

LAMORINDA FEE AND FINANCING AUTHORITY (LFFA) MEETING AGENDA

Monday, March 6, 2023, 2:30 PM

City of Orinda
22 Orinda Way, Orinda, CA 94563
Sarge Littlehale Community Room

AGENDA

1. **Call to Order the Lamorinda Fee and Financing Authority (LFFA)**
2. **Roll Call**
3. **Adoption of the LFFA Agenda**
4. **Public Comment**
5. **Consent Calendar:**
 - a. January 30, 2023, Minutes.
Recommendation: Approve.
6. **New Business:**
 - a. Review of Fiscal Year 2022 Annual LFFA Financial Statements and Memorandum of Internal Controls and Required Communications.

Recommendation: Accept report.
7. **Old Business:** None.
8. **Adjourn LFFA Meeting to Monday, April 3, 2023, 1:45 p.m.**

I, Sivakumar Natarajan, City Engineer, 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.

Location of Agendas and Agenda Packets: Agendas and packets are available for review by the public by following this link: <https://swatcommittee.org/lffa-meetings/> and during regular business hours at the Orinda City Hall, 22

Lamorinda Fee and Financing Authority

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 Financing Authority less than 72 hours prior to the meeting, shall be made available for public inspection at this link: <https://swatcommittee.org/lffa-meetings/> and at the Orinda City Hall, 22 Orinda Cay, Orinda, CA 94563.

**LAMORINDA FEE AND FINANCING AUTHORITY (LFFA)
MEETING AGENDA**

Monday, January 30, 2023, 1:15 PM

**City of Lafayette
LFFA SUMMARY MINUTES**

1. Call to Order the Lamorinda Fee and Financing Authority

Chair Gerringer called the meeting to order at 1:03 p.m.

2. Roll Call

LPMC members present: Chair Teresa Gerringer, Lafayette; Vice-Chair Darlene Gee, Orinda; Board member Renata Sos, Moraga

Staff present: Patrick Golier, Lafayette; Jennifer Wakeman, Lafayette; Siva Natarajan, Orinda; Bret Swain, Moraga

3. Adoption of the LFFA Agenda

Sos moved, Gee second. Unanimously approved.

4. Public Comment

None.

5. Consent Calendar:

a. January 10, 2022 Minutes

Recommendation: Approve

Sos moved, Gee second. Unanimously approved.

6. New Business:

a. Election of new Chair and Vice Chair.

*Darlene Gee nominated as Chair, Renata Sos nominated as Vice-Chair
Gerringer moved, Sos second. Unanimously approved.*

b. Review of Fiscal Year 2021 Annual LFFA Financial Statements and Memorandum of Internal Controls and Required Communications

Recommendation: Accept report

Lamorinda Fee and Financing Authority

Jennifer Wakeman, Assistant Administrative Director for the City of Lafayette, presented a summary of the Fiscal Year 2021 financial reports, including the LFFA financial statements, and the required communication statements by the auditors. The Fiscal Year 2022 reports will be completed by the auditors by February 10th, 2023.

Sos moved, Gee second. Unanimously approved.

c. Annual Transportation Mitigation Fee Adjustment
Recommendation: Accept report

Patrick Golier discussed the results of the annual transportation mitigation fee adjustment, which is based on the amount of increase as reported in the Engineering-News Record as the change in the Construction Cost Index for the San Francisco Bay Area for the period ending September 30th of the previous years. The proposed fee adjustment for FY 2023 is 11.039%.

Sos moved, Gee second. Unanimously approved.

7. Adjourn LFFA Meeting to Monday, March 6, 2023, 1:30 p.m.

Meeting adjourned at 1:28 p.m.

Patrick Golier

Patrick Golier, Transportation Program Manager
City of Lafayette

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

*Basic Financial Statements
and Independent Auditor's Report*

For the year ended June 30, 2022

**Lamorinda Fee and Financing Authority
(A Joint Powers Authority)
Basic Financial Statements
For the year ended June 30, 2022
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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 Audit of the Financial Statements

Opinions

We have audited the 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, 2022, and the related notes to the financial statements, which collectively comprise Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and the general fund information of the Authority, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

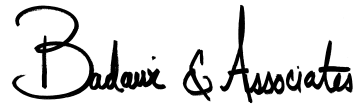
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-6 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted

To the Honorable Members of the Board of Directors
of the Lamorinda Fee and Financing Authority
Lafayette, California
Page 3

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, CPAs
Berkeley, California
February 28, 2023

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LAMORINDA FEE AND FINANCING AUTHORITY
(A JOINT POWERS AUTHORITY)
Management's Discussion and Analysis
For the Year Ended June 30, 2022

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 *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) 2021-22. 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, 2022, net position totalled \$1,527,634, an increase of \$75,698 (+5.21%) from the prior year.

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

	2022	2021	% Change
ASSETS			
Cash deposits, investments	\$ 1,476,146	\$ 1,282,980	15%
Accounts receivable	49,736	168,227	-70%
Accrued interest receivable	1,752	729	140%
Total assets	<u>1,527,634</u>	<u>1,451,936</u>	<u>5%</u>
NET POSITION			
Accounts payable	-	-	0%
Total liabilities	<u>-</u>	<u>-</u>	<u>0%</u>
Net position	1,527,634	1,451,936	5%
Total liabilities and net position	<u>\$ 1,527,634</u>	<u>\$ 1,451,936</u>	<u>5%</u>

Statement of Activities

The *Statement of Activities* presents the LFFA’s revenues and incurred expenses for the year ended June 30, 2022. All financial activities incurred for the LFFA are recorded here, including operational expenses, capital project costs, depreciation and accrued liabilities, when applicable. For FY 2021-22, the decrease in expenses was attributable to timing differences in the recording of 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,

	2022	2021	% Change
EXPENSES			
Administration and community services	\$ 1,355	\$ 5,384	-75%
Total Expenses	1,355	5,384	-75%
GENERAL REVENUE			
Transportation and traffic impact fee			
City of Lafayette	27,016	182,226	-85%
City of Orinda	48,599	7,885	516%
Town of Moraga	10,319	40,276	-74%
Interest Income	(8,881)	362	-2553%
Total Other Revenues	77,053	230,749	-67%
NET POSITION			
Change in net position	75,698	225,365	-66%
Net position - beginning of year	1,451,936	1,226,571	18%
Net position - end of year	<u>\$1,527,634</u>	<u>\$1,451,936</u>	<u>5%</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, 2022. 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, 2022

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 1,476,146
Receivables:	
Accounts	49,736
Interest	<u>1,752</u>
Total assets	<u>1,527,634</u>
NET POSITION	
Unrestricted	<u>1,527,634</u>
Total net position	<u><u>\$ 1,527,634</u></u>

See accompanying Notes to Basic Financial Statements.

Lamorinda Fee and Financing Authority
(A Joint Powers Authority)
Statement of Activities
For the year ended June 30, 2022

Functions/Programs	Expenses	Net (Expense) Revenue and Changes in Net Position Governmental Activities
Governmental activities:		
Administration and community services	\$ 1,355	\$ (1,355)
Total governmental activities	\$ 1,355	(1,355)
General revenues:		
Transportation and traffic impact fee		85,934
Interest income		(8,881)
Total general revenues		77,053
Change in net position		75,698
Net position - beginning of year		1,451,936
Net position - end of year		\$ 1,527,634

See accompanying Notes to Basic Financial Statements.

Lamorinda Fee and Financing Authority
(A Joint Powers Authority)
Balance Sheet
June 30, 2022

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 1,476,146
Receivables:	
Accounts	49,736
Interest	<u>1,752</u>
Total assets	<u>1,527,634</u>
NET POSITION	
Unrestricted	<u>1,527,634</u>
Total net position	<u><u>\$ 1,527,634</u></u>

See accompanying Notes to Basic Financial Statements.

Lamorinda Fee and Financing Authority
(A Joint Powers Authority)
Statement of Revenues, Expenditures and Changes in Fund Balance
For the year ended June 30, 2022

	<u>General Fund</u>
REVENUES:	
Regional fees passed through:	
City of Lafayette	\$ 27,016
City of Orinda	48,599
Town of Moraga	10,319
Interest	<u>(8,881)</u>
Total revenues	<u>77,053</u>
EXPENSES:	
Contractual services	<u>1,355</u>
Total expenditures	<u>1,355</u>
Net change in fund balance	75,698
FUND BALANCE:	
Beginning of year	<u>1,451,936</u>
End of year	<u><u>\$ 1,527,634</u></u>

See accompanying Notes to Basic Financial Statements.

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, 2022

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, 2022

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 Authority 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 principal 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, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 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 is invested 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, 2022

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, 2022 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, 2022

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 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 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
(A Joint Powers Authority)
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

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, 2022 consist of the following:

Investments in State Investment Pool (LAIF)	\$ 790,496
Cash in bank	<u>685,650</u>
Total cash and investments	<u>\$ 1,476,146</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, 2022, 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, 2022 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
(A Joint Powers Authority)
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

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, 2022, the City had invested in LAIF, which had invested 1.88% of the pool investment funds in Structured Notes and Asset-Backed Securities as compared to 2.31% in the previous year. The LAIF fair value factor of 0.987125414 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, 2022.