of the California Government Code (or the Authority's investment policy, if more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

Investment Types Authorized by State Law	Authorized By Investment Policy	*Maximum Maturity	*Maximum Percentage Of Portfolio	*Maximum Investment In One Issuer
Local Agency Bonds	Yes	1 year	75%	None
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	5 years	25%	None
Banker's Acceptances	No	180 days	40%	30%
Commercial Paper	No	270 days	25%	10%
Negotiable Certificates of Deposit	Yes	5 years	25%	None
Repurchase Agreements	No	1 year	None	None
Reverse Repurchase Agreements	No	92 days	20% of base value	None
Medium-Term Notes	No	5 years	30%	None
Mutual Funds	No	N/A	20%	10%
Money Market Mutual Funds	No	N/A	20%	10%
Mortgage Pass-Through Securities	No	5 years	20%	None
CalTrust Investment Pool	Yes	N/A	None	None
Local Agency Investment Fund (LAIF)	Yes	N/A	40 million	None

*Based on state law requirements or investment policy requirements, whichever is more restrictive.

(2) Cash and Investments, (Continued)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that an agency can manage its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the Authority's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity for year ended June 30, 2012:

		Remaining Maturing (in Months)			
Investment Type	Total	12 Months Or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
CalTRUST investment pool	$2,012,120	2,012,120	-	-	-
Total	$2,012,120	2,012,120	-	-	-

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the Authority's investment policy, or debt agreements, and the actual rating as of the year end June 30, 2012 for each investment type was as follows.

		Minimum Legal	Exempt From	Rating as of Year End		
Investment Type	Total	Rating	Disclosure	AAA	Aa	Not Rated
CalTRUST investment pool	$2,012,120	N/A	-	-	-	2,012,120
Total	$2,012,120	N/A	-	-	-	2,012,120

(2) Cash and Investments, (Continued)

Concentration of Credit Risk

The investment policy of the Authority contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total Authority investments for the years ended June 30, 2012.

Custodial Credit Risk

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

Investment in CalTRUST Investment Pool

The Authority is a voluntary participant in the Investment Trust of California (CalTRUST), a public joint powers authority formed to pool and invest the funds of public agencies. CalTRUST invests in fixed income securities eligible for investment pursuant to California Government Code Sections 53601 and 53635. Investment guidelines adopted by the board of Trustees may further restrict the types of investments help by the Trust. Leveraging within the Trust's portfolios is prohibited. The fair value of the Authority's investment in this pool is reported in the accompanying financial statements at amounts based upon the Authority's pro-rata share of the fair value provided by CalTRUST for the entire CalTRUST portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by CalTRUST, which are recorded on an amortized cost basis.

(3) Long-Term Debt

The following is a schedule of changes in long-term liabilities for the year ended June 30, 2012:

	Balance at July 1, 2011 As restated	Additions	Deletions	Balance at June 30, 2012	Portion Due Within One Year
Compensated absences	$273,183	82,202	190,667	164,718	49,415
Claims payable	64,078	-	64,078	-	-
OPEB liability	181,000	107,004	-	288,004	-
Total	$518,261	189,206	254,745	452,722	49,415

Compensated absences as of July 1, 2011 has been restated by $327,615. See prior period adjustment footnote 9 for further information.

(4) Net Assets

Net assets consisted of the following as of June 30, 2012:

Unrestricted net assets available for operations	$ 760,767
Unrestricted, board designated net assets:	
Reserve for contingencies**	760,767
Total unrestricted net assets	1,521,534
Total restricted net assets	-
Total net assets	$1,521,534

**At the June 10, 2010 Board of Directors meeting, the Authority's Board of Directors authorized designation of general funds as reserves for insurance and normal operations.

(5) Defined Benefit Pension Plan (PERS)

Plan Description

The Authority contributes to the California Public Employees Retirement System (PERS), a cost-sharing multiple-employer public employee defined benefit pension 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 entities within the State of California. PERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost sharing plans that are administered by PERS. Copies of PERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, California 95814.

Contributions

The participant's portion to contribute is 7% of their annual covered salary. The Authority has designated three groups of employees for whom the Authority makes the contributions required of Agency employees on their behalf and for their account. Benefit provisions and all other requirements are established by state statute and individual employment agreement.

For each of the fiscal years shown below, the Authority has contributed at the actuarially determined rate provided by PERS' actuaries. Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2011 to June 30, 2012 has been determined by an actuarial valuation of the plan as of June 30, 2009. The Authority's covered payroll for PERS was $4,065,989 for the year ended June 30, 2012, while the Authority's total payroll for all employees was $4,223,282 during the same period. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2012, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2011 to June 30, 2012.

Three-Year Trend Information

Fiscal Year	Employer Contribution Rate	Employer Contribution	Percentage Contributed	Net Pension Obligation
6/30/10	9.586%	$ 596,917	100%	-
6/30/11	9.068%	707,131	100%	-
6/30/12	10.128%	684,110	100%	-

(6) Defined Contribution Plans

The Authority has established a deferred compensation plan in accordance with Internal Revenue Code Section 457(b), whereby employees may elect to defer portions of their compensation in a self-directed investment plan for retirement. Plan assets are invested in each individual's name with a deferred compensation plan provider. Distributions are made upon the participant's termination, retirement, death or total disability, and in a manner in accordance with the election made by the participant. All employees are eligible for plan participation.

The Authority believes it has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The Authority has formally established a trust in accordance with Internal Revenue Code Section 457(g) for all of its deferred compensation plans to provide protection from the claims of the employer's general creditors. Accordingly deferred compensation assets placed in the trust are not reflected in these financial statements.

The Authority has also established a defined contribution plan in accordance with Internal Revenue Code Section 401(a). The employer may match employee contributions up to 5% on behalf of the employee subject to individual employment agreement. Plan assets are invested in each individual's name with the defined contribution plan provider. Distributions are made upon the participant's termination, retirement, death or total disability, and in a manner in accordance with the election made by the participant.

The Authority believes it has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The Authority has formally established a trust in accordance with Internal Revenue Code Section 401(f) for its defined contribution plan to provide protection from the claims of the employer's general creditors. Accordingly defined contribution assets placed in the trust are not reflected in these financial statements.

(7) Liability, Insured Programs and Workers' Compensation Protection

For the year ended June 30, 2012, the Authority was a member of the California Joint Powers Insurance Authority (Cal JPIA). The JPIA Executive Committee used a "rolling" retro payment and refund schedule for members. One-fourth of the retro amount is paid or refunded each year. The effect is that payments and refunds will partially net out, thus reducing cash flow fluctuations from year to year. At June 30, 2012 the cumulative retrospective deposit refund for general liability is $17,844 and the cumulative retrospective deposit refund for workers' compensation is $26,217. These receivables have been included in deposits on the Statement of Net Assets in the accompanying financial statements.

(7) Liability, Insured Programs and Workers' Compensation Protection, (Continued)

Description of Self-Insurance Pool Pursuant to Joint Powers Agreement

Cal JPIA is composed of 123 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of Cal JPIA is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a 9-member Executive Committee.

Each member pays an annual contribution (formerly called the primary deposit) to cover estimated losses for the coverage period. This initial funding is paid at the beginning of the coverage period. After the close of the coverage period, outstanding claims are valued. A retrospective deposit computation is then conducted annually thereafter until all claims incurred during the coverage period are closed on a pool-wide basis. This subsequent cost re-allocation among members based on actual claim development can result in adjustments of either refunds or additional deposits required.

The total funding requirement for self-insurance programs is estimated using actuarial models and pre-funded through the annual contribution. Costs are allocated to individual agencies based on exposure (payroll) and experience (claims) relative to other members of the risk-sharing pool. Additional information regarding the cost allocation methodology is provided below.

Self-Insurance Programs of the Authority

General Liability In the liability program claims are pooled separately between police and non-police exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to $30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from $30,000 to $750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of $750,000 up to the reinsurance attachment point of $5 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from $5 million to $10 million are paid under a reinsurance contract subject to a $2.5 million annual aggregate deductible. Costs of covered claims from $10 million to $15 million are paid under two reinsurance contracts subject to a combined $3 million annual aggregate deductible. On a cumulative basis for all 2011-12 reinsurance contracts the annual aggregate deductible is $5.5 million. (6) Costs of covered claims from $15 million up to $50 million are covered through excess insurance policies.

(7) Liability, Insured Programs and Workers' Compensation Protection, (Continued)

The overall coverage limit for each member including all layers of coverage is $50 million per occurrence.

Costs of covered claims for subsidence losses are paid by reinsurance and excess insurance with a pooled sub-limit of $35 million per occurrence. This $35 million subsidence sub-limit is composed of (a) $5 million retained within the pool's SIR, (b) $10 million in reinsurance and (c) $20 million in excess insurance. The excess insurance layer has a $20 million annual aggregate.

Workers' Compensation In the workers' compensation program claims are pooled separately between public safety (police and fire) and non-public safety exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to $50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from $50,000 to $100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of $100,000 up to the reinsurance attachment point of $2 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from $2 million up to statutory limits are paid under a reinsurance policy. Protection is provided per statutory liability under California Workers' Compensation Law.

Employer's Liability losses are pooled among members to $2 million. Coverage from $2 million to $5 million is purchased as part of a reinsurance policy, and Employer's Liability losses from $5 million to $10 million are pooled among members.

Purchased Insurance

Crime Insurance The Authority purchases crime insurance coverage in the amount of $1,000,000 with a $25,000 deductible. The fidelity coverage is provided through the California JPIA. Premiums are paid annually and are not subject to retroactive adjustments.

Adequacy of Protection

During the past three fiscal years, none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. On July 1, 2012, the Authority withdrew from the CalJPIA pool.

(7) Liability, Insured Programs and Workers' Compensation Protection, (Continued)

Municipal Services Authority

July 1, 2012, the Authority terminated its active membership with Cal JPIA and placed its programs of protection with another pooled program, Municipal Services Authority (MSA), a joint powers insurance authority. MSA has two member agencies: Regional Government Services Authority and Local Government Services Authority. Brokerage services are provided by Keenan and Associates. Any claims incurred prior to July 1, 2012, have or will be tendered to Cal JPIA. Those incurred after July 1, 2012, will accrue to MSA.

(8) Post Employment Benefit Plan

Plan Description: Certain employees who retire from the Authority with 10 years of service are eligible to receive health care benefits covering themselves and any qualified members. For those employees with employment agreements stipulating this benefit, the Authority pays 100% of the single rate premium charged to active employees under a health benefit plan administered by the Public Employee's Retirement System (PERS) in which the individual is able to select, on an annual basis, an insurance carrier from a number of insurance carriers. All other retirees are eligible for the PERS mandated benefit coverage, under which the Authority currently would pay up to $112 per month for any health coverage, subject to the PERS vesting schedule.

Funding Policy: The Authority's actuarially-based funding plan began in fiscal year 2010 with contributions being set aside in an Authority reserve, beginning in fiscal year 2011. The Authority has not elected to participate in the CalPERS OPEB Trust or form its own or participate in another OPEB Trust because it does not intend to remain in CalPERS Medical Plan indefinitely. The Authority is pursuing other pay-as-you-go retiree medical benefit plans that are more consistent with its business plan of servicing public and non-profit agencies.

CalPERS publishes separate financial statements conforming to GASB Statement No. 43 in separately issued financial statements for the CalPERS OPEB Trust. Copies of PERS' annual financial reports for its OPEB Trust may be obtained from its executive office at 400 "Q" Street, Sacramento, California 95811.

Annual OPEB Cost and Net OPEB Obligation. The Authority's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC),* an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed fifteen years, with a sensitivity analysis of 10 years. The following table shows the components of the Authority's annual OPEB cost for the fiscal year ending June 30, 2012, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation for these benefits:

(8) Post Employment Benefit Plan, (Continued)

Annual required contribution	$114,000
Interest on annual required contribution	7,004
Amortization	(14,000)
Annual OPEB cost (expense)	107,004
Contributions made (including premiums paid)	-
Increase in net OPEB obligation	107,004
Net OPEB obligation—beginning of year	181,000
Net OPEB obligation—end of year	$288,004

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	$ 81,000	0.0%	$ 81,000
6/30/2011	100,000	0.0%	181,000
6/30/2012	107,004	0.0%	288,004

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare 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. The schedule of funding progress is designed to present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

(8) Post Employment Benefit Plan, (Continued)

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

The actuarial cost method used for determining the benefit obligations is the Entry Age Normal Cost Method. The actuarial assumptions included a 7.75 percent investment rate of return, which is the assumed rate of the expected long-term investment returns (4 % discount rate) on plan assets calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10 percent initially, reduced by decrements of .6% per year to an ultimate rate of 5 percent after the tenth year. Both rates included a 3.0 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an closed basis over 30 years. It is assumed the Authority's payroll will increase 3.25% per year.

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Actuarial UAAL as a Percentage of Covered Payroll (b-a)/c)
6/30/2010	$0	$205,000	$205,000	0%	$3,217,000	6.37%

(9) Prior Period Adjustment

During the year ended June 30, 2012, the Authority restated the beginning net assets to reduce the compensated absences for sick and admin leave that would not be paid out upon termination in the amount of $327,615 and the related contra account receivable in the amount of $180,754.

Net assets, beginning, as previously reported	$ 1,077,360
Adjustment to compensated absences	327,615
Adjustment to accounts receivable	(180,754)
Net assets, beginning, as restated	$ 1,224,221