

To the Board of Commissioners
Local Agency Formation Commission of San Bernardino County

We have audited the financial statements of the Local Agency Formation Commission for San Bernardino County (the "Commission") as of and for the year ended June 30, 2025, and have issued our report thereon dated January 30, 2026. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated October 15, 2025, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

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

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

Planned Scope and Timing of the Audit

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

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence under the American Institute of Certified Public Accountants ("AICPA") independence standards, contained in the Code of Professional Conduct.

We identified self-review threats to independence as a result of non-attest services provided. Those non-attest services included the preparation of the financial statements and recording journal entries detected during the audit process. To mitigate the risk, management has compared the draft financial statements and footnotes to the underlying accounting records to verify accuracy. Additionally, we

utilize a quality control reviewer to perform a second review of journal entries and the financial statements. We believe these safeguards are sufficient to reduce the independence threats to an acceptable level.

Significant Risks Identified

We have identified the following significant risks:

- Implementation of GASB Statement No. 101 Compensated Absences.
- Unpredictability Test: Testing of Form 700 submitted by the Board of Commissioners.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Commission is included in Note 1 to the financial statements. As described in Note 1 to the financial statements, during the year, the entity changed its method of accounting for compensated absences by adopting Governmental Accounting Standards Board (GASB) Statement No. 101, Compensated Absences, and GASB Statement No. 102, Certain Risk Disclosures. Accordingly, the cumulative effect of the accounting change as of the beginning of the year has been reported in the Statement of Activities. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

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

The most sensitive accounting estimate affecting the financial statements is the estimate of the net pension liability which is calculated by an actuary. We evaluated the key factors and assumptions used to develop the amounts by the actuary and determined that it is reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the Commission's financial statements relates to Note 8: Pension Plan.

Significant Difficulties Encountered during the Audit

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

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole or applicable opinion units.

Disagreements with Management

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

Representations Requested from Management

We have requested certain written representations from management dated January 30, 2026.

Management's Consultations with Other Accountants

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

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Commission, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and

strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Commission's auditors.

Other Information Included in the Financial Statements

Pursuant to professional standards, our responsibility as auditors for other information, whether financial or nonfinancial, included in the Commission's annual reports, does not extend beyond the information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have the information and considered whether such information, or the manner of its presentation, was materially inconsistent with its presentation in the financial statements.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

This report is intended solely for the information and use of the Board of Commissioners and management of Local Agency Formation Commission for San Bernardino County and is not intended to be and should not be used by anyone other than these specified parties.

Davis Farr LLP

Irvine, California
January 30, 2026

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
Local Agency Formation Commission for San Bernardino County
San Bernardino, California

Independent Auditor's Report

We have audited, in accordance with the 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, the financial statements of the Local Agency Formation Commission for San Bernardino County (the "Commission"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated January 30, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Davis Farr LLP

Irvine, California
January 30, 2026

**LOCAL AGENCY FORMATION COMMISSION
FOR SAN BERNARDINO COUNTY**

Basic Financial Statements

Year Ended June 30, 2025

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

Basic Financial Statements

Year ended June 30, 2025

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Independent Auditor's Report

Board of Commissioners
Local Agency Formation Commission for San Bernardino County
San Bernardino, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of the Local Agency Formation Commission for San Bernardino County (the "Commission"), as of and for the year June 30, 2025, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Commission, as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As described further in Note 1 to the financial statements, during the year ended June 30, 2025, the Commission implemented Governmental Accounting Standards Board (GASB) Statement No. 101, Compensated Absences.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis, Schedule of the Plan's Proportionate Share of the Net Pension Liability, Schedule of Plan Contributions, and Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund* be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Summarized Comparative Information

We have previously audited the Commission’s 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 8, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2026 on our consideration of the Commission’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission’s internal control over financial reporting and compliance.



Irvine, California
January 30, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial performance of the Local Agency Formation Commission for San Bernardino County (Commission) provides an overview of the Commission's financial activities for the fiscal year ended June 30, 2025. Please read it in conjunction with the financial statements as outlined in the table of contents.

Using the Accompanying Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Commission as a whole and present a longer view of the Commission's finances. Also included in the accompanying report are fund financial statements. For governmental activities, the fund financial statements tell how the services were financed in the short-term as well as what remains for future spending.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of two parts - management's discussion and analysis (this section), and the basic financial statements. The basic financial statements provide both long-term and short-term information about the Commission's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The basic financial statements also include additional budgetary information.

Reporting the Commission as a Whole – Net Position

The accompanying Government-wide financial statements include two statements that present financial data for the Commission as a whole. An important question to be asked about the Commission's finances is, "Is the Commission as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Commission 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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the time of related cash flows.

The statements report the Commission's net position and changes in them. You can think of the Commission's net position – the difference between assets and liabilities - as one way to measure the Commission's financial health or financial position. Over time, increases and decreases in the Commission's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other factors, such as changes in the Commission's revenues, to assess the overall health of the Commission.

The following table provides the Statement of Net Position for the past two fiscal years:

TABLE 1
NET POSITION – GOVERNMENTAL ACTIVITIES

	Governmental Activities	
	2025	2024
Assets:		
Cash and investments (note 3)	\$ 793,910	755,213
Accounts receivable	12,284	10,611
Capital assets, net (note 4)	61,016	158,754
Total assets	<u>\$ 867,210</u>	<u>924,578</u>
Deferred outflow of resources:		
Deferred outflows from pension plan (note 8)	<u>411,966</u>	<u>445,385</u>
Liabilities:		
Accounts payable	\$ 6,601	5,876
Deposit payable	8,565	7,710
Other accrued liabilities	29,690	28,181
Unearned revenues (note 5)	11,030	4,714
Long-term liabilities:		
Due within one year (note 6)	95,198	107,703
Due beyond one year (note 6)	151,375	243,341
Net pension liability (note 8)	67,651	188,359
Total liabilities	<u>370,110</u>	<u>585,884</u>
Deferred inflow of resources:		
Deferred inflows from pension plan (note 8)	<u>125,429</u>	<u>216,370</u>
Total deferred inflow of resources:	<u>125,429</u>	<u>216,370</u>
Net position (deficit):		
Net investment in capital assets	20,536	(8,984)
Unrestricted	<u>763,101</u>	<u>576,693</u>
Total net position	<u>\$ 783,637</u>	<u>567,709</u>

The following table provides the Statement of Activities for the past two fiscal years:

**TABLE 2
CHANGE IN NET POSITION – GOVERNMENTAL ACTIVITIES**

	2025	2024
Revenues:		
Charges for services	97,149	156,848
Apportionment	1,172,283	1,172,283
Interest & Investment	69,506	56,484
Total Revenues	1,338,938	1,385,615
Expenses	1,123,010	1,023,075
Change in Net Position	215,928	362,540
Net Position Beginning	567,709	\$205,169
Net Position Ending	\$783,637	\$567,709

Explanation of Changes in Net Position

The tables presented above show a slight decrease in revenues and a slight increase in expenditures. Additionally, both assets and liabilities decreased.

- On a cash basis:
 - Total Expenditures were within appropriation authority (96%).
 - Salaries and Benefits were within appropriation authority (99.9%).
 - Services and Supplies were within appropriation authority (89%).
 - Total Revenues were slightly less than budgeted (98%). The budget projected the receipt of 10 applications that require a Commission hearing, with 10 applications received. Additionally, the Commission did not increase the apportionment.
- The following table provides a summary of the Long-Term Liabilities (non-pension) for the past two fiscal years:

**TABLE 3
LONG-TERM LIABILITIES**

	2024/25	2023/24
Compensated Absences	206,093	183,306
Lease Payable	40,480	167,738
TOTAL	\$246,573	\$351,044

- Compensated Absences increased by \$22,787 (natural balance accruals minus leave taken during the year and elective cashouts)
- Leases include the office space and copier.

- The figure below is an excerpt from the audit (Schedule of the Plan's Proportionate Share of the Net Pension Liability). Highlighted are two noteworthy categories. LAFCO's share of the collective NPL has significantly decreased from \$1.2 million in 2020 to \$67,651 in 2024. This is due to two reasons:
 - For the past seven years, the Commission has made additional payments to SBCERA as a credit towards LAFCO's net pension liability (NPL). These payments will credit with earnings based on the Plan's market value investment return every year.
 - According to SBCERA's Actuarial Valuation, the plan's overall NPL decreased from \$4.01 billion in 2020 to \$1.32 billion in 2021 primarily due to the 32.61% return on the market value of assets during 2020/21 (that was higher than the assumed return of 7.25%). As of June 30, 2024, SBCERA is 98.37% funded.

	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020
Proportion of the Collective Net Pension Liability	0.003%	0.008%	0.014%	0.009%	0.030%
Proportionate Share of the Collective Net Pension Liability	\$ 67,651	\$ 188,359	\$ 316,698	\$ 117,019	\$ 1,204,840
Covered-Employee Payroll	\$ 444,707	\$ 444,707	\$ 434,992	\$ 418,564	\$ 492,258
Proportionate Share of the Collective Net Pension Liability as a Percentage of Covered-Employee Payroll	15.21%	42.36%	72.81%	27.96%	244.76%
Plan's Fiduciary Net Position	\$ 4,072,301	\$ 3,379,563	\$ 3,439,121	\$ 3,383,284	\$ 3,017,494
Plan's Total Pension Liability	\$ 4,139,952	\$ 3,567,922	\$ 3,755,819	\$ 3,500,303	\$ 4,222,334
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.37%	94.72%	91.57%	96.66%	71.47%

Reporting the Commission's Fund Activity

The fund financial statements provide detailed information about the Commission's governmental fund as it operates under a single-program government fund. All the Commission's basic services are reported in its General Fund. The fund is reported using the current financial resources measurement focus and the modified accrual basis of accounting. The relationship or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) is described in the reconciliation following the fund financial statements.

Contacting the Commission's Financial Management:

This financial report is designed to provide our citizen's, taxpayers, governments, and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Executive Officer at 1601 E. 3rd Street, Suite 102, San Bernardino, CA 92415-0490, or 909-388-0480.

BASIC FINANCIAL STATEMENTS

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

Statement of Net Position

**June 30, 2025
(with comparative totals as of June 30, 2024)**

	Governmental Activities	
	2025	2024
Assets:		
Cash and investments (note 3)	\$ 793,910	755,213
Accounts receivable	12,284	10,611
Capital assets, net (note 4)	61,016	158,754
Total assets	\$ 867,210	924,578
Deferred outflow of resources:		
Deferred outflows from pension plan (note 8)	411,966	445,385
Liabilities:		
Accounts payable	\$ 6,601	5,876
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Other accrued liabilities	29,690	28,181
Unearned revenues (note 5)	11,030	4,714
Long-term liabilities:		
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Total liabilities	370,110	585,884
Deferred inflow of resources:		
Deferred inflows from pension plan (note 8)	125,429	216,370
Total deferred inflow of resources:	125,429	216,370
Net position (deficit):		
Net investment in capital assets	20,536	(8,984)
Unrestricted	763,101	576,693
Total net position	\$ 783,637	567,709

See accompanying notes to the basic financial statements

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

Statement of Activities

**Year ended June 30, 2025
(with comparative totals for the year ended June 30, 2024)**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position - Governmental Activities</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>2025</u>	<u>2024</u>
Governmental activities:						
General government	\$ 962,901	97,149	-	-	(865,752)	(860,360)
Lease termination	158,754	-	-	-	(158,754)	-
Interest Expense	<u>1,355</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,355)</u>	<u>(5,867)</u>
Total governmental activities	<u>\$ 1,123,010</u>	<u>97,149</u>	<u>-</u>	<u>-</u>	<u>(1,025,861)</u>	<u>(866,227)</u>
		General revenues:				
			Apportionment		1,172,283	1,172,283
			Investment income (loss)		<u>69,506</u>	<u>56,484</u>
			Total general revenues		<u>1,241,789</u>	<u>1,228,767</u>
			Change in net position		215,928	362,540
			Net position, beginning of year		<u>567,709</u>	<u>205,169</u>
			Net position, end of year		<u>\$ 783,637</u>	<u>567,709</u>

See accompanying notes to the basic financial statements

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

Balance Sheet - Governmental Funds

**June 30, 2025
(with comparative totals as of June 30, 2024)**

		General Fund	
		2025	2024
<u>Assets</u>			
Cash and investments		\$ 793,910	755,213
Accounts receivable		12,284	10,611
Total assets		\$ 806,194	765,824
<u>Liabilities and Fund Balance</u>			
Liabilities:			
Accounts payable		\$ 6,601	5,876
Deposits payable		8,565	7,710
Salaries and benefits payable		29,690	28,181
Unearned revenues		11,030	4,714
Total liabilities		55,886	46,481
Fund balance:			
Committed:		176,095	176,095
Assigned:			
General reserve		539,213	508,248
Contingency		35,000	35,000
Total fund balance		750,308	719,343
Total liabilities and fund balance		\$ 806,194	765,824

See accompanying notes to the basic financial statements

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

June 30, 2025

Fund balances of governmental funds		\$ 750,308
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets and accumulated depreciation have not been included as financial resources in governmental fund activity:		
Capital assets	96,287	
Accumulated depreciation	<u>(35,271)</u>	61,016
Pension related deferred outflows of resources, net of accumulated amortization, have not been reported in the governmental funds:		
Employer contributions subsequent to the measurement date	207,724	
Differences between actual and expected experience	8,585	
Changes in actuarial assumptions	1,422	
Changes in proportion and differences between employer contributions and the proportionate share of contributions	<u>194,235</u>	411,966
Long-term liabilities are not available to pay for current-period expenditures and, therefore, are not reported in the governmental funds. Long-term liabilities consist of the following:		
Net pension liability	(67,651)	
Lease liability	(40,480)	
Compensated absences	<u>(206,093)</u>	(314,224)
Pension related deferred inflows of resources, net of accumulated amortization, have not been reported in the governmental funds:		
Differences in expected and actual experience	(887)	
Net difference between projected and actual earnings on pension plan investments	(1,727)	
Changes in actuarial assumptions	(2,377)	
Changes in proportion and differences between employer contributions and the proportionate share of contributions	<u>(120,438)</u>	<u>(125,429)</u>
Net position of governmental activities		\$ <u>783,637</u>

See accompanying notes to the basic financial statements

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

Statement of Revenues, Expenditures, and Changes in Fund Balance

Year ended June 30, 2025

(with comparative totals for the year ended June 30, 2024)

	General Fund	
	2025	2024
Revenues:		
Apportionment	\$ 1,172,283	1,172,283
Charges for services	97,149	156,848
Investment income	69,506	56,484
Total revenues	1,338,938	1,385,615
Expenditures:		
General government:		
Salaries and employee benefits	940,518	810,458
Services and supplies	168,768	279,414
Capital outlay	70,074	-
Principal expense	197,332	51,157
Interest expense	1,355	5,867
Total expenditures	1,378,047	1,146,896
Excess (deficiency) of revenues over (under) expenditures	(39,109)	238,719
Other financing sources		
Leases (as lessee)	70,074	-
Net change in fund balance	30,965	238,719
Fund balances at beginning of year	719,343	480,624
Fund balances at end of year	\$ 750,308	719,343

See accompanying notes to the basic financial statements

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance to the Statement of Activities**

Year ended June 30, 2025

Net changes in fund balances - total governmental funds \$ 30,965

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

The governmental fund reports capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The following are the capital outlays, if any, and depreciation in the current period.

Capital expenditures	96,287	
Depreciation expense	<u>(35,271)</u>	61,016
Lease termination		(158,754)

Long term liability expenses reported in the Statement of Activities do not require the use of current financial resources. Therefore, these expenses are not reported as expenditures in governmental funds. Long term liability expenses reported in the Statement of Activities includes the changes of the following:

Change in net pension liability	120,708	
Change in lease payable	127,258	
Change in deferred outflows of resources related to pensions	(33,419)	
Change in deferred inflows of resources related to pensions	<u>90,941</u>	305,488

Accrued compensated absence expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental fund.

		<u>(22,787)</u>
Change in net position of governmental activities		<u>\$ 215,928</u>

See accompanying notes to the basic financial statements

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

Notes to the Basic Financial Statements

Year ended June 30, 2025

1. Summary of Significant Accounting Policies:

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

a. Reporting Entity

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

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

The Commission is composed of seven voting members, with four alternate members who vote only in the absence or abstention of a voting member. Two members are elected county supervisors and are selected by the Board of Supervisors. Two members are elected city council members and are selected by the mayors of the cities within San Bernardino County. Two members are elected members of a special district board of directors and are selected by the presidents of the independent special districts in San Bernardino County. These six elected officials select a "public" member who is not affiliated with county, city, or special district governments. Alternate members for the county, city, special district, and public categories are selected in the same manner. Each commissioner and alternate serve a four-year term.

b. Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Commission.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include charges for services that are restricted to meeting the operational or capital requirements of particular function or segment. Investment income and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the governmental fund. The Commission operates under a single-program governmental fund.

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

Notes to the Basic Financial Statements

Year ended June 30, 2025

(Continued)

1. Summary of Significant Accounting Policies (Continued):

c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the time of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are not recognized until paid.

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

Amounts reported as program revenues include charges for services and operating contributions from members.

d. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and the governmental fund balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The Commission has four items that qualify for reporting in this category for the fiscal year ended June 30, 2025, all of which relate to pensions. These include pension contributions subsequent to the measurement date, differences between actual and expected experience, change in assumptions, and change in employer's proportion and differences between the employer's contributions and employer's proportionate share of contributions.

The first of these items will be amortized in full in the following fiscal year. The second item is a deferred outflow related to pensions for the net difference between projected and actual earnings on plan investments. This amount is amortized over a closed 5-year period. These last two items are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

Notes to the Basic Financial Statements

Year ended June 30, 2025

(Continued)

1. Summary of Significant Accounting Policies (Continued):

In addition to liabilities, the statement of net position and the governmental fund balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The Commission has four items that qualify for reporting in this category for the fiscal year ended June 30, 2025, all of which relate to pension. These include differences between expected and actual experience, change in assumptions, change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions, and the net difference between projected and actual earnings on pension plan investments. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.

e. Cash and Investments

Cash and investments include the cash balances of substantially all funds, which are pooled and invested by the County Treasurer to increase interest earnings through investment activities. Investment activities are governed by the California Government Code Sections 53601, 53635, and 53638 and the County's Investment Policy.

Interest income, and realized gains and losses earned on pooled investments are deposited quarterly to the Commission's accounts based upon the Commission's average daily deposit balances during the quarter. Unrealized gains and losses of the pooled investments are distributed to the Commission annually. Cash and investments are shown at fair value.

f. Fair Value Measurements

Certain assets and liabilities are required to be reported at fair value. The fair value framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

Notes to the Basic Financial Statements

Year ended June 30, 2025

(Continued)

1. Summary of Significant Accounting Policies (Continued):

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly and fair value is determined through the use of models or other valuation methodologies including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are inactive;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable inputs reflect the Commission's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). These unobservable inputs are developed based on the best information available in the circumstances and may include the Commission's own data.

g. Capital Assets

Capital assets are reported as governmental activities in the government-wide financial statements. Capital assets are defined by the Commission as assets with an initial, individual cost of more than \$5,000 and have an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Equipment of the Commission is depreciated using the straight-line method over a 5 to 7 year estimated useful life. Lease assets are amortized over the estimated useful life of the asset or contract term, whichever is shorter.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend asset life is not capitalized.

h. Employee Compensated Absences

Liabilities for vacation, holidays, sick pay and compensatory time are accrued when incurred in the government-wide financial statements. Upon retirement or termination, an employee is compensated for 100% of unused accrued vacation and holiday time. Those with more than five years of LAFCO service receive 75% of their accumulated sick leave up to a maximum of fourteen hundred (1,400) hours. A liability for accrued leave is reported in the governmental fund financial statements when it is eligible and earned.

During the year ended June 30, 2025, the Commission adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, Compensated Absences, which seeks to better meet the information needs of financial statement users by updating the recognition and

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

Notes to the Basic Financial Statements

Year ended June 30, 2025

(Continued)

1. Summary of Significant Accounting Policies (Continued):

measurement guidance for compensated absences.

i. Fund Balance

Nonspendable fund balances includes amounts that cannot be spent because they are either not spendable in form (such as prepaid expenses) or legally or contractually required to be maintained intact.

Restricted fund balance includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation. If the Commission action limiting the use of funds is included in the same action (legislation) that created (enables) the funding source, then it is restricted.

Committed fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the Commission's highest level of authority. The governing board is the highest level of decision-making authority that can commit fund balances. Once adopted, the limitation imposed by the commitment remains in place until a similar action is taken to remove or revise the limitation.

Assigned fund balance includes amounts to be used by the Commission for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned fund balance includes the residual amounts that have not been committed or assigned to specific purposes.

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

j. Pensions

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

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

Notes to the Basic Financial Statements

Year ended June 30, 2025

(Continued)

1. Summary of Significant Accounting Policies (Continued):

Valuation Date (VD)	June 30, 2023
Measurement Date (MD)	June 30, 2024
Measurement Period (MP)	July 1, 2023 to June 30, 2024

k. Use of Estimates

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

l. Comparative Data

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's prior year financial statements, from which this selected financial data was derived.

2. Stewardship, Compliance and Accountability: General Budget Policies:

In accordance with provisions of Section 56381 of the Government Code of the State of California, commonly known as the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH), the Commission shall adopt a proposed budget by May 1 and a final budget by June 15 of each fiscal year.

Budgets are prepared on the cash basis of accounting. After adoption of a final budget, the County of San Bernardino Auditor shall apportion one-third of net operating expenses of the Commission to each of the following: the county, cities, and independent special districts. The legal level of budgetary control is the fund level.

Any deficiency of budgeted revenues and other financing sources over expenditures and other financing uses is financed by beginning available fund balance as provided for in the County Budget Act.

3. Cash and Investments:

Cash and investments as of June 30, 2025 consist of the following:

Petty cash	\$ 250
Investment in County of San Bernardino Investment Pool	<u>793,660</u>
Total Cash and Investments	<u>\$ 793,910</u>

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

Notes to the Basic Financial Statements

Year ended June 30, 2025

(Continued)

3. Cash and Investments (Continued):

Investments Authorized by the Commission's Investment Policy

The Commission's investment policy authorizes investments only in the County of San Bernardino Investment Pool.

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 the fair value to changes in market interest rates. As of June 30, 2025, the Commission's cash was voluntarily invested in the County of San Bernardino Investment Pool, and therefore was not exposed to any interest rate risk as described above.

The County of San Bernardino Investment Pool is a pooled investment fund program governed by the San Bernardino County Board of Supervisors, and is administered by the County Treasurer. Investments in the pool are highly liquid as deposits and withdrawal can be made at any time without penalty. The Commission's fair value of its share in the pool is the same value of the pool shares, which amounted to \$793,660. Information on the pool's use of derivative securities in its investment portfolio and the Commission's exposure to credit, market, or legal risk is not available.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The money pooled with the County of San Bernardino Investment Pool is not subject to a credit rating.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Commission's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits 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.

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

Notes to the Basic Financial Statements

Year ended June 30, 2025

(Continued)

3. Cash and Investments (Continued):

California law also allows financial institutions to secure Commission deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

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

The Commission is a participant in the San Bernardino County Investment Pool (SBCIP). The SBCIP is an external investment pool, is not rated and is not registered with the Securities Exchange Commission (SEC). The County Treasury Oversight Committee and the County Board of Supervisors conduct SBCIP oversight. Cash on deposit in the SBCIP at June 30, 2025, is stated at fair value. The SBCIP values participant shares on an amortized cost basis during the year and adjusts to fair value at year-end. For further information regarding the SBCIP, refer to the County of San Bernardino Annual Comprehensive Financial Report.

4. Capital Assets:

Capital asset activity for the year ended June 30, 2025 was as follows:

	Balance at July 1, 2024	Additions	Deletions	Balance at June 30, 2025
Capital assets:				
Lease asset	\$ 317,514	70,074	(317,514)	70,074
Leasehold improvements	<u>384,576</u>	<u>26,213</u>	<u>(384,576)</u>	<u>26,213</u>
Subtotal	<u>702,090</u>	<u>96,287</u>	<u>(702,090)</u>	<u>96,287</u>
Less accumulated depreciation for:				
Lease asset	(158,760)	(30,028)	158,760	(30,028)
Leasehold improvements	<u>(384,576)</u>	<u>(5,243)</u>	<u>384,576</u>	<u>(5,243)</u>
Subtotal	<u>(543,336)</u>	<u>(35,271)</u>	<u>543,336</u>	<u>(35,271)</u>
Total capital assets, net	<u>\$ 158,754</u>	<u>61,016</u>	<u>(158,754)</u>	<u>61,016</u>

5. Unearned Revenues:

At June 30, 2025, the Commission deferred recognition of \$11,030 from fee revenues and deposits that have been received but not yet earned.

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

Notes to the Basic Financial Statements

Year ended June 30, 2025

(Continued)

6. Long Term Liabilities:

The following is a summary of changes in long-term liabilities for the year ended June 30, 2025:

	<u>Balance at July 1, 2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2025</u>	<u>Due within one year</u>
Compensated Absences	\$ 183,306	98,054	(75,267)	206,093	61,828
Lease Payable	<u>167,738</u>	<u>70,074</u>	<u>(197,332)</u>	<u>40,480</u>	<u>33,370</u>
Total long term debt	<u>\$ 351,044</u>	<u>168,128</u>	<u>(272,599)</u>	<u>246,573</u>	<u>95,198</u>

The Commission leases office space from the Inland Valley Development Agency. The term of the lease is through July 31, 2026. A discount rate of 3% was used to discount the lease liability. Principal and interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>
2026	\$ 29,551	557
2027	<u>2,506</u>	<u>6</u>
	<u>\$ 32,057</u>	<u>563</u>

The Commission leases copier from Konica Minolta Business Solutions U.S.A., Inc. The term of the lease is through August 31, 2027. A discount rate of 3% was used to discount the lease liability. Principal and interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>
2026	\$ 3,819	201
2027	\$ 3,935	85
2028	<u>675</u>	<u>3</u>
	<u>\$ 8,429</u>	<u>289</u>

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

Notes to the Basic Financial Statements

Year ended June 30, 2025

(Continued)

7. Insurance:

The Commission is a member of the Special District Risk Management Authority, an intergovernmental risk sharing joint powers authority. The schedule of insurance coverage is as follows:

<u>Coverage</u>	<u>Amount</u>	<u>Limit of Insurance</u>
Property Coverage	\$ 1,000,000,000	Per Occurrence
Property - Boiler & Machinery	100,000,000	Per Occurrence
Property - Pollution Coverage	2,000,000	Per Occurrence
Property - Cyber Coverage	Limits on file	Per Occurrence
General Liability - Bodily Injury	2,500,000	Per Occurrence
General Liability - Property Damage	2,500,000	Per Occurrence
General Liability - Public Officials	500,000	Per Occurrence
Personal		
	2,500,000	Per Occurrence
General Liability - Employment Benefits		
General Liability - Employee/Public Officials E & O	2,500,000	Per Occurrence
General Liability - Employment Practices Liability	2,500,000	Per Occurrence
General Liability - Employee/Public Officials Dishonesty	1,000,000	Per Occurrence
Auto Liability - Auto Bodily Injury	2,500,000	Per Occurrence
Auto Liability - Auto Property Damage	2,500,000	Per Occurrence
Auto Liability - Uninsured Motorist	Limits on file	Per Occurrence
Employers Liability	5,000,000	Per Occurrence
Worker's Compensation	Statutory	Per Occurrence

The Commission is self-insured for unemployment insurance.

8. Pension Plan:

a. General Information about the Pension Plan

Plan Description

The San Bernardino County Employees' Retirement Association (SBCERA) administers the SBCERA pension plan - a cost-sharing multiple-employer defined benefit pension plan (the Plan). SBCERA provides retirement, disability, death and survivor benefits to its members, who are employed by 17 active participating employers (including SBCERA) and 4 withdrawn employers. SBCERA publishes its own Comprehensive Annual Financial Report (CAFR) which is available on SBCERA's website at www.SBCERA.org.

Benefits Provided

SBCERA provides service retirement, disability, death and survivor benefits to eligible employees. Generally, any employee of the County of San Bernardino or participating employers who is appointed to a regular position whose service is greater than fifty percent of the full standard of hours required by a participating SBCERA employer (e.g. 20 hours per week or more) must become a member of SBCERA effective on the first day of employment.

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

Notes to the Basic Financial Statements

Year ended June 30, 2025

(Continued)

8. Pension Plan (Continued):

The retirement benefits the member will receive is based upon age at retirement, final average compensation, years of retirement service credit and retirement plan and tier.

The Plan's provisions and benefits in effect at June 30, 2025, are summarized as follows:

	Prior to <u>January 1, 2014</u>	On or After <u>January 1, 2014</u>
Hire date		
Benefit formula	2%@55	2.5%@67
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 65	52 - 67
Monthly benefits, as a % of eligible compensation	1.49% - 3.13%	1.0% - 2.5%
Required employee contribution rates	10.74%	8.74%
Required employer contribution rates	34.53%	30.09%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate.

Funding contributions for both Plans are determined annually on an actuarial basis as of June 30. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Commission is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

Notes to the Basic Financial Statements

Year ended June 30, 2025

(Continued)

8. Pension Plan (Continued):

Actuarial Assumptions

The total pension liabilities were determined using the following actuarial assumptions:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry-Age Actuarial Cost Method
Actuarial Assumptions:	
Discount Rate	7.25%
Inflation	2.50%
Payroll Growth	2.50%
Projected Salary Increase	1.30% - 6.50% (1)
Investment Rate of Return	7.25% (2)
Mortality	(3)

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation
- (3) Mortality rates are based on the Pub-2010 Amount-Weighted Above-Median Mortality Table projected generationally with the two-dimensional MP-2019 projection scale. For healthy Safety members, the Safety Healthy Retiree rates were used. For disabled General members, the Non-Safety Disabled Retiree rates were used. For disabled Safety members, the Safety Disabled Retiree rates were used. For beneficiaries, the General Contingent Survivor rates were used. For beneficiaries, the General Contingent Survivor rates increased by 10% were used.

Discount Rate

The discount rates used to measure the Total Pension Liability was 7.25% as of the June 30, 2024 measurement date. The projection of cash flows used to determine the discount rate assumed employer and member contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members.

Therefore, the long-term expected rate of return on pension plan investments of 7.25% were applied to all periods of projected benefit payments to determine the Total Pension Liability as of June 30, 2024, measurement date.

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

Notes to the Basic Financial Statements

Year ended June 30, 2025

(Continued)

8. Pension Plan (Continued):

The long-term expected rate of return on Plan investments was determined using a building block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. These target allocations and projected arithmetic real rates of return for each major asset class, after deducting inflation but before deducting investment expenses are shown in the following table. This information was used in the derivation of the long-term expected investment rate of return assumption for the June 30, 2024 and 2023 actuarial valuations. This information will change every three years based on the actuarial experience study.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Large Cap US Equity	14.50%	6.00%
Small Cap US Equity	2.50%	6.65%
Developed International Equity	7.00%	7.01%
Emerging Markets Equity	6.00%	8.80%
U.S. Core Fixed Income	2.00%	1.97%
Emerging Market Debt	6.00%	4.76%
Real Estate - Core	2.50%	3.86%
Cash & Equivalents	2.00%	0.63%
Private Equity	18.00%	9.84%
High Yield/Credit Strategies	13.00%	6.48%
Absolute Return	7.00%	7.10%
Real Estate - Non-Core	2.50%	5.40%
Real Assets	6.00%	10.10%
International Credit	11.00%	7.10%
Total	<u>100.00%</u>	

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

Notes to the Basic Financial Statements

Year ended June 30, 2025

(Continued)

9. Pension Plan (Continued):

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

Allocation of Net Pension Liability

The Commission's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2024, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 using standard update procedures.

The Commission's proportionate share of the net pension liability was based on a projection of the Commission's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The following Table shows the Commission's proportionate share of net pension liability over measurement period:

Balance at June 30, 2023	\$	188,359
Balance at June 30, 2024		<u>67,651</u>
Change - Increase (Decrease)	\$	<u>(120,708)</u>

The Commission's proportionate share of the net pension liability for the Plan as of the June 30, 2023 and 2024 measurement dates was as follows:

Proportion - June 30, 2023	0.008%
Proportion - June 30, 2024	<u>0.003%</u>
Change - Increase (Decrease)	<u>(0.005%)</u>

For the year ended June 30, 2025, the Commission recognized pension income of \$36,310. At June 30, 2025, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

Notes to the Basic Financial Statements

Year ended June 30, 2025

(Continued)

8. Pension Plan (Continued):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 207,724	-
Differences between actual and expected experience	8,585	(887)
Change in assumptions	1,422	(2,377)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	194,235	(120,438)
Net Difference between projected and actual earnings on Pension Plan Investments	<u>-</u>	<u>(1,727)</u>
Total	<u>\$ 411,966</u>	<u>(125,429)</u>

The deferred outflows of resources related to contributions subsequent to the measurement date of \$207,724 will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending	
<u>June 30,</u>	<u>Amount</u>
2026	(18,074)
2027	43,812
2028	37,802
2029	15,273
2030	<u>-</u>
	<u>\$ 78,813</u>

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

The following presents the Commission's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

Notes to the Basic Financial Statements

Year ended June 30, 2025

(Continued)

8. Pension Plan (Continued):

1% decrease		6.25%
Net Pension Liability	\$	619,188
Current Discount Rate		7.25%
Net Pension Liability	\$	67,651
1% Increase		8.25%
Net Pension Liability (Asset)	\$	(383,065)

Pension Plan Fiduciary Net Position

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

9. Salary Savings Plans:

Benefit Plan Groups

For the purpose of the salary savings plans, employees shall be divided into the following groups:

- a. Group A Executive Officer
- b. Group B All Commission Employees not in Group A or C
- c. Group C Administrative Assistant

401(k) Plan

Bi-weekly contributions of Commission employees to the County's 401(k) Defined Contribution Plan will be matched by a Commission contribution on the basis of two times the employee's contribution. The bi-weekly contributions of employees in Groups A and B of up to four percent of bi-weekly base salary will be matched by a Commission contribution of two times the employee's contribution, not to exceed eight percent of an employee's bi-weekly base salary.

The bi-weekly contributions of employees in Group C to the County's 401(k) Defined Contribution Plan of up to three percent of bi-weekly base salary will be matched by a Commission contribution of two times the employee's contribution. The Commission's contribution shall not exceed six percent of an employee's bi-weekly base salary.

The Commission contributed \$39,037 to this plan for the fiscal year ended June 30, 2025.

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

Notes to the Basic Financial Statements

Year ended June 30, 2025

(Continued)

9. Salary Savings Plan (Continued):

457 Deferred Compensation Plan

Bi-weekly contributions of Commission Group A employees to the County's Section 457 Deferred Compensation Plan up to one percent (1%) of an employee's bi-weekly base salary will be matched by a Commission contribution on the basis of one (1) times the employee's contribution. The Commission contribution shall not exceed one percent of the employee's bi-weekly salary. The contribution shall be deposited in the County's 401(a) Plan.

Bi-weekly contributions of Commission Group B and C employees to the County's Section 457 Deferred Compensation Plan up to one percent (1%) of an employee's bi-weekly base salary will be matched by a Commission contribution of one-half (1/2) times the employee's contribution. The Commission's contribution shall not exceed one-half percent (1/2%) of the employee's bi-weekly salary. The contribution shall be deposited in the County's 401(a) Plan.

The Commission contributed \$3,520 to this plan for the fiscal year ended June 30, 2025.

10. Commitments & Contingencies

In conducting its activities, the LAFCO, from time to time is the subject of various legal claims. Management is currently unable to determine the ultimate resolution of such legal claims, or the monetary impact on the financial statements.

11. Subsequent Events

LAFCO entered into an agreement on January 21, 2026 for a new website hosting subscription service in the amount of \$10,100 per year and an accessible document service in the amount of \$14,400 per year.

REQUIRED SUPPLEMENTARY INFORMATION

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

Schedule of the Plan's Proportionate Share of the Net Pension Liability

Last Ten Fiscal Years

	Measurement Date									
	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Proportion of the Collective Net Pension Liability	0.003%	0.008%	0.014%	0.009%	0.030%	0.036%	0.035%	0.033%	0.031%	0.035%
Proportionate Share of the Collective Net Pension Liability	\$ 67,651	\$ 188,359	\$ 316,698	\$ 117,019	\$ 1,204,840	\$ 973,602	\$ 885,247	\$ 864,960	\$ 769,173	\$ 681,447
Covered-Employee Payroll	\$ 444,707	\$ 444,707	\$ 434,992	\$ 418,564	\$ 492,258	\$ 478,224	\$ 475,010	\$ 369,541	\$ 359,294	\$ 341,542
Proportionate Share of the Collective Net Pension Liability as a Percentage of Covered-Employee Payroll	15.21%	42.36%	72.81%	27.96%	244.76%	203.59%	186.36%	234.06%	214.08%	199.52%
Plan's Fiduciary Net Position	\$ 4,072,301	\$ 3,379,563	\$ 3,439,121	\$ 3,383,284	\$ 3,017,494	\$ 3,043,279	\$ 2,181,226	\$ 1,943,960	\$ 1,639,622	\$ 1,736,731
Plan's Total Pension Liability	\$ 4,139,952	\$ 3,567,922	\$ 3,755,819	\$ 3,500,303	\$ 4,222,334	\$ 4,016,881	\$ 3,066,474	\$ 2,808,921	\$ 2,408,795	\$ 2,418,178
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.37%	94.72%	91.57%	96.66%	71.47%	75.76%	71.13%	69.21%	68.07%	71.82%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

There were no changes in Assumptions.

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

Schedule of Revenues, Expenditures, and Changes in Fund Balances

Budget and Actual - General Fund

Year ended June 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Apportionment	\$ 1,172,283	1,172,283	1,172,283	-
Charges for services	110,000	110,000	97,149	(12,851)
Investment income	<u>30,000</u>	<u>30,000</u>	<u>69,506</u>	<u>39,506</u>
Total revenues	<u>1,312,283</u>	<u>1,312,283</u>	<u>1,338,938</u>	<u>26,655</u>
Expenditures:				
General government:				
Salaries and benefits	825,010	825,010	940,518	(115,508)
Service and supplies	330,970	381,970	168,768	213,202
Capital outlay	-	-	70,074	(70,074)
Principal expense	65,892	65,892	197,332	(131,440)
Interest expense	<u>1,977</u>	<u>1,977</u>	<u>1,355</u>	<u>622</u>
Total expenditures	<u>1,223,849</u>	<u>1,274,849</u>	<u>1,378,047</u>	<u>(103,198)</u>
Excess (deficiency) of revenues over (under) expenditures	88,434	37,434	(39,109)	(76,543)
Other financing sources				
Leases (as lessee)	<u>-</u>	<u>-</u>	<u>70,074</u>	<u>70,074</u>
Net change in fund balance:	<u>88,434</u>	<u>37,434</u>	<u>30,965</u>	<u>(6,469)</u>
Fund balances at beginning of year	<u>719,343</u>	<u>719,343</u>	<u>719,343</u>	<u>-</u>
Fund balances at end of year	<u>\$ 807,777</u>	<u>756,777</u>	<u>750,308</u>	<u>(6,469)</u>

See notes to the required supplementary information

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

Notes to the Required Supplementary Information

Year ended June 30, 2025

1. Budgetary Reporting

The Commission established accounting control through formal adoption of an annual budget for the Governmental Fund. The budget is prepared on a basis consistent with generally accepted accounting principles. The adopted budget can be amended by the Commission to change both appropriations and estimated revenues as unforeseen circumstances come to management's attention. Increases and decreases in revenue and appropriations require Commission's approval. Expenditures may not exceed total appropriations at the individual fund level. It is the practice of the Commission's management to review the budget monthly and provide quarterly updates to the Commission. For the year ended June 30, 2025, expenditures were in excess of appropriation.