YOLO EMERGENCY COMMUNICATIONS AGENCY

Independent Auditor's Reports,
Basic Financial Statements, and
Required Supplementary Information

For the Fiscal Year Ended June 30, 2014

MGO Certified Public Accountants.

YOLO EMERGENCY COMMUNICATIONS AGENCY

For the Fiscal Year Ended June 30, 2014

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MGO Certified Public Accountants.

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Walnut Creek

Oakland

LA/Century City

Newport Beach

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Independent Auditor's Report

Board of Directors
Yolo Emergency Communications Agency
Woodland, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of the Yolo Emergency Communications Agency (YECA), as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise YECA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of YECA, as of June 30, 2014, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Funding Progress for Other Postemployment Benefits Plan and the budgetary comparison information on pages 24 through 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2015 on our consideration of YECA'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 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 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 YECA's internal control over financial reporting and compliance.

Macias Gini É O'Connell LLP

Sacramento, California
April 1, 2015

BASIC FINANCIAL STATEMENTS

YOLO EMERGENCY COMMUNICATIONS AGENCY

Statement of Net Position
Governmental Activities
June 30, 2014

ASSETS		
Imprest cash	$	300
Cash in County Treasury		1,584,393
Due from other governments		95,183
Prepaid expense		242,968
Restricted assets:		
Cash with fiscal agent		699,392
Capital assets:		
Nondepreciable		3,330,217
Depreciable, net		2,329,555
Total Assets		8,282,008
LIABILITIES		
Accounts payable		75,320
Accrued payroll		140,197
Due to other governments		624
Accrued interest		24,520
Long-term liabilities:		
Due within one year		305,280
Due in more than one year		3,236,989
Total Liabilities		3,782,930
NET POSITION		
Net investment in capital assets		3,336,728
Unrestricted		1,162,350
Total Net Position	$	4,499,078

See accompanying notes to the basic financial statements.

YOLO EMERGENCY COMMUNICATIONS AGENCY

Statement of Activities
Governmental Activities
For the Fiscal Year Ended June 30, 2014

PROGRAM EXPENSES		
Public safety - 911 communications		
Salaries and employee benefits	$	3,535,389
Services and supplies		429,629
Depreciation		237,574
Interest on long-term debt		204,674
Total Program Expenses		4,407,266
PROGRAM REVENUES		
Operating grants and contributions		5,040,718
Capital grants and contributions		115,298
Total Program Revenues		5,156,016
Net Expense		748,750
GENERAL REVENUES		
Interest earnings		3,126
Other		91,083
Total General Revenues		94,209
Change in Net Position		842,959
Net Position - beginning of year, restated		3,656,119
Net Position - end of year	$	4,499,078

See accompanying notes to the basic financial statements.

YOLO EMERGENCY COMMUNICATIONS AGENCY

Balance Sheet
General Fund
June 30, 2014

ASSETS		
Imprest cash	$	300
Cash in County Treasury		1,584,393
Due from other governments		95,183
Prepaid items		242,968
Restricted assets:		
Cash with fiscal agent		699,392
Total Assets	$	2,622,236
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	$	75,320
Accrued payroll		140,197
Due to other governments		624
Total Liabilities		216,141
Fund Balance:		
Nonspendable for prepaid items		242,968
Restricted for capital projects		699,392
Unassigned		1,463,735
Total Fund Balance		2,406,095
Total Liabilities and Fund Balance	$	2,622,236

See accompanying notes to the basic financial statements.

YOLO EMERGENCY COMMUNICATIONS AGENCY

Reconciliation of the Balance Sheet to the Statement of Net Position
June 30, 2014

Fund balance - General Fund	$	2,406,095
Amounts reported in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the General Fund.		5,659,772
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the General Fund.		
Net OPEB obligation		(342,835)
Accrued interest		(24,520)
Capital lease		(3,022,436)
Compensated absences		(176,998)
Net position - Governmental Activities	$	4,499,078

See accompanying notes to the basic financial statements.

YOLO EMERGENCY COMMUNICATIONS AGENCY

Statement of Revenues, Expenditures, and Change in Fund Balance - General Fund For the Fiscal Year Ended June 30, 2014

REVENUES		
Intergovernmental:		
Federal	$	91,590
State		23,708
Contributions		5,040,718
Investment earnings		3,126
Other		91,083
Total Revenues		5,250,225
EXPENDITURES		
Current:		
Public safety - 911 communications		
Salaries and employee benefits		3,445,802
Services and supplies		1,223,295
Debt service:		
Principal		209,246
Interest		206,371
Capital outlay		37,500
Total Expenditures		5,122,214
Change in Fund Balance		128,011
Fund Balance - beginning of year		2,278,084
Fund Balance - end of year	$	2,406,095

See accompanying notes to the basic financial statements.

YOLO EMERGENCY COMMUNICATIONS AGENCY

Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balance to the Statement of Activities For the Fiscal Year Ended June 30, 2014

Change in fund balance - General Fund		$ 128,011
Amounts reported in the statement of activities are different because:		
The General Fund reports capital outlay as expenditures. However, in the statement of activities, the cost of those items is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	$ 831,166	
Depreciation expense	(237,574)	593,592
Repayment of long-term liabilities are expenditures in the General Fund, but reduce long-term liabilities in the statement of net position.		209,246
Other expenses in the statement of activities that do not use current financial resources are not reported as expenditures in the General Fund.		
Change in compensated absences	(23,508)	
Change in net OPEB obligation	(66,079)	
Change in accrued interest	1,697	(87,890)
Change in net position - Governmental Activities		$ 842,959

See accompanying notes to the basic financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Yolo Emergency Communications Agency (YECA), formerly known as Yolo County Communications Emergency Service Agency, was established June 21, 1988 by Agreement No. 88-133, which is a Joint Exercise of Powers Agreement (Agreement) pursuant to Government Code 6500 et seq.

YECA includes all operating activities considered to be a part of YECA. YECA reviewed the criteria developed by the Governmental Accounting Standards Board (GASB) in its issuance of Statement No. 14, which was amended by Statement No. 61, relating to the financial reporting entity to determine whether YECA is financially accountable for other entities. YECA has determined that no other outside entity meets the above criteria, and therefore, no agency has been included as a component unit in YECA's financial statements.

The parties making up the Joint Powers Agency (JPA) are the County of Yolo and the Cities of Woodland, West Sacramento, and Winters. The parties each appoint members to the governing board of YECA.

YECA was created to provide mutual benefits, such as cost savings and greater operational efficiency, to the county and the cities through the sharing of communication facilities, emergency services, and increased management control.

Each party retains the ownership of its radio frequencies, but allows the use of these frequencies by YECA.

Under the Agreement, each party in YECA contributes to the budget of YECA. These contributions are based on various formulas outlined in Section 9.2 of the JPA Agreement.

Basis of Presentation and Accounting

Government-Wide Statements

The Statement of Net Position and Statement of Activities display information about the primary government (YECA). These statements include the financial activities of the overall government.

The Statement of Activities presents a comparison between direct expenses and program revenues for YECA's governmental activity. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include grants and contributions, as well as contributions received from JPA members that are restricted to meeting the operational or capital requirements of YECA. Revenues that are not classified as program revenues, including investment income, are presented instead as general revenues.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation and Accounting (Continued)

Fund Financial Statements

Separate financial statements are provided for the General Fund. YECA's General Fund accounts for all of its financial resources and activities. The General 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 to finance expenditures of the current period. "Measurable" means the amount of the transaction can be determined and "available" means collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. YECA uses an availability period of 365 days for revenue recognition for its General Fund revenues. Those revenues susceptible to accrual include intergovernmental revenues, contributions, and investment income.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

Nonexchange transactions, in which YECA gives (or receives) value without directly receiving (or giving) value in exchange, include grants, entitlements, and donations. On a modified accrual basis, revenues from nonexchange transactions are recognized when the underlying transactions take place and have met the 365-day availability criteria. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Cash in County Treasury

YECA maintains cash and investments with the Yolo County Treasurer (Treasurer) in a cash and investment pool. On a quarterly basis, the Treasurer allocates interest to participants based upon their average daily balances. Required disclosure information regarding the categorization of investments and other deposit and investment risk disclosures can be found in the County of Yolo's (County) Comprehensive Annual Financial Report (CAFR). The County's financial statements may be obtained by contacting the County Auditor-Controller's office at 625 Court Street, Room 103, Woodland, California 95776. The Yolo County Treasury Oversight Committee oversees the Treasurer's investments and policies.

YECA has no deposit or investment policy that addresses interest rate, credit, or custodial credit risk. Investments held in the County's investment pool are available on demand and are stated at amortized cost plus accrued interest, which approximates fair value.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash with Fiscal Agent

Cash with fiscal agent represents proceeds from debt related to YECA's capital lease financing arrangement with Bank of America. Refer to Note 4 for more information relating to the debt issuance.

Due From Other Governments

These amounts represent receivables from other governmental agencies. Management believes its receivables to be fully collectible and, accordingly, no allowance for doubtful accounts has been established.

Capital Assets

Capital assets have been acquired for general operational purposes. Assets purchased are recorded as expenditures in the General Fund and capitalized at cost or estimated cost where no historical records are available in the government-wide financial statements. Donated capital assets are valued at their estimated fair market value on the date contributed. YECA defines capital assets as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of one year. Capital assets, including intangible assets, are depreciated using the straight-line method over their estimated useful lives of 5 to 15 years in the government-wide financial statements.

Compensated Absences

Unused vacation leave and compensatory time off may be accumulated up to a specified maximum and is paid at the time employment with YECA is terminated. YECA is not obligated to pay for unused sick leave if employment is terminated prior to retirement.

The accumulated benefits will be liquidated in future years as employees elect to use them. In the normal course of business, compensated absences do not require the use of current financial resources as all payments of these accumulated benefits will be funded from appropriations of the year in which they are to be paid; therefore, the total liability is recorded in the government-wide financial statements only. In accordance with the provisions of GASB No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulated rights to receive sick pay benefits.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance/Net Position

Fund Balance

The provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, established the following classification of fund balance:

- *Nonspendable Fund Balance* – amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.
- *Restricted Fund Balance* – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed Fund Balance* – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action by the entity's "highest level of decision-making authority", which YECA considers to be resolutions adopted by YECA's Board of Directors.
- *Assigned Fund Balance* – includes amounts of fund balance that reflect YECA's intended use of resources for specific purposes that are neither restricted nor committed.
- *Unassigned Fund Balance* – includes resources in fund balance that cannot be classified into any of the other categories.

YECA's spending priority is to spend restricted fund balance first, followed by committed, assigned, and unassigned fund balance.

Net Position

Net position comprises the various net earnings from YECA's revenues, expenses, and contributions of capital. Net position is classified in the following three components:

- *Net Investment in Capital Assets* – Consists of all capital assets, including restricted capital assets, net of accumulated depreciation and any related outstanding debt attributable to the acquisition, construction, or improvements of those assets.
- *Restricted Net Position* – Restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- *Unrestricted Net Position* – All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use, it is YECA's policy to use restricted resources first, and then unrestricted resources as they are needed.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Members' Contributions

Each member of YECA contributes annually based on YECA's budget. Members' contributions are determined by various formulas set forth in the Joint Powers Agreement. Contributions are payable in quarterly installments before the first day of each quarter.

Estimates

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

NOTE 2: CASH AND INVESTMENTS

Deposits held in the County's investment pool are available on demand and are stated at amortized cost plus accrued interest, which approximates fair value. As of June 30, 2014, YECA's total cash in the County of Yolo Treasury was $1,584,393.

Cash and investments as of June 30, 2014, are classified in the accompanying financial statements as follows:

Statement of Net Position	
Cash in County Treasury	$ 1,584,393
Imprest cash	300
Restricted assets - cash with fiscal agent	699,392
Total Cash and Investments	$ 2,284,085

Investments Authorized by the California Government Code

The table on the following page identifies the investment types that are authorized for YECA by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the YECA, rather than the general provisions of the California Government Code.

YOLO EMERGENCY COMMUNICATIONS AGENCY

Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2014

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments Authorized by the California Government Code (Continued)

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer
Local Agency Bonds	5 years	No limit	No limit
U.S. Treasury Obligations	5 years	No limit	No limit
U.S. Agency Securities	5 years	No limit	No limit
Bankers' Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	No limit
Repurchase Agreements	1 year	No limit	No limit
Reverse Repurchase Agreements	92 days	20% of base value	No limit
Medium-Term Notes	5 years	30%	No limit
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	No limit
County Pooled Investment Funds	N/A	No limit	No limit
Local Agency Investment Fund (LAIF)	N/A	No limit	No limit
JPA Pools (other investment pools)	N/A	No limit	No limit

*Excluding amounts held by bond trustee that are not subject to California Government Code restrictions.

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee is governed by provisions of the debt agreements, rather than the general provisions of the California Government Code. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
U.S. Treasury Obligations	None	No limit	No limit
U.S. Agency Securities	None	No limit	No limit
Bankers' Acceptances	180 days	No limit	No limit
Commercial Paper	270 days	No limit	No limit
Money Market Mutual Funds	N/A	No limit	No limit
Investment Contracts	30 years	No limit	No limit

NOTE 2: CASH AND INVESTMENTS (Continued)

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 its fair value is to changes in market interest rates. The weighted average maturity of the County's external investment pool as of June 30, 2014 was 370 days. The weighted average maturity of the investments held by fiscal agent as of June 30, 2014 was 44 days.

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 (Standard and Poor's). Presented below is the minimum rating required by the California Government Code, or debt agreements and the actual rating as of June 30, 2014 of YECA's investments that are exposed to credit risk (the County's external investment pool is not rated):

Investment Type	Minimum Legal Rating	Rating as of June 30, 2014
Cash with fiscal agent:		
Money market mutual funds	A	AAAm

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 does 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 deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

NOTE 2: CASH AND INVESTMENTS (Continued)

Custodial Credit Risk (Continued)

As of June 30, 2014, YECA does not have any deposits with financial institutions. As of June 30, 2014, YECA invested bond proceeds in the following investment types and were held by the same broker-dealer (counterparty) that was used by the YECA to buy the securities:

Investment Type	Reported Amount
Money market mutual funds	$ 699,392

NOTE 3: CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2014, is as follows:

	Restated Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
CAPITAL ASSETS, NOT BEING DEPRECIATED				
Construction in progress	$ 2,554,254	$ 775,963	$ -	$ 3,330,217
CAPITAL ASSETS, BEING DEPRECIATED				
Building and improvements	150,000	-	-	150,000
Computer equipment	4,293,582	55,203	(255,654)	4,093,131
Vehicles	40,520	-	-	40,520
Furniture and fixtures	117,627	-	-	117,627
Total capital assets, being depreciated	4,601,729	55,203	(255,654)	4,401,278
LESS ACCUMULATED DEPRECIATION FOR:				
Building and improvements	(29,670)	(7,500)	-	(37,170)
Computer and equipment	(1,918,065)	(222,440)	255,654	(1,884,851)
Vehicles	(37,110)	(3,410)	-	(40,520)
Furniture and fixtures	(104,958)	(4,224)	-	(109,182)
Total accumulated depreciation	(2,089,803)	(237,574)	255,654	(2,071,723)
Total capital assets, being depreciated, net	2,511,926	(182,371)	-	2,329,555
Governmental activities capital assets, net	$ 5,066,180	$ 593,592	$ -	$ 5,659,772

Depreciation expense was charged to the public safety - 911 communications function in the amount of $237,574 for the fiscal year ended June 30, 2014.

The July 1, 2013 capital assets and net position have been increased $829,921 due to $194,384 in uncapitalized construction in progress and $635,537 in depreciation previously taken on $1,933,306 of capital assets that was incorrectly classified as equipment when it was related to construction in progress.

NOTE 4: LONG-TERM LIABILITIES

The following is a summary of long-term liabilities transactions for the year ended June 30, 2014:

	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014	Amounts Due Within One Year
Capital lease	$ 3,231,682	$ -	$ (209,246)	$ 3,022,436	$ 216,781
Net OPEB obligation	276,756	113,000	(46,921)	342,835	-
Compensated absences	153,490	258,991	(235,483)	176,998	88,499
Total Long-Term Liabilities	$ 3,661,928	$ 371,991	$ (491,650)	$ 3,542,269	$ 305,280

On November 18, 2010, YECA and the County of Yolo as co-issuer, issued $3,724,000 in ARRA-Recovery Zone Economic Development Bonds (the Bonds) to finance (and reimburse for prior expenditures related to) the expansion, refurbishment, improvement, and equipping of its regional emergency communications system. Net proceeds, after the payment of issuance costs, were deposited with Deutsch Bank, acting as trustee. Concurrently, YECA along with the County of Yolo as co-issuer, entered into a Master Equipment Lease/Purchase Agreement with Bank of America to finance the lease purchase of emergency communications equipment. Lease payments will be used to finance the repayment of the Bonds. The Bonds provide for a Federal subsidy of 45% of the interest paid on the Bonds to the issuer. The interest rate on the lease is 6.49%, with a maturity date of November 18, 2025. To obtain the subsidy, YECA must file a claim with the Internal Revenue Service (IRS) when an interest payment on the Bonds is made.

Future debt service requirements at June 30, 2014, are as follows:

Year Ending June 30,	Payments
2015	$ 409,451
2016	403,064
2017	396,446
2018	389,590
2019	382,487
2020-2024	1,796,611
2025-2026	497,856
Total Future Lease Payments	4,275,505
Less: Interest	(1,253,069)
Net Capital Lease	$ 3,022,436

The carrying amount of the assets acquired under the capital lease totaled $2,938,153 at June 30, 2014, which is the cost of $3,025,222, net of accumulated depreciation of $87,069.

NOTE 5: DEFINED BENEFIT PENSION PLAN

Plan Description

YECA contributes to the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. All full-time permanent safety employees are required to participate in CalPERS. To be eligible for retirement, members of the Safety Coverage Group must be at least 50 years of age, and have a minimum of five years of CalPERS credited service.

Benefit provisions and all other requirements are established by contract with CalPERS in accordance with the provisions of the Public Employees Retirement Law. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office - 400 Q Street - Sacramento, CA 95814.

Funding Policy

The employees' contribution rate is seven percent (7%) of their annual salaries. YECA is required to contribute the amounts necessary to fund the benefits for its members using the actuarial basis recommended by the CalPERS actuaries. YECA makes the contributions required of its employees on their behalf and for their account. Benefit provisions and all other requirements are established by statute and therefore generally remain unchanged from year to year. YECA is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. YECA’s required contribution rate for the fiscal year ended June 30, 2014 was 12.662% based on the June 30, 2011 actuarial valuation. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost

For the fiscal year ended June 30, 2014, YECA's annual pension cost was $291,606. The required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age normal cost method with the contributions determined as a percentage of pay.

Three year trend information is as follows:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Obligation
June 30, 2012	$ 284,046	100%
June 30, 2013	290,351	100%
June 30, 2014	291,606	100%

NOTE 6: DEFINED CONTRIBUTION PLAN

YECA offers to each non-safety employee a 401A Money Purchase Plan (MPP) administered by the VALIC Retirement Services Company. Each participant has an individual account with VALIC into which all contributions are recorded. The participants are offered various investment options through the MPP and are allowed to invest moneys in their account, at their own discretion, among the options. YECA may amend, modify, or terminate the MPP, upon approval of such amendment, modification, or termination by YECA's Board of Director's approval. Employees covered by the MPP are eligible to participate from the date of employment. The MPP defines YECA contributions which range from 3-6 percent of employees base salary based on the employees designated employee group. Employee contributions to the MPP are not permitted. Under the MPP each participant is 100 percent vested in the amounts credited to the participants account at all times. During the year ended June 30, 2014, contributions paid to the MPP were $35,926.

NOTE 7: OTHER POSTEMPLOYEMENT BENEFITS (OPEB)

Plan Description

YECA sponsors a single-employer defined benefit plan to provide postemployment health benefits to eligible retirees and their spouses through CalPERS (the Plan). Benefit allowance provisions are established through resolution between YECA and three employee groups: general, supervisor, and management. The Plan does not issue a publicly available financial report.

Plan members include current retirees and active employees of YECA. Eligible plan members are YECA employees who have retired from active employment with YECA and have five years of service credit with CalPERS. There is not a minimum service period with YECA to be eligible for the retiree health/medical benefit. The benefit allowance provides a lifetime allowance to eligible plan members and their surviving spouses, if applicable. The benefit allowance is provided in conjunction with the MOU terms allowing retirees to continue their current health insurance which also covers active members.

Funding Policy

The contribution requirements of YECA are established and may be amended by YECA's Board of Directors. For eligible plan members, YECA provides a maximum monthly benefit allowance of $253 for general and supervisor members and $700 per month for management. Any and all insurance premium costs incurred by retirees above the monthly benefit allowance are borne by the retiree. YECA's actuarially determined contribution rate for the fiscal year ended June 30, 2014 was 5.1% based on the June 30, 2013 actuarial valuation.

NOTE 7: OTHER POSTEMPLOYEMENT BENEFITS (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation

YECA's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, 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 thirty years. However, YECA contributes on a pay-as-you-go basis, which for the year ended June 30, 2014 amounted to $46,921, or approximately 2.2% of payroll. As a result of paying less than the ARC, YECA has a net OPEB obligation.

The following table shows the components of YECA's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in YECA's net OPEB obligation.

Annual Required Contribution	$	115,000
Interest on net OPEB obligation		10,000
Adjustment to ARC		(12,000)
Annual OPEB cost (expense)		113,000
Contributions made		(46,921)
Increase in net OPEB obligation		66,079
Net OPEB obligation - beginning of year		276,756
Net OPEB obligation - end of year	$	342,835

YECA's annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan, and the net OPEB obligation were as follows:

Fiscal Year Ended:	Annual OPEB Cost	Amount Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	$ 111,930	$ 39,905	35.65%	$ 205,394
June 30, 2013	115,892	44,530	38.42%	276,756
June 30, 2014	113,000	46,921	41.52%	342,835

Funded Status and Funding Progress

As of June 30, 2013, the date of the most recent actuarial valuation, the actuarial accrued liability for benefits was $1,356,000, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $2,243,000, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 60.5 percent.

NOTE 7: OTHER POSTEMPLOYEMENT BENEFITS (OPEB) (Continued)

Funded Status and Funding Progress (Continued)

The projection of future benefit payments for an ongoing plan involves 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, presented as required supplementary information following the notes to the basic financial statements, will present multiyear trend information as its available, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 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 the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In YECA's June 30, 2013 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumption for asset valuation included a discount rate of 4.0%. The actuarial assumption for medical costs increase between 8.0% and 8.3% for the year ending June 30, 2015, reduced by decrements to an ultimate rate of 5.0% after the year ending June 30, 2020. Both rates include 3.0% general inflation. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The amortization period at June 30, 2013 was 27 years.

The benefit allowance was deemed a community rated plan and therefore, no implicit rate subsidy was determined in the actuarial valuation.

NOTE 8: RISK MANAGEMENT

YECA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters.

YECA participates in the Yolo County Public Agency Risk Management Insurance Agency (YCPARMIA), a joint power agency (risk-sharing pool) made up of other governmental entities within the County. YECA is covered for general and automobile, workers' compensation, property, pollution, and fidelity through YCPARMIA. Through YCPARMIA membership in the California Joint Powers Insurance Agency (CALJPIA), YECA is provided with an excess coverage fund for catastrophic general and automobile losses. Through YCPARMIA membership in the CSAC Excess Insurance Authority (CSAC), YECA is provided with an excess coverage fund for catastrophic workers' compensation, property, and pollution losses. Through YCPARMIA membership in the Fidelity and Deposit Company of Maryland (FDCM), YECA is provided with an excess coverage fund for catastrophic fidelity losses. Loss contingency reserves established by YCPARMIA are funded by contributions from member agencies.

The annual contribution YCPARMIA charges to each agency is based upon its pro-rata share of excess insurance premiums, charges for the pooled risk (losses) recognizing the deductible selected, claims adjusting and legal costs, and administrative and other costs to operate the YCPARMIA. Settled claims from these risks did not exceed coverage for the past three years. YECA's deductible and maximum coverage are as follows:

Coverage	Deductible	YCPARMIA	CALJPIA	CSAC	FDCM
General and automobile	$ 1,000	$ 500,000	$ 40,000,000	$ -	$ -
Workers' compensation	1,000	500,000	-	50,000,000	-
Property	1,000	25,000	-	959,357,100	-
Pollution	-	100,000	-	10,000,000	-
Fidelity	1,000	25,000	-	-	2,000,000

NOTE 9: LEASE COMMITMENTS

As of June 30, 2014, future lease payments under operating leases were as follows:

Year Ending June 30:		
2015	$	37,936
2016		39,074
2017		40,246
2018		41,454
2019		28,183
Total Future Lease Payments	$	186,893

Rental expenditures were $37,013 for the fiscal year ended June 30, 2014.

NOTE 10: FUTURE IMPLEMENTATION OF NEW GOVERNMENTAL ACCOUNTING STANDARDS

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. This statement will require YECA to record a net pension liability related to its defined benefit pension plan, as defined by the standard. This statement is effective for YECA's fiscal year ending June 30, 2015.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

YOLO EMERGENCY COMMUNICATIONS AGENCY

Required Supplementary Information

Schedule of Funding Progress for Other Postemployment Benefit Plan
June 30, 2014

Valuation Date	Actuarial Accrued Liability (AAL) Simplified Entry Age	Acturial Value of Assets	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Payroll
June 30, 2010	$ 1,067,080	$ -	$ 1,067,080	0.0%	$ 2,710,290	39.4%
June 30, 2013	1,356,000	-	1,356,000	0.0%	2,243,000	60.5%

See accompanying notes to the required supplementary information.

YOLO EMERGENCY COMMUNICATIONS AGENCY

Required Supplementary Information

Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual - General Fund For the Fiscal Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Intergovernmental revenue:				
Federal	$ 88,131	$ 123,984	$ 91,590	$ (32,394)
State	-	13,327	23,708	10,381
Charges for services	5,016,080	5,016,080	5,040,718	24,638
Use of money and property	-	-	3,126	3,126
Other	-	-	91,083	91,083
Total Revenues	5,104,211	5,153,391	5,250,225	96,834
EXPENDITURES				
Current:				
Public safety - 911 communications				
Salaries and employee benefits	3,649,548	3,649,548	3,445,802	203,746
Services and supplies	1,103,595	2,488,637	1,223,295	1,265,342
Debt service:				
Principal	209,246	209,246	209,246	-
Interest	206,371	206,371	206,371	-
Capital outlay	10,000	10,000	37,500	(27,500)
Contingencies	455,000	469,000	-	469,000
Total Expenditures	5,633,760	7,032,802	5,122,214	1,910,588
Excess (deficiency) of revenues over (under) expenditures	(529,549)	(1,879,411)	128,011	2,007,422
OTHER FINANCING SOURCES				
Capital lease proceeds	75,000	1,424,862	-	(1,424,862)
Change in Fund Balance	(454,549)	(454,549)	128,011	582,560
Fund Balance - beginning of year	454,549	454,549	2,278,084	1,823,535
Fund Balance - end of year	$ -	$ -	$ 2,406,095	$ 2,406,095

See accompanying notes to the required supplementary information.

YOLO EMERGENCY COMMUNICATIONS AGENCY

Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2014

NOTE 1: SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS

Because the June 30, 2010 actuarial valuation was the first valuation prepared under the provisions of GASB Statement No. 45, there is no other historical information provided. In the future, information from the three most recent valuations will be presented.

NOTE 2: BUDGET AND BUDGETARY ACCOUNTING

YECA prepares and legally adopts a final budget on or before June 30 of each fiscal year. YECA operations, commencing July 1, is governed by the proposed budget, adopted by the JPA Board of Directors in June of the prior year.

After the budget is approved, the Executive Director is authorized to execute transfers between major budget units as long as the total expenditures for each budget unit remain unchanged.

An operating budget is adopted each fiscal year on the modified accrual basis. Additionally, encumbrance accounting is utilized to assure effective budgetary control. Encumbrances outstanding at year-end represent the estimated amount of the expenditures ultimately to result if the unperformed contracts in process at year-end are completed or purchase commitments satisfied. Such year-end encumbrances are reported as unassigned fund balance and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year and included in the subsequent year's budget. Unencumbered appropriations lapse at year-end and are subject to appropriation in the subsequent periods.

OTHER REPORT

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Directors
Yolo Emergency Communications Agency
Woodland, California

We have audited, 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, the financial statements of the governmental activities and the general fund of the Yolo Emergency Communications Agency (YECA), as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise YECA's basic financial statements, and have issued our report thereon dated April 1, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered YECA's internal control over financial reporting (internal control) to determine the 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 YECA's internal control. Accordingly, we do not express an opinion on the effectiveness of YECA's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of current year findings, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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. We consider the deficiencies described in the accompanying schedule of current year findings as items 2014-001 and 2014-002 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of current year findings as item 2014-003 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether YECA's financial statements are free of 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

YECA's Response to Findings

YECA's response to the findings identified in our audit are described in the accompanying schedule of current year findings. YECA's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

Macias Gini & O'Connell LLP

Sacramento, California
April 1, 2015

YOLO EMERGENCY COMMUNICATIONS AGENCY

Schedule of Current Year Findings
For the Fiscal Year Ended June 30, 2014

Item 2014-001 – Prepaid Items

Criteria:
Under generally accepted accounting principles, costs related to services should be expensed within the fiscal year in which the service takes place. Expenditures related to future periods should be recorded as a prepaid item.

Condition:
Expenditures related to fiscal year 2015 services were recorded as expenditures in fiscal year 2014.

Cause:
YECA records disbursements as expenditures when paid and does not analyze at year-end for prepayments, thus prepaid items were not identified and reclassified as such.

Effect:
As a result of this condition, an audit adjustment debiting "Prepaid items" on the Balance Sheet and Statement of Net Position and crediting "Services and supplies" expenditures on the Statement of Revenues, Expenditures, and Change in Fund Balance and expenses on the Statement of Activities for $242,968 was made.

Recommendation:
YECA should begin identifying and tracking the timeframes for which expenditures are for, and then analyzing them at year-end and adjusting for any portion that are for future fiscal years, thus improving the financial reporting process.

Management Response and Corrective Action:
YECA will book any prepays separately in a prepay account and expense it at the end of the year to account for the overlap of contract services between two fiscal years.

Item 2014-002 – Capital Assets Acquired Under Capital Leases

Criteria:
Under generally accepted accounting principles, costs directly related to the acquisition or construction of capital assets, should be capitalized and not expensed. In addition, capital assets that are being constructed, such as those that are financed by capital leases, are to be accounted for in construction in progress (CIP) until the projects have been significantly completed and have become operational. While those projects are being accounted for in CIP, no depreciation is to be taken. YECA defines capital assets as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of one year.

Condition:
Transactions related to YECA's Computer Aided Dispatch and Radio CIP projects were expensed. In addition, other transactions related to the CIP projects were capitalized, however as equipment and depreciation was taken while the projects were begin constructed.

Cause:
YECA does not utilize primary general ledger accounts to record capital expenditure activity, thus costs incurred for capital activity were not identified and reclassified correctly as capital assets additions.

Effect:
As a result of this condition, a material audit adjustment debiting "capital assets" on the Statement of Net Position for a net of $1,840,287, crediting "services and supplies" expense on the Statement of Activities for $729,318, crediting "depreciation" expense on the Statement of Activities for $281,048, and crediting "net position – beginning of year" on the Statement of Activities for $829,921 was recorded.

Recommendation:
YECA should not only capitalize individual transactions that meet its capital assets definition as noted above, but should also capitalize all transactions related to construction projects. Note that during the period the projects are being constructed, depreciation should not be taken. It's only when the projects are substantially completed and placed into operation that depreciation should begin.

Management Response and Corrective Action:
YECA agrees with the finding and has taken corrective action to ensure all capital assets are identified in all transactions and construction projects when completed.

Item 2014-003 – General Ledger Account Activity

Criteria:
All transactions should be posted to the general ledger.

Condition:
Capital assets and long-term debt activity were not posted to the general ledger.

Cause:
Although YECA's IT staff does review capital assets on hand at year-end to determine which ones need to be added and which ones need to be deleted from YECA's capital assets listing and to determine depreciation expense for the year, YECA did not adjust the year-end capital assets balances in the general ledger. In addition, although YECA did have their other postemployment benefits (OPEB) actuarial valuation, YECA did not adjust the year-end net OPEB obligation in the general ledger. And although YECA implemented GASB Statement No. 65 last year, deferred charges were still recorded in the general ledger.

Effect:
As a result of this condition, audit adjustments needed to be made to correct the general ledger accounts to increase capital assets for a net of $9,791, to increase net OPEB obligation for $179,706, and eliminate the deferred charges amount of $48,000.

Recommendation:
YECA should post capital assets and long-term debt activity to the general ledger at year-end, before the audit.

Management Response and Corrective Action:
YECA will provide capital assets activity booked into our general ledger system prior to the beginning of the audit along with the long term debt activity.

Status of Prior Year Findings
For the Fiscal Year Ended June 30, 2014

Item 2013-001 – Capital Assets

Criteria:
Under generally accepted accounting principles, costs directly related to the acquisition or construction of capital assets, should be capitalized and not expensed. YECA defines capital assets as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of one year.

Condition:
Transactions relating to YECA's Computer Aided Dispatch capital asset project were expensed.

Cause:
YECA does not utilize primary general ledger accounts to record capital expenditure activity, thus costs incurred for capital activity were not identified and reclassified as capital asset additions.

Effect:
As a result of this condition, a material audit adjustment debiting "capital assets" on the Statement of Net Position and crediting "services and supplies" expense on the Statement of Activities for $426,524 was recorded.

Recommendation:
YECA should provide training to its employees identifying the differences between capital expenditures and noncapital expenditures, thus improving the financial reporting process.

Management Response:
Management agrees with the finding and has reassigned the tracking of capital assets from IT to administrative staff and will provide training and develop procedures to capture capital asset costs on the capital asset list.

Status:
IT continues to track capital assets and provides capital assets activity to administrative staff at year-end for reporting in YECA's financial statements. In addition, the capital assets activity provided by IT to administrative staff did not capture all capital expenditures. Therefore, this condition continues (see current year finding 2014-003).

Status of Prior Year Findings (Continued)
For the Fiscal Year Ended June 30, 2014

Item 2013-002 – OPEB Actuarial Valuation

Criteria:
Pursuant to GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, an entity with fewer than 200 members is required to have an actuarial valuation performed at least on a triennial basis.

Condition:
YECA did not have an actuarial valuation performed for its OPEB obligation within the last three fiscal years that covers fiscal year 2012/2013. YECA obtained an actuarial valuation dated June 30, 2010, which was to be utilized for fiscal years 2009/2010, 2010/2011 and 2011/2012. YECA subsequently obtained an actuarial valuation dated June 30, 2013 that will be utilized for fiscal years 2013/2014, 2014/2015 and 2015/2016.

Cause:
YECA was not fully aware of the actuarial valuation requirements stipulated by GASB Statement No. 45, thus YECA did not contract with an actuary to perform its OPEB plan valuation covering fiscal year 2012/2013.

Effect:
As a result of this condition, YECA is not in compliance with GASB Statement No. 45.

Recommendation:
YECA management should obtain GASB Statement No.45 training, as well as have an actuarial valuation performed to be in compliance with the requirements of the standard.

Management Response:
YECA's last actuarial valuation was completed for fiscal year ended June 30, 2010, covering fiscal year 2010/2011 and fiscal year 2011/2012. Under GASB Statement No. 45, a valuation would cover a three year period and was assumed fiscal year 2012/2013 was covered. Each year the funding model for retirees is budgeted on a fixed amount. Since, fiscal year 2012/2013 had lapsed during this audit period and funding was already in place, it posed minimal risk to begin the new actuarial valuation period beginning with fiscal year 2013/2014. This decision made fiscal sense and provided an additional year extending the period through fiscal year 2015/2016. The new actuarial valuation was completed by Bartel Associates on June 6, 2014, covering fiscal year 2013/2014, fiscal year 2014/2015, and fiscal year 2015/2016.

Status:
As noted under Management Response, YECA obtained an actuarial valuation on June 6, 2014 covering fiscal years 2013/2014, 2014/2015, and 2015/2016, therefore we consider the recommendation implemented.