Lamorinda Fee and
Financing Authority

LAMORINDA FEE AND FINANCE AUTHORITY MEETING

Monday, July 3, 2017
Meeting to begin immediately following the conclusion of the 1:30 p.m. LPMC Meeting

City of Orinda
22 Orinda Way
Orinda, CA 94563

LFFA AGENDA

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. **April 4, 2016 Minutes**
      Recommendation: **Approve**
6. **New Business:**
   a. **Election of Chair and Vice-Chair for 2017**
      Review of Annual LFFA Audit
7. **Adjourn LFFA Meeting to Monday, August 7, 2017 1:30 p.m.**

I, Jason Chen, 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 Orinda City Hall, 22 Orinda Way and the Orinda Library, 26 Orinda Way, and at the LFFA website at http://ccta-swat.net/lmpc/

____
Jason Chen, Senior Civil Engineer

Location of Agendas and Agenda Packets: Agendas and packets are available for review by the public during regular business hours at the Orinda City Hall, 22 Orinda Way, Orinda, CA 94563. 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 Fiance Authority Meeting less than 72 hours prior to the meeting, shall be made available for public inspection at the Orinda City Hall, 22 Orinda Cay, Orinda, CA 94563.

LAMORINDA FEE AND FINANCING AUTHORITY MEETING

Monday, April 4, 2016
1:00 p.m.

Contra Costa County District 2 Supervisor's Office
3338 Mt. Diablo Boulevard
Lafayette, CA 94549

LFFA SUMMARY MINUTES

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

   Don Tatzin called the meeting to order at 1:06 p.m.

2. **Roll Call**

   LFFA Members Present: Chair Don Tatzin (Lafayette); Mike Metcalf (Moraga); Amy Worth (Orinda)

   Staff Present: Ellen Clark (Moraga); James Hinkamp (Lafayette); Chuck Swanson (Orinda)

3. **Adoption of the LFFA Agenda**

   The LFFA unanimously adopted the LFFA agenda.

4. **Public Comment -** *None*

5. **Consent Calendar**

   a. **January 27, 2016 Minutes**

      <u>Recommendation:</u> **Approve**

      The LFFA unanimously adopted the January 27, 2016 LFFA Minutes.

6. **Old Business:**

   a. **Lamorinda Development Fee Mitigation Program Funds Disbursement**

      <u>Recommendation:</u> **Disburse funds under current Fee Program to each member jurisdiction.**

Staff explained that a formal motion by the LFFA Board is necessary to process fund disbursements to each member jurisdiction. The current fund balance does not include setaside amounts already withheld by each jurisdiction, as allowed under the Fee Program. Additionally, staff noted the effective date of the new Fee Program is May 13th, for Moraga and Orinda, whereas June 10th is the expected date for Lafayette because it will update its Municipal Code to reflect the new Fee Program after having adopted the new sub-regional fees.

The current fund balance is reported as $318,060.75. Board member Worth asked for specific dollar amounts due to each city/town with respect to percentages shown in the staff report. Staff quickly calculated the respective dollar amounts as follows:

Lafayette (55%) = $174,933.41
Moraga (10%) = $31,806.08
Orinda (35%) = $111,321.26

Board member Metcalf asked if funds can be disbursed prior to the new Fee Program taking effect; staff affirmed that would occur if the Board agrees. Metcalf also asked about the implications for development applications that are in process, or that may be incomplete, by the time the new Fee Program begins. By consensus, if fees are collected when a development application is submitted prior to the effective date of new fees, it should remain on the old fee schedule. Subdivision applications, per the Subdivision Map Act, should be deemed complete or be subject to a vesting tentative map prior to the new fee date, in order to qualify for old fees. Otherwise, new fees are to apply to *applications submitted after the new fee implementation dates noted previously.*

Chair Tatzin also suggested disbursed funds for each jurisdiction from current Fee Program apply specifically to projects on current Expenditure Plan documented in the original Nexus Study.

The Board also inquired as to whether any outstanding administrative costs remained. Staff confirmed that DKS has closed its billing upon completion of the recent Nexus Study update, but will need to verify whether any invoices are due for the recently completed LFFA audit by Maze & Associates.

Worth moved, and Metcalf seconded, to fully disburse the current fund balance, net any outstanding administrative costs prior to the new sub-regional Fee Program taking effect at the earliest implementation date of May 13th.

7. Adjourn LFFA Meeting

The meeting was adjourned at 1:15 p.m.

Respectfully submitted by

____

James Hinkamp, Transportation Planner, City of Lafayette

STAFF REPORT

Date: July 3, 2017

To: LFFA Board

From: James Hinkamp, Lafayette Transportation Planner

Subject: Review of Annual LFFA Audit

SUMMARY
The LFFA Board is asked to consider the findings from the most recent audit of LFFA financial controls and activities. The subject audit pertains to fiscal year 2015-16.

BACKGROUND

Audit Purpose

Per Section 4 G. (7) of the LFFA JPA, the City of Lafayette – in its designated role as Authority Treasurer and Controller – annually orders an audit of LFFA finances for the preceding fiscal year. The most recent audit has been completed by Maze & Associates for the fiscal year ending June 30, 2016. The audit comprises two parts: 1) Memorandum on Internal Control and Required Communications, and 2) Basic Financial Report. The former considers the quality of the Authority's internal control over financial reporting; the latter considers the Authority's financial statements. These audit documents are included with this staff report, as Attachment 1a and 1b, respectively.

Significant Financial Activity Reflected in Audit

The LFFA Board may recall that between March - April 2016, each member agency's Council adopted revised transportation development impact fees. This collective action reflected changes to the sub-regional Lamorinda transportation development impact fee program, which included updates to the fee rates for new development projects, and updates to the fee collection and disbursement methodologies. The 2015 Lamorinda Nexus Study justifies the fee revisions, and was concurrently incorporated in an amendment to the LFFA Joint Powers of Exercise Agreement (LFFA JPA), also approved by this Board.

In approving changes to the sub-regional fee program, the LFFA Board also approved disbursement of funds collected under the "old" fee program. As reference to this action, Summary Minutes from the April 4, 2016 LFFA Board meeting are included as Attachment 2 to this staff report. Per Board action at this aforementioned meeting, each Authority member was to receive its allotted share of sub-regional funds collected under the "old" fee program, to prevent co-mingling with funds to be collected under the “new” fee program. It should be noted that, in the course of preparing respective disbursements to member agencies, the Authority Treasurer advised staff colleagues that a single disbursement at the conclusion of the 2015-16 fiscal year would be more efficient and transparent, rather than disbursing in stages, as originally directed. Furthermore, City/Town attorneys cited state law in subsequently advising that the earliest possible start date for the new fee program would be June 10, 2016, rather than mid-May 2016, as originally opined. This approach was required to comply with the 60-day wait period after the last member jurisdiction adopted the new fee program, since the fee program is sub-regional in nature.

Thus, to comply with the aforementioned fiscal and legal counsel, the old fee program fees were disbursed at the conclusion of fiscal year 2015-16, as follows (with applicable disbursement percentages in parentheses):

Lafayette	$304,137.47	(55%)
Moraga	$ 55,297.72	(10%)
Orinda	$193,542.02	(35%)
Total disbursed	*$561,882.21*	*(100%)*

The summary result of the financial activity described in this section is that - for the foreseeable future - the LFFA fund account will reflect new fee program rates, collection, and disbursement methodologies collectively approved by LFFA member agencies in FY 2015-16. This activity is recorded in the financial records recently subjected to audit.

DISCUSSION

In the subject audit, Maze & Associates present findings pertaining to LFFA internal controls and financial statements for fiscal year ending June 30, 2016. As previously described, the audit is comprised of the Memorandum on Internal Control and Required Communications, and the Basic Financial Report. Summary findings for each of the two audit documents are described below.

Memorandum on Internal Control and Required Communications

Per page one of this memo, the purpose is to show the auditor’s consideration of the Authority’s internal control (i.e., financial reporting), “as a basis for designing [Maze & Associates’] auditing procedures that are appropriate…for the purpose of expressing…opinions on the financial statements”. The auditor further clarifies the memo does *not* opine on the effectiveness of the Authority’s internal controls. In the course of the audit, however, there may be deficiencies or material weaknesses detected in the internal controls. Maze & Associates notes in its memo that significant deficiencies are considered less severe than material weaknesses, but should be attended to by responsible officers.

In the course of auditing the Authority's internal controls for FY 2015-16, Maze & Associates notes two significant deficiencies. Comparably, there were no material weaknesses found. The significant deficiencies are detailed on pages three and four in the subject memo. They pertain specifically to "Super-User Rights" and "Controls over Cash Receipts Process". Lafayette, in its role as Authority Treasurer, recognizes the stated deficiencies via the "Authority Management's Response" on the same pages, three and four, which include actions to correct said deficiencies.

Basic Financial Report

This report contains four ledgers that show the dollar value and use of Authority funds during FY 2015-16. These ledgers are as follows (with parenthetical report page number):

1. Statement of Net Position (p. 5)
2. Statement of Activities (p. 6)
3. Governmental Funds Balance Sheet (p. 7)
4. Statement of Revenues, Expenditures and Changes in Fund Balance (p. 8)

Pages three and four of the Financial Report provide descriptive background for the values shown in the first two ledgers listed above. The negative ending balance of ($917.00) for FY 2015-16 reflects relatively large expenditures incurred as a result of sub-regional transportation impact fee disbursement described in the previous section of this staff report, as well as final payments to DKS Associates and Maze & Associates, for their respective professional services during the applicable fiscal year. It is further noted that that ending balance was a temporary position. The LFFA fund balance has since returned to a net position of $195,819.58 for FY 2016-17[1].

FISCAL IMPACT
The cost for services performed by Maze & Associates, to audit LFFA financial controls and activities, is $3,391.00. This amount is reflected in the current fiscal year ledger (FY 2016-17).

RECOMMENDATION
Accept findings in the fiscal audit by Maze & Associates.

ATTACHMENTS
1. a) LFFA audit – Memorandum on Internal Control and Required Communications
   b) LFFA audit – Basic Financial Report

2. LFFA Summary Minutes, dated April 4, 2016

3. LFFA fund balance, as of June 20, 2017

[1] Fund balance current as of June 20, 2017.

LAMORINDA FEE AND FINANCING AUTHORITY
(A JOINT POWERS AUTHORITY)
MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS

FOR THE YEAR ENDED JUNE 30, 2016

This Page Left Intentionally Blank

LAMORINDA FEE AND FINANCING AUTHORITY
(A JOINT POWERS AUTHORITY)
MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS

For The Year Ended June 30, 2016

Table of Contents

This Page Left Intentionally Blank

MAZE & ASSOCIATES

MEMORANDUM ON INTERNAL CONTROL

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

In planning and performing our audit of the basic financial statements of the Lamorinda Fee and Financing Authority (Authority), in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 and that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 Authority's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be a material weakness.

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 deficiencies in internal control included on the Schedule of Significant Deficiencies to be significant deficiencies.

Included in the Schedule of Other Matters are recommendations not meeting the above definitions that we believe are opportunities for strengthening internal controls and operating efficiency.

Management's written responses included in this report have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, Authority Board, others within the organization, and agencies and pass-through entities requiring compliance with *Government Auditing Standards*, and is not intended to be and should not be used by anyone other than these specified parties.

Maze & Associates

Pleasant Hill, California
January 27, 2017

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

T 925.930.0902
F 925.930.0135
E maze@mazeassociates.com
W **mazeassociates.com**

This Page Left Intentionally Blank

LAMORINDA FEE AND FINANCING AUTHORITY
(A JOINT POWERS AUTHORITY)
MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF SIGNIFICANT DEFICIENCIES

During our audit of the financial statements of the City of Lafayette (City) for the year ended June 30, 2016. Since the Authority utilizes the City to provide the Authority's accounting function, we consider the following significant deficiencies in the Authority's internal control.

2016-01 Super-User Rights

Criteria: A system super-user is an individual who has full access over the City's financial system including all modules and all functions. This type of access should be limited to as few people as possible. If possible, super-user rights should be removed from Finance Division staff completely.

Condition: During the fiscal year 2014-15 audit, we found the following control deficiencies. During the current year audit, we followed up on their status and noted that they have not been mitigated.

- ***Disbursements cycle***: the current super-user and two accounting staff have access to the accounts payable module and vendor database. They also have access to disbursement blank check stock and 1099 forms. In addition, the Financial Services Manager verifies payment requests with the supporting documents and the Administrative Services Director reviews the final AP check register.

- ***Payroll cycle:*** the current super-user and two accounting staff have access to the payroll module and human resources database. They also have access to payroll blank check stock and unclaimed paychecks. In addition, the Financial Services Manager reviews the calculated check register prior to payment and the Administrative Services Director reviews the final payroll check register.

Cause: Due to the small size of City staff, the City feels that certain duties cannot be further segregated.

Potential Effect: These conditions do not permit for good checks and balances to be performed by multiple employees.

Recommendation: The City should review the necessity of granting any employee the super-user rights to the financial system. For any module within the financial system that these employees do not need to edit, their access should be limited to read-only.

Authority's Management Response: The City will re-evaluate the assignment of super-user rights to staff and will continue to work on improving this area while maintaining adequate redundancies to ensure provision of services.

2016-02 Controls over Cash Receipts Process

Criteria: Good internal controls require that employees with access to the City's assets not have access to the City's accounting records for the same assets.

LAMORINDA FEE AND FINANCING AUTHORITY
(A JOINT POWERS AUTHORITY)
MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF SIGNIFICANT DEFICIENCIES

Condition: In our fiscal year 2014-15 audit, we noted the following significant deficiency. Details of this deficiency are listed in the Current Status of Prior Year Significant Deficiencies section of this report. This deficiency has not been mitigated in current year:

- 2015-02 Controls over Cash Receipts Process

Cause: Our Memorandum on Internal Control and Required Communication for fiscal year ended June 30, 2015 was issued in March 2016. Although an action plan was drafted by City staff by June 2016 to address our recommendations, the City did not have enough time to implement the plan by the end of the fiscal year.

Potential Effect: As a result, we consider the above deficiencies to be significant deficiencies in current year.

Recommendation: The City should implement our recommendation as soon as possible.

Authority's Management Response: The City is currently working to implement the auditor's recommendation and is committed to completing this task by the end of fiscal year 2016-17.

LAMORINDA FEE AND FINANCING AUTHORITY
(A JOINT POWERS AUTHORITY)
MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

NEW GASB PRONOUNCEMENTS OR PRONOUNCEMENTS NOT YET EFFECTIVE

The following comment represents new pronouncements taking effect in the next few years. We have cited them here to keep you abreast of developments:

Effective in fiscal year 2016-17:

GASB 73 – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes.

GASB 74 – *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*

The objective of this Statement is to improve the usefulness of information about post-employment benefits other than pensions (other post-employment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all post-employment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

GASB 77 – *Tax Abatement Disclosures*

This Statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues.

GASB 78 – *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*

This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

SCHEDULE OF OTHER MATTERS

GASB 80 – *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*

This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

GASB 82 – *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*

The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Effective in fiscal year 2017-18:

GASB 75 – *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions (other post-employment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB 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 all post-employment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

GASB 81 – *Irrevocable Split-Interest Agreements*

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

LAMORINDA FEE AND FINANCING AUTHORITY
(A JOINT POWERS AUTHORITY)
MEMORANDUM ON INTERNAL CONTROL

STATUS OF PRIOR YEAR MATERIAL WEAKNESS

2015-01 Super-User Rights

Criteria: A system super-user is an individual who has full access over the City's financial system including all modules and all functions. This type of access should be limited to as few people as possible. If possible, super-user rights should be removed from Finance Department staff completely.

Condition: During our interim audit, we noted that three Finance employees (the Financial Services Manager, the Accountant, and the Accounting Assistant) have super-user rights. In addition, they have access to the following areas:

- ***Cash and investments:*** the Financial Services Manager is the primary reviewer of accounting transactions. In addition, she can authorize investment and trustee transactions. She is also responsible for reconciling investment accounts to general ledger and preparing investment summary for Council.

- ***Cash receipts:*** the Accountant and Accounting Assistant have access to cash and loan receipts, NSF checks and customer database. Currently, data changed in the customer database are automatically imported into the general ledger. All voided receipts have to be run through the accounts payable module. However, there still exists a risk that cash receipts are intercepted before they get into the system.

- ***Disbursements cycle:*** all three super-users have access to the accounts payable module and vendor database. They also have access to disbursement blank check stock and 1099 forms. In addition, the Finance Services Manager verifies check registers with the supporting documents.

- ***Payroll cycle:*** all three super-users have access to the payroll module and human resources database. They also have access to payroll blank check stock and unclaimed paychecks. In addition, the Finance Services Manager reviews payroll registers.

Cause: The City has not reviewed the access log. Therefore, they are not aware of the extent of access employees have within the accounting system. In addition, due to the small size of City staff, the City feels that certain duties cannot be further segregated.

Potential Effect: This condition does not permit for good checks and balances to be performed by multiple employees.

Recommendation: The City should review the necessity of granting any employee the super-user rights to the financial system. For any module within the financial system that these employees do not need to edit, their access should be limited to read-only. If this is deemed impossible due to the size of the City staff, the City should consider implementing the following controls:

- The employee who reconciles the investment and trustee accounts should not be able to authorize transactions in those accounts.
- Staff that handles cash receipts should not be able to alter data in the customer database. Alternative, the Administrative Services Director should review exception reports generated by the system that show all voided receipts and adjustments made to the customer database.

STATUS OF PRIOR YEAR MATERIAL WEAKNESS

- We understand that the Administrative Services Director currently reviews check register and certain payroll run data. As part of the review, she should also review the following:
  - Check logs of both disbursements and payroll checks to ensure that no manual checks were written without her approval since the last payroll or check run she reviewed.
  - Exception reports generated by the system that show changes made to the vendor database and human resources database during the period. Special attention should be paid to any new employees or vendor, and any changes made to the employees who have access to the payroll or disbursement modules, human resources or vendor database.
  - For every payroll run, select a sample of employees from the payroll register to verify for their existence and accuracy of pay.
  - For every check run, select a sample of payments from the check register to verify their validity.

City's Management Response: Staff reviewed all users of the accounting system and established three distinct groups with varying levels of access; report edit-only access, process-level access and administrative access. Report edit-only access is for external department users, process-level access is for the accounting staff, and administrative access is reserved for the Financial Services Manager and the Administrative Services Director. Because of the limited size of staff and cross-training needs, not all segregation of duty recommendations can be implemented.

Things that we will consider doing include the following: having the Administrative Services Director monitor voucher and check numbers to prevent unapproved disbursements, reviewing the availability and use of exception reports for all major processes from the accounting system, and having the Administrative Services Director do random reviews of payroll and disbursement validity.

Current Year Status: Recommendation partially implemented. See Significant Deficiency 2016-01.

MAZE & ASSOCIATES

REQUIRED COMMUNICATIONS

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

We have audited the basic financial statements of the Lamorinda Fee and Financing Authority (Authority) for the year ended June 30, 2016. Professional standards require that we communicate to you the following information related to our audit under generally accepted auditing standards and *Government Auditing Standards*.

Significant Audit Findings

Accounting Policies

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. No new accounting policies were adopted and the application of existing policies was not changed during the year, except as follows:

The following Governmental Accounting Standards Board (GASB) pronouncements became effective, but did not have a material effect on the financial statements:

> **GASB Statement No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments***
>
> **GASB Statement No. 79 – *Certain External Investment Pools and Pool Participants***

The following pronouncement became effective and required modifications to the notes to financial statements.

> **GASB Statements No. 72 – *Fair Value Measurement and Application***
>
> This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.
>
> The requirements of this Statement enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also enhances fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position.

Unusual Transactions, Controversial or Emerging Areas

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

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:

- *Estimated Fair Value of Investments:* As of June 30, 2016, cash and investments were measured by fair value. Fair value is essentially market pricing in effect as of June 30, 2016. These fair values are not required to be adjusted for changes in general market conditions occurring subsequent to June 30, 2016.

Disclosures

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. Management has corrected all/certain such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Professional standards require us to accumulate all known and likely uncorrected misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have no such misstatements to report to the Authority Board.

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.

Management Representations

We have requested certain representations from management that are included in a management representation letter dated January 27, 2017.

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 governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

******

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

Maze & Associates

Pleasant Hill, California
January 27, 2017

This Page Left Intentionally Blank

LAMORINDA FEE AND FINANCING AUTHORITY
(A JOINT POWERS AUTHORITY)
BASIC FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016

This Page Left Intentionally Blank

LAMORINDA FEE AND FINANCING AUTHORITY
(A JOINT POWERS AUTHORITY)
BASIC FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016

TABLE OF CONTENTS

This Page Left Intentionally Blank

MAZE & ASSOCIATES

INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Lamorinda Fee and Financing Authority (Authority) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority'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 the 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 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 Authority'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 Authority'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.

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

T 925.930.0902
F 925.930.0135
E maze@mazeassociates.com
W **mazeassociates.com**

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 major fund of the Authority as of and for the year ended June 30, 2016, and the respective changes in financial position in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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 this 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated December 12, 2016 on our consideration of the Authority'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
January 27, 2017

LAMORINDA FEE AND FINANCING AUTHORITY
(A JOINT POWERS AUTHORITY)
Management's Discussion and Analysis
For the Year Ended June 30, 2016

PURPOSE OF THE LAMORINDA FEE AND FINANCING AUTHORITY (LFFA)

In 1986, 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. The Lamorinda Fee and Financing Authority (LFFA) was created as a result. The LFFA administers the Lamorinda Nexus Study, 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 *Statement 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) 2015-2016. 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, 2016, net position totalled ($917), a decrease of $293,208 (-100%) from the prior year.

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

	2016	2015	% Change
ASSETS			
Cash deposits, investments	$ 247,851	$ 291,775	-15%
Accounts receivable	-	480	-100%
Accrued interest receivable	72	35	106%
Total assets	247,923	292,290	-15%
NET POSITION			
Accounts payable	248,840	-	-
Total liabilities	248,840	-	-
Net position	(917)	292,290	-100%
Total liabilities and net position	$ 247,923	$ 292,290	-15%

Statement of Activities

The *Statement of Activities* presents the LFFA's revenues and incurred expenses for the year ended June 30, 2016. All financial activities incurred for the LFFA are recorded here, including operational expenses, capital project costs, depreciation and accrued liabilities, when applicable. For FY 2015-2016, the increase in expenses was due to the completion of the Nexus Study and resulting change in impact fee rates and allocation method. As a result, a full pay out was made to members of the balance of old fees under the old allocation formula. This was done prior to the receipt of new fees, which 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,

	2016	2015	% Change
EXPENSES			
Administration and community services	$ 562,872	$ 71,193	690.6%
Total Expenses	562,872	71,193	690.6%
GENERAL REVENUE			
Transportation and traffic impact fee			
Town of Moraga	224,708	4,958	4432.2%
City of Orinda	8,158	10,644	-23.4%
City of Lafayette	36,606	80,498	-54.5%
Interest Income	193	118	63.6%
Total Other Revenues	269,665	96,218	180.3%
NET POSITION			
Change in net position	(293,207)	25,025	-1271.7%
Net position - beginning of year	292,290	267,265	9.4%
Net position - end of year	$ (917)	$ 292,290	-100.3%

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, 2016. 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

LAMORINDA FEE AND FINANCING AUTHORITY
(A JOINT POWERS AUTHORITY)
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities
ASSETS	
Current assets:	
Cash and investments (Note 3)	$247,851
Receivables:	
Accounts	
Interest	72
Total assets	$247,923
LIABILITIES	
Accounts payable	$248,840
Total liabilities	248,840
NET POSITION (NOTE 1G)	
Unrestricted	(917)
Total net position	($917)

See accompanying notes to financial statements

LAMORINDA FEE AND FINANCING AUTHORITY
(A JOINT POWERS AUTHORITY)
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2016

		Program Revenues	Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Governmental Activities
Primary government:			
Administration and community services	$562,872		($562,872)
Total governmental activities	562,872		(562,872)
General revenues:			
Transportation and traffic impact fee			269,472
Interest income			193
Total general revenues			269,665
Change in net position			(293,207)
Net position, beginning of year			292,290
Net position, end of year			($917)

See accompanying notes to financial statements

LAMORINDA FEE AND FINANCING AUTHORITY
(A JOINT POWERS AUTHORITY)
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016

	General Fund
ASSETS	
Cash and investments (Note 3)	$247,851
Receivables:	
Interest	72
Total assets	$247,923
LIABILITIES	
Accounts payable	$248,840
Total liabilities	248,840
FUND BALANCES (Note 1G)	
Assigned	(917)
Total fund balance	($917)

See accompanying notes to financial statements

LAMORINDA FEE AND FINANCING AUTHORITY
(A JOINT POWERS AUTHORITY)
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2016

	General Fund
REVENUES:	
Regional fees passed through:	
City of Lafayette	$36,606
City of Orinda	8,158
Town of Moraga	224,708
Interest	193
Total revenues	269,665
EXPENDITURES:	
Fees to Members	552,977
Contractual services	9,895
Total expenditures	562,872
Net change in fund balance	(293,207)
Fund balance, beginning of year	292,290
Fund balance, end of year	($917)

See accompanying notes to financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Lamorinda Fee and Financing Authority (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 accounting records are currently administered by the City of Lafayette (City).

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of these notes.

B. Measurement Focus, Basis of Accounting and Basic or Presentation

The Authority's government-wide financial statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. 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 and Changes in Net Position 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 liability is incurred.

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

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

Governmental Fund Financial Statements

Description of Funds: The accounts of the Authority are organized and operated on the basis of funds, each of which is defined as separate fiscal and accounting entity with a self-balancing set of accounts. These funds are established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In accordance with Authority's adopted policies, different types of funds are used to record the Authority's financial transactions. For financial reporting purposes, the Authority's funds are presented as follows:

Governmental Fund Type:

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.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for on a "current financial resource" measurement focus. Accordingly, only current assets and current liabilities are generally included on the balance sheet. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All governmental fund types are accounted for using the modified accrual basis of accounting, wherein revenues are recognized in the accounting period in which they become measurable and available to pay liabilities of the current period. Measurable means the amount of the transaction can be determined and available means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period.

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

C. Cash and Investments

The Authority pools its cash and investments with the City. The pooled funds are invested in accordance with the City's Investment Policy established pursuant to the 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.

D. Receivables

Receivables recorded in the financial statements are not net of any allowance for doubtful accounts. Any doubtful accounts at June 30, 2016, were not considered material.

E. Revenue Recognition -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 the increased traffic congestion.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budget Comparison

Under GASB 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, budget comparison information is not included in the Authority's financial statements.

G. Net Position and Fund Balances

Government-Wide Financial Statements

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

> ***Restricted Net Position*** - This amount is restricted by external creditors, grantors, contributions, or laws or regulations of other governments.
>
> ***Unrestricted Net Position*** - This amount is all net position that do not meet the definition of "net investment in capital assets" or "restricted net position."

Fund Financial Statements

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

H. 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.

I. Fair Value Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

NOTE 2 – ENTITY-WIDE ADJUSTMENTS

There are no adjustments to the financial statements to comply with GASB 34 reporting therefore government-wide statements report the same amounts as the fund statements.

NOTE 3 - 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. As of June 30, 2016, cash and investments consisted of the following:

Investments in State Investment Pool (LAIF)	$69,210
Cash in bank	178,641
Total cash and investments	$247,851

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").

Pooled Deposits/Credit Risk

The California Government Code requires California banks and savings and loan associations to secure Public Agencies' deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of deposits. California law also allows financial institutions to secure such 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 FDIC insurance. The Authority shares a pro-rata portion of the FDIC $250,000 which is comingled in the same accounts as the funds of the City of Lafayette.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

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 California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, 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.

NOTE 3 - CASH AND INVESTMENTS (Continued)

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 its deposits or will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Investment in State investment Pool (LAIF)

As of June 30, 2016, the Authority was invested in 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 Authority receives a pro-rated portion of the investment income based on the Authority's cash balance relative to the City's pool balance. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The Authority reports its investment in LAIF at the market value amount provided by LAIF, which is the same as the value of the pool share. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. On June 30, 2016, these investments matured in an average of 167 days.

Fair Value Hierarchy

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The California Local Agency Investment Fund held by the Authority at June 30, 2016 was classified in Level 2 is valued based on the fair value factor provided by the Treasurer of the State of California, which is calculated as the fair value divided by the amortized cost of the investment pool. Fair value is defined as the quoted market value on the last trading day of the period.

NOTE 4 - ACCOUNTS PAYABLE

The Nexus study is used to justify the Transportation Impact Fees and was updated in fiscal year 2016. This update to the fees comprehensively examined the existing fee structure, and updated the fees to an appropriate level that reflects current growth projections, facility needs, and facility costs. In addition to establishing new fees, the updated nexus study revised the allocation methodology going forward. As a result, the existing balance needed to be paid out under the previous method before new fees were recorded. As of June 30, 2016, the Authority reported accounts payable of $248,840. This balance comprised the amounts owed to members as the final distribution under the previous rates and allocation basis.

This Page Left Intentionally Blank

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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Lamorinda Fee and Financing Authority (Authority), as of and for the year ended June 30, 2016 and the related notes to the financial statements, and have issued our report thereon dated January 27, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore material weaknesses or significant deficiencies may exist and that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls.

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

T 925.930.0902
F 925.930.0135
E maze@mazeassociates.com
W **mazeassociates.com**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

We have also issued a separate Memorandum on Internal Control dated January 27, 2017 which is an integral part of our audit and should be read in conjunction with this report.

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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maze & Associates

Pleasant Hill, California
January 27, 2017

LAMORINDA FEE AND FINANCING AUTHORITY MEETING

Monday, April 4, 2016
1:00 p.m.

Contra Costa County District 2 Supervisor's Office
3338 Mt. Diablo Boulevard
Lafayette, CA 94549

LFFA SUMMARY MINUTES

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

   Don Tatzin called the meeting to order at 1:06 p.m.

2. **Roll Call**

   LFFA Members Present: Chair Don Tatzin (Lafayette); Mike Metcalf (Moraga); Amy Worth (Orinda)

   Staff Present: Ellen Clark (Moraga); James Hinkamp (Lafayette); Chuck Swanson (Orinda)

3. **Adoption of the LFFA Agenda**

   The LFFA unanimously adopted the LFFA agenda.

4. **Public Comment -** *None*

5. **Consent Calendar**

   a. **January 27, 2016 Minutes**

      Recommendation: **Approve**

      The LFFA unanimously adopted the January 27, 2016 LFFA Minutes.

6. **Old Business:**

   a. **Lamorinda Development Fee Mitigation Program Funds Disbursement**

      Recommendation: **Disburse funds under current Fee Program to each member jurisdiction.**

Staff explained that a formal motion by the LFFA Board is necessary to process fund disbursements to each member jurisdiction. The current fund balance does not include setaside amounts already withheld by each jurisdiction, as allowed under the Fee Program. Additionally, staff noted the effective date of the new Fee Program is May 13th, for Moraga and Orinda, whereas June 10th is the expected date for Lafayette because it will update its Municipal Code to reflect the new Fee Program after having adopted the new sub-regional fees.

The current fund balance is reported as $318,060.75. Board member Worth asked for specific dollar amounts due to each city/town with respect to percentages shown in the staff report. Staff quickly calculated the respective dollar amounts as follows:

Lafayette (55%) = $174,933.41
Moraga (10%) = $31,806.08
Orinda (35%) = $111,321.26

Board member Metcalf asked if funds can be disbursed prior to the new Fee Program taking effect; staff affirmed that would occur if the Board agrees. Metcalf also asked about the implications for development applications that are in process, or that may be incomplete, by the time the new Fee Program begins. By consensus, if fees are collected when a development application is submitted prior to the effective date of new fees, it should remain on the old fee schedule. Subdivision applications, per the Subdivision Map Act, should be deemed complete or be subject to a vesting tentative map prior to the new fee date, in order to qualify for old fees. Otherwise, new fees are to apply to *applications submitted after the new fee implementation dates noted previously.*

Chair Tatzin also suggested disbursed funds for each jurisdiction from current Fee Program apply specifically to projects on current Expenditure Plan documented in the original Nexus Study.

The Board also inquired as to whether any outstanding administrative costs remained. Staff confirmed that DKS has closed its billing upon completion of the recent Nexus Study update, but will need to verify whether any invoices are due for the recently completed LFFA audit by Maze & Associates.

Worth moved, and Metcalf seconded, to fully disburse the current fund balance, net any outstanding administrative costs prior to the new sub-regional Fee Program taking effect at the earliest implementation date of May 13th.

7. Adjourn LFFA Meeting

The meeting was adjourned at 1:15 p.m.

Respectfully submitted by

____

James Hinkamp, Transportation Planner, City of Lafayette

City of Lafayette

Normal Trial Balance - Trial Balance 2016-2017 - Unposted Transactions Included In Report

060 - Lamorinda Fee and Financing Au

From 7/1/2016 Through 6/30/2017

Account Code	Account Title	Debit Balance	Credit Balance
102000	Local Agency Investment Fund	69,360.49	
104510	Wells Fargo Bank -New	126,442.23	
290000	Due To/From Other Funds		450.00 -
390000	Fund Balance	916.86	
424185	Regional Fee		200,121.67 +
431000	Investment Earnings		78.91 +
861000	Contractual Services	3,931.00 -	
	Balance 060 - Lamorinda Fee and Financing Au		0.00
Report Total		200,650.58	200,650.58
Report Difference			0.00

200,121.67+
450.-
78.91+
3,931.-
195,819.58*

Date: 6/20/17 01:48:37 PM