

Lamorinda Fee and Financing Authority

IMPORTANT NOTICE REGARDING THIS MEETING: To protect our residents, officials, and staff, and in alignment with the Governor's recent Executive Order N 29-20 in which certain teleconference requirements of the Brown Act have been suspended, including the requirement to provide a physical location for members of the public to participate in the meeting, this meeting will be held by Teleconference.

<p>BY TELECONFERENCE VIA ZOOM WEBINAR</p>	<p style="text-align: right;"><u>Attending by PC:</u></p> <p>MEETING URL: https://us02web.zoom.us/j/88966238159</p> <p>MEETING ID: 889 6623 8159</p> <p style="text-align: right;"><u>Attending by Telephone:</u></p> <p style="text-align: right;">+1 669-900-9128</p> <p>MEETING ID: 889 6623 8159</p>
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LAMORINDA FEE AND FINANCE AUTHORITY (LFFA) MEETING AGENDA

Monday, March 1, 2021, 1:45 PM

Town of Moraga

How to follow or participate in the meeting:

1. Members of the public may observe and participate in the meeting at the teleconference location highlighted above. *(Please note that due to the remote nature of the meeting, the Town of Moraga cannot guarantee that the network or its site will not experience technical interruptions. To ensure that the LFFA receives your comments, we **strongly encourage you to submit your comments in writing in advance** of the meeting by following instructions in below.)*
2. Send your e-mail to BSwain@moraga.Ca.US by 8 am on the day of the meeting. Those e-mails will be forwarded to the LFFA. They will also be made a part of the public record and be available to view by 9:30 pm the day of the meeting by following this link: <https://ccta-swat.net/lmpc/lffa/upcoming-meeting-lffa/>
3. Comments may also be submitted by e-mail during the meeting up until the closure of public comment period on the relevant agenda item. These will be read into the record by staff at their normal cadence and will be limited to a maximum of 3 minutes. To be read into the record, e-mail must contain in the subject line "Public Comment – Not on the Agenda" or "Public Comment – Agenda Item #" with the relevant agenda item indicated.

Lamorinda Fee and Financing Authority

4. During the meeting, the Chair will call for public comment. If you wish to address the LFFA, please so indicate by using the “raise your hand” function at that time and the Chair will add you to the speaker list and call your name when it is your turn.
 - a) App/Browser Attendees: Those who are joining us using the Zoom app or via internet browser, can click on the “raise your hand” icon found in the control panel. Generally, the control panel is located at the bottom of your screen; however, this may vary depending on the type of device and/or the method by which you’re joining the meeting.
 - b) Telephone Attendees: Those who are joining us by telephone—only, please press “*9” This lets the moderator know that you wish to make a comment.

1. **Call to Order the Lamorinda Fee and Finance Authority**

2. **Roll Call**

3. **Adoption of the LFFA Agenda**

4. **Public Comment**

5. **Consent Calendar:**

- a. **December 7, 2020 Minutes**
Recommendation: Approve

6. **New Business:**

- a. **Election of new Chair and Vice Chair.**
- b. **Review of 2019-2020 Annual LFFA Financial Statements and Memorandum of Internal Control and Require Communications**
Recommendation: Accept report

7. **Adjourn LFFA Meeting to Monday, April 5, 2021 1:30 p.m.**

I, Bret Swain, declare under penalty of perjury under the laws of the State of California that this regular meeting agenda has been posted at least 72 hours in advance at the Moraga Town Hall, 329 Rheem Boulevard and at the LFFA website at <https://ccta-swat.net/lmpc/lffa/upcoming-meeting-lffa/>



Bret Swain, Senior Engineer

Location of Agendas and Agenda Packets: Agendas and packets are available for review by the public by following this link: <https://ccta-swat.net/lmpc/lffa/upcoming-meeting-lffa/> and during regular business hours at the Moraga Town Hall, 329 Rheem Blvd, Moraga CA 94556. Agendas and packets shall be made available at least 72 hours in advance of regular meetings and 24 hours in advance of special meetings.

Any writings or documents pertaining to an open session item provided to a majority of the Lamorinda Fee and Finance Authority less than 72 hours prior to the meeting, shall be made available for public inspection at this link: <https://ccta-swat.net/lmpc/lffa/upcoming-meeting-lffa/> and at the Moraga Town Hall, 329 Rheem Blvd, Moraga CA 94556.

LAMORINDA FEE AND FINANCE AUTHORITY (LFFA) MEETING

Monday, December 7, 2020, 10:00 AM

City of Orinda
Zoom Meeting

LFFA SUMMARY MINUTES

1. Call to Order the Lamorinda Fee and Finance Authority

Chair Worth called the meeting to order at 10:02 a.m.

2. Roll Call

LFFA members present: Chair Amy Worth, Orinda; Vice Chair Renata Sos, Moraga; Board member Gerringer

Staff present: Jason Chen and Sivakumar Natarajan, Orinda; Shawn Knapp and Bret Swain, Moraga; and Mike Moran and Jennifer Wakeman, Lafayette.

3. Adoption of the LFFA Agenda

Sos moved, Gerringer second, and the LFFA unanimously adopted the LFFA agenda.

4. Public Comment - None

5. Consent Calendar:

a. February 3, 2020 Minutes

Recommendation: Approve

Gerringer moved, Sos second, and the LFFA (Gerringer and Worth) approved this item with Sos abstaining.

6. New Business:

a. Review of 2018-2019 Annual LFFA Financial Statements and Memorandum of Internal Control and Require Communications

Recommendation: Accept report

Wakeman presented this item. Sos moved, Gerringer second, and the LFFA unanimously approved.

b. Annual Transportation Fee Adjustment

Recommendation: Accept report

Chen presented this item. Gerringer moved, Sos second, and the LFFA unanimously approved.

7. Adjourn LFFA Meeting to Monday, January 4, 2021 1:30 p.m.

Lamorinda Fee and
Financing Authority

The meeting was adjourned at 10:25 a.m.

Respectfully submitted by

Jason Chen, City Engineer, Orinda

APPROVED

Lamorinda Fee and Financing Authority

Lafayette, California

*Auditor's Communication with
Those Charged with Governance*

For the year ended June 30, 2020



December 31, 2020

To the Honorable Chairman and Board Members
of Lamorinda Fee and Financing Authority
Lafayette, California

We have audited the financial statements of the governmental activities, and general fund information of the Lamorinda Fee and Financing Authority (Authority) for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 2, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated October 2, 2020, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting.

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involves judgment about the number of transactions to be examined and the areas to be tested.

Our audit included obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity.

We performed the audit according to the timing previously communicated to you on the engagement letter.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. The Authority changed accounting policies related to financial reporting by adopting Statements of Governmental Accounting Standards (GASB Statement) in 2020:

- GASB Statement No. 95 - Postponement of the Effective Dates of Certain Authoritative Guidance

We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's 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 significantly from those expected. The most sensitive estimates affecting the Authority's financial statements were:

- Investments Valuations

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements were:

- Summary of Significant Accounting Policies
- Cash and Investments

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no such misstatements that we encountered during the audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

To the Honorable Chairman and Board Members
of Lamorinda Fee and Financing Authority
Lafayette, California
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Management Representations

We have requested certain representations from management that are included in the management representation letters dated December 31, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

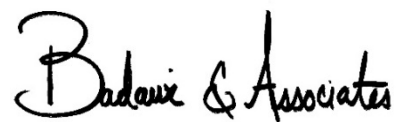
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention. Included in the Schedule of Other Matters are recommendations not meeting the definitions of material weakness or significant deficiency that we believe are opportunities for strengthening internal controls and operation efficiency.

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of Board of Directors and management of Authority and is not intended to be, and should not be, used by anyone other than these specified parties.



Badawi and Associates,
Certified Public Accountants
Berkeley, California
December 31, 2020

Lamorinda Fee and Financing Authority
Schedule of Other Matters
June 30, 2020

We completed our final phase of the audit in October 2020 and noted the following:

1. JE Preparation and Review

Criteria: Journal entries should be independently reviewed by someone other than the preparer, before being posted to the general ledger.

Condition: The accounting system allows City of Lafayette Finance Department staff to prepare and post journal entries without an independent review.

Cause: There is no control to prevent a person who prepares of journal entries from posting it.

Potential Effect: Journal entries recorded in the Authority's accounting system may be inaccurate, unapproved or unsupported.

Recommendation: We recommend that the Authority implement controls to ensure all journal entries are reviewed prior to posting.

Management's Responses:

Assistant Administrative Service Director of City of Lafayette reviews all the journal entries posted during the interim audit to see if any unauthorized journal entries existed as a mitigation control. The management thinks the risk lies in when someone wants to cover up the mistakes he/she made so to post unauthorized entries.

**Lamorinda
Fee and Financing
Authority**
Lafayette, California

*Basic Financial Statements
and Independent Auditors' Report*

For the year ended June 30, 2020

Lamorinda Fee and Financing Authority
(A Joint Powers Authority)
Basic Financial Statements
For the year ended June 30, 2020 and 2019
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the Board of Directors
of the Lamorinda Fee and Financing Authority
Lafayette, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Lamorinda Fee and Financing Authority (Authority), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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. 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.

To the Honorable Members of the Board of Directors
of the Lamorinda Fee and Financing Authority
Lafayette, California
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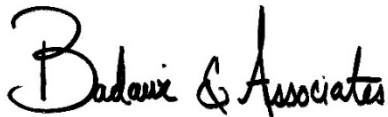
Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and general fund information of Authority, as of June 30, 2020, and the respective changes in financial position for the year 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 management's discussion and analysis 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.

A handwritten signature in black ink that reads "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi and Associates
Certified Public Accountants
Berkeley, California
December 31, 2020

LAMORINDA FEE AND FINANCING AUTHORITY
(A JOINT POWERS AUTHORITY)
Management’s Discussion and Analysis
For the Year Ended June 30, 2020

PURPOSE OF THE LAMORINDA FEE AND FINANCING AUTHORITY (LFFA)

In 1998, the Cities of Lafayette and Orinda and the Town of Moraga entered into a Joint Powers Agreement for the purpose of assessing transportation fees in accordance with the impact of new developments in Lamorinda. As a result, the Lamorinda Fee and Financing Authority (LFFA) was created. The LFFA administers the Lamorinda Development Mitigation Fee Program, which includes an Expenditure Plan that identifies a number of bicycle, pedestrian, and roadway projects specific to each member jurisdiction.

BASIC FINANCIAL STATEMENTS

The Basic Financial Statements comprise the *Statements of Net Position* and *Statement of Activities* for the Combined Government-wide and Fund Financial Statements.

The Statements present the LFFA financial activities as a whole. The *Statement of Net Position* and *Statement of Activities* include all assets and liabilities using the full accrual basis of accounting similar to the accounting model used by private sector firms.

Statement of Net Position

The *Statement of Net Position* is a snapshot of the LFFA’s financial position at the end of the Fiscal Year (FY) 2019-2020. The LFFA’s assets are all liquid assets, i.e. cash and receivables. The LFFA has no capital assets. For the year ended June 30, 2020, net position totalled \$1,226,571, an increase of \$230,321 (+23%) from the prior year.

Table 1. Statement of Net Position for the Fiscal Years Ended June 30,

	<u>2020</u>	<u>2019</u>	<u>% Change</u>
ASSETS			
Cash deposits, investments	\$ 1,175,744	\$ 784,628	50%
Accounts receivable	48,161	210,119	-77%
Accrued interest receivable	2,666	1,503	77%
Total assets	<u>1,226,571</u>	<u>996,250</u>	<u>23%</u>
NET POSITION			
Accounts payable	-	-	0%
Total liabilities	<u>-</u>	<u>-</u>	<u>0%</u>
Net position	<u>1,226,571</u>	<u>996,250</u>	<u>23%</u>
Total liabilities and net position	<u>\$ 1,226,571</u>	<u>\$ 996,250</u>	<u>23%</u>

Statement of Activities

The *Statement of Activities* presents the LFFA's revenues and incurred expenses for the year ended June 30, 2020. All financial activities incurred for the LFFA are recorded here, including operational expenses, capital project costs, depreciation and accrued liabilities, when applicable. For FY 2019-20, the increase in expenses was attributable to the contracted adjustments in audit fees and accounting services. The current fee levels were set by a Nexus Study completed in FY2015-2016. Fees collected in FY2016-2017 were based on the new rates and will later be paid out under the new allocation methodology. The amount of transportation and traffic impact fees brought in by the individual communities is dependent on the amount of development occurring in a particular fiscal year.

Table 2. Statement of Activities for the Fiscal Years Ended June 30,

	<u>2020</u>	<u>2019</u>	<u>% Change</u>
EXPENSES			
Administration and community services	\$ 6,562	\$ 4,863	35%
Total Expenses	<u>6,562</u>	<u>4,863</u>	<u>35%</u>
GENERAL REVENUE			
Transportation and traffic impact fee			
City of Lafayette	159,106	329,013	-52%
City of Orinda	22,865	240,399	-90%
Town of Moraga	40,276	8,249	388%
Interest Income	14,636	3,495	319%
Total Other Revenues	<u>236,883</u>	<u>581,156</u>	<u>-59%</u>
NET POSITION			
Change in net position	230,321	576,293	-60%
Net position - beginning of year	996,250	419,957	137%
Net position - end of year	<u>\$1,226,571</u>	<u>\$ 996,250</u>	<u>23%</u>

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This Management's Discussion and Analysis is intended to provide the reader with a narrative overview of the LFFA's financial statements for the year ended June 30, 2020. Questions concerning any information provided in this report or requests for additional financial information should be directed to:

City of Lafayette
Finance Department
3675 Mt. Diablo Blvd. Suite 210
Lafayette, CA 94549

BASIC FINANCIAL STATEMENTS

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Lamorinda Fee and Financing Authority
(A Joint Powers Authority)
Statement of Net Position
June 30, 2020

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 1,175,744
Receivables:	
Accounts	48,161
Interest	<u>2,666</u>
Total assets	<u>1,226,571</u>
NET POSITION	
Unrestricted	<u>1,226,571</u>
Total net position	<u><u>\$ 1,226,571</u></u>

Lamorinda Fee and Financing Authority
(A Joint Powers Authority)
Statement of Activities
For the year ended June 30, 2020

Functions/Programs	Expenses	Net (Expense) Revenue and Changes in Net Position Governmental Activities
Governmental activities:		
Administration and community services	\$ 6,562	\$ (6,562)
Total governmental activities	<u>\$ 6,562</u>	<u>(6,562)</u>
General revenues:		
Transportation and traffic impact fee		222,247
Interest income		<u>14,636</u>
Total general revenues		<u>236,883</u>
Change in net position		230,321
Net position - beginning of year		<u>996,250</u>
Net position - end of year		<u>\$ 1,226,571</u>

Lamorinda Fee and Financing Authority
(A Joint Powers Authority)
Balance Sheet
June 30, 2020

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 1,175,744
Receivables:	
Accounts	48,161
Interest	<u>2,666</u>
Total assets	<u>1,226,571</u>
FUND BALANCE	
Unrestricted	<u>1,226,571</u>
Total fund balance	<u><u>\$ 1,226,571</u></u>

Lamorinda Fee and Financing Authority
(A Joint Powers Authority)
Statement of Revenues, Expenditures and Changes in Fund Balance
For the year ended June 30, 2020

	<u>General Fund</u>
REVENUES:	
Regional fees passed through:	
City of Lafayette	\$ 159,106
City of Orinda	22,865
Town of Moraga	40,276
Interest	<u>14,636</u>
Total revenues	<u>236,883</u>
EXPENSES:	
Contractual services	<u>6,562</u>
Total expenditures	<u>6,562</u>
Ner change in fund balance	230,321
FUND BALANCE:	
Beginning of year	<u>996,250</u>
End of year	<u><u>\$ 1,226,571</u></u>

NOTES TO BASIC FINANCIAL STATEMENTS

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Lamorinda Fee and Financing Authority
(A Joint Powers Authority)
Notes to Basic Financial Statements
For the year ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Lamorinda Fee and Financing Authority (Authority) have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

A. *Financial Reporting Entity*

The Authority is a joint powers authority (JPA) organized by the Town of Moraga and the Cities of Lafayette and Orinda. The Authority was created to administer an adopted sub-regional transportation and traffic impact fee for the Lamorinda region. This fee was adopted by the three jurisdictions as part of the Southwest Transportation Mitigation Program (STMP) and its member agencies under the authority of Measure C, the Contra Costa County half cent sales tax measure adopted in 1988. There are no separate legal entities that are a part of the Authority's reporting entity. The Authority's accounting records are currently administered by the City of Lafayette (City).

B. *Basis of Accounting and Measurement Focus*

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity with its own self-balancing set of accounts that comprise its assets, liabilities, fund balance or net position, revenues, and expenditures or expenses. These funds are established for the purpose of carrying out specific activities or certain objectives in accordance with specific regulations, restrictions, or limitations. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

In accordance with the Authority's adopted policies, different types of funds are used to record the Authority's financial transactions.

Government-Wide Financial Statements

The Authority's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental activities for the Authority.

These basic financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Authority's assets and liabilities, including long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liabilities are incurred.

Lamorinda Fee and Financing Authority
(A Joint Powers Authority)
Notes to Basic Financial Statements
For the year ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Government-Wide Financial Statements, Continued

Certain types of transactions reported as program revenues for the City are reported in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

The Authority applies all applicable GASB pronouncements including all NCGA Statements and Interpretations currently in effect.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and nonmajor funds aggregated. There were no adjustments to the financial statements in order to comply with GASB 34 reporting therefore the Government-Wide Financial Statements report the same amounts as the fund financial statements for the current year.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

The Authority reports the following governmental fund in the accompanying financial statements:

General Fund – the purpose of this fund is to account for all financial resources except those required to be accounted for in another fund. The General Fund is required to be presented as a major fund.

Revenues considered susceptible to accrual include property taxes (generally due within 60 days), charges for services, regional fees, federal and state grants and interest. Expenditures are recognized in which the fund liability is incurred, if measurable, except for principle and interest on general long-term debt which is recognized when due.

Lamorinda Fee and Financing Authority
(A Joint Powers Authority)
Notes to Basic Financial Statements
For the year ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Cash and Investments

The Authority pools its cash and investments with the City of Lafayette(City). The pooled funds are invested in accordance with the City's investment policy established pursuant to state law. All monies not required for immediate expenditure are invested or deposited to earn maximum yield consistent with safety and liquidity. Interest income is allocated to the Authority based on its proportionate share of the pool.

In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures (Amendment of GASB Statement No. 3)*, certain disclosure requirements for deposits and investment risks were made in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end, and other disclosures.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid money market investments with maturities of one-year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. The Authority categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Authority invests in an investment pool managed by the State of California entitled Local Agency Investment Fund (LAIF) through the pooling of cash with the City of Lafayette. LAIF has invested a portion of the pooled funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to the change in interest rates.

Lamorinda Fee and Financing Authority
(A Joint Powers Authority)
Notes to Basic Financial Statements
For the year ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Receivables

Receivables recorded in the financial statements are not net of any allowance for doubtful accounts. Any doubtful accounts at June 30, 2020 were not considered to be material.

E. Net Position and Fund Balances

Net Position

In the government-wide financial statements, the Authority's net position is classified in the following categories:

Restricted Net Position – This amount is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the Authority cannot unilaterally alter.

Unrestricted Net Position – This amount represents all net position that does not meet the definition of "net investment in capital assets" or "restricted net position".

Fund Balance

The Authority reclassifies fund balances into the following five categories to comply with the GASB Statement No. 54, Fund Balance and Governmental Fund Types. Fund balance is defined as the difference between assets and liabilities.

Nonspendable fund balances include amounts that cannot be spent because they are either in nonspendable form or they are legally required to be maintained intact. Examples of nonspendable fund balances include inventory and prepaid items.

Restricted fund balances exist when constraints are placed on the use of those resources that are either externally imposed or imposed by law. In general, most reserve funds will fall into this category.

Committed fund balances are amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority (the governing board).

Lamorinda Fee and Financing Authority
(A Joint Powers Authority)
Notes to Basic Financial Statements
For the year ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Net Position and Fund Balances, Continued

Fund Financial Statements, Continued

Assigned fund balances are amounts that are constrained by the government's intent to use for a specific purpose, but are neither restricted nor committed. The intent can be made either by the governing body itself or a body or official to which the governing body has delegated such authority to (purchasing agent and business official). Appropriated fund balance and the majority of encumbrances will be classified into the assigned category.

Unassigned fund balances will represent those funds that have not been assigned, committed, restricted, or considered nonspendable. The General Fund is the only fund that will report an unassigned fund balance, unless a deficit fund balance resulting from overspending in other funds exists. Fund balance in any other funds will either be assigned, committed, restricted, or nonspendable unless the fund reports a deficit.

The accounting policies of the Authority consider restricted fund balance to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance are available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the Authority considers committed amounts to be reduced first, followed by assigned amounts, and unassigned amounts.

F. Revenue - Development Fees

Development fees are assessed according to a set fee schedule for new construction. The fees collected by members and pass through to the Authority from new construction will be used to mitigate increased traffic congestion.

G. Use of Estimates

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

H. Budgetary Comparison

Under GASB Statement No. 34, budgetary comparison information is required to be presented for the General Fund and each major special revenue fund with a legally adopted budget. The Authority is not legally required to adopt a budget for the General Fund. Therefore, budgetary comparison information is not included in the Authority's financial statements.

Lamorinda Fee and Financing Authority
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2. CASH AND INVESTMENTS

The cash and investments of the Authority are pooled and maintained with the funds of the City. The City allocates interest to the Authority based upon their proportional share in the cash and investment pool balances. The Authority considers pooled cash and investment amounts with original maturities of three months or less to be cash equivalents.

A. Summary of Cash and Investments

Cash and investments at June 30, 2020 consist of the following:

Investments in State Investment Pool (LAIF)	\$ 798,101
Cash in bank	<u>377,643</u>
Total cash and investments	<u>\$ 1,175,744</u>

B. Deposits

The California Government Code (Code) Section 53652 requires California banks and savings and loan associations to secure public agencies' deposits by pledging government securities as collateral. The Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral in cash deposits is considered to be held in the City's name.

Fair value of pledged securities must equal at least 110% of deposits. California law also allows institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the total deposits. The first \$250,000 of each institution's deposits are covered by Federal Deposit Insurance Commission (FDIC) insurance. The Authority shares a pro-rata portion of the FDIC \$250,000 which is commingled in the same accounts as the funds of the City of Lafayette.

C. Investments Authorized by the Authority's Investment Policy

The Authority is authorized to invest in obligations of the U.S. Treasury, agencies, commercial paper with certain minimum ratings, certificates of deposit, bankers' acceptances, repurchase agreements, and the State Treasurer's Investment Pool (LAIF).

At June 30, 2020, the Authority was invested in the Local Agency Investment Fund (LAIF) through the pooling of cash with the City. The City is a voluntary participant in LAIF that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The City's investments with LAIF at June 30, 2020 include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

Lamorinda Fee and Financing Authority
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2. CASH AND INVESTMENTS, Continued

C. Investments Authorized by the Authority's Investment Policy, Continued

Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or have embedded forwards or options.

Asset-Backed Securities, the bulk of which are mortgage backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as collateralized mortgage obligations) or credit card receivables.

At June 30, 2020, the City had invested in LAIF, which had invested 3.37% of the pool investment funds in Structured Notes and Asset-Backed Securities as compared to 1.77% in the previous year. The LAIF fair value factor of 1.004912795 was used to calculate the fair value of the investments in LAIF.

D. Risk Disclosures

Interest Rate Risk – Interest rate risk is the market value fluctuation due to overall changes in the interest rates. As a means of limiting its exposure to fair value losses arising from changes in interest rates, the Authority's investment policy limits investments to a maximum maturity of five years.

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. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the Authority's investments were subject to custodial credit risk for the current year.

E. Investment Valuation

Investments (except for money market accounts, time deposits, and commercial paper) are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quotes prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Authority held no investments subject to the levelling disclosure at June 30, 2020.