



LAFCO

Alameda Local Agency Formation Commission

AGENDA REPORT

October 11, 2024

Item No. 8

TO: Alameda Commissioners

FROM: Rachel Jones, Executive Officer

SUBJECT: **Audit Report for FY 2022-2023**

The Alameda Local Agency Formation Commission (LAFCO) will receive an audit report on financial statements issued for fiscal year 2022-2023. The audit has been prepared by O'Connor & Company and concludes tested transactions were accompanied by sufficient documentation with no material identified. The audited fund balance as of June 30, 2023 finished at \$597,244 and reflects a year end change of (\$493,155) from the prior fiscal year. The audit report and accompanying management letter are being presented to the Commission to formally accept and file as well as provide direction to staff on related matters going forward.

Background

At the Commission's May 11, 2023 regular meeting, Alameda LAFCO entered into an agreement with O'Connor & Company to prepare an independent audit for the fiscal year 2022-2023.

Alameda LAFCO's financial transactions are managed by the County Auditor-Controller's Office. These support services are formally provided through a Memorandum of Understanding with the County of Alameda. LAFCO accounts are maintained through the County's ALCOLINK software system. Transactions within the account are maintained and reconciled by the County Auditor. Financial records are separate, excluded from the County's external auditing process, and overseen by the LAFCO Executive Officer.

Discussion

This item is for Alameda LAFCO to receive an independent audit report prepared by O'Connor & Company on the financial statements prepared by staff for fiscal year 2022-2023. The report is part of the adopted work plan and accompanied by a management letter addressed to the Commission summarizing O'Connor & Company's findings with respect to compliance and internal controls. An outline of key items from the report follows and further detailed in the management letter included in the report with one noted recommendation to the Commission.

- Alameda LAFCO finished on June 30, 2023, with a net position of \$597,244.

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 Castro Valley Sanitary District

Mariellen Faria, Regular
 Eden Township Healthcare District

Georgian Vonheeder-Leopold, Alternate
 Dublin San Ramon Services District

Sblend Sblendorio, Regular
 Public Member

Bob Woerner, Alternate
 Public Member

- There is no indicators, information, or data that LAFCO will not be able to pay its bills in a timely manner.
- The management letter notes that LAFCO does not have formal policy for accounting leases and IT subscription arrangements based on GASB 87 & 96 guidance.
- It is recommended that LAFCO consider finalizing a capitalization policy for lease and IT subscription liabilities and the right to use assets over \$40,000.
- It is recommended that keeping lease terms month to month or as annual leases when possible.

Analysis

The independent audit and accompanying management letter from O'Connor & Company affirmatively attest Alameda LAFCO's financial statements accurately reflect the Commission's financial position as of June 30, 2024. It also attests LAFCO's accounting practices are good with no material weaknesses and/or omissions were identified.

Alternatives for Action

The following alternatives are available to the Commission:

Alternative One (Recommended):

Accept and file the audit report and accompanying management letter for fiscal year 2022-2023 with any related direction going forward.

Alternative Two:

Continue consideration of the report to a future meeting and provide direction to staff for additional information as needed.

Recommendation

It is recommended the Commission proceed with Alternative Action One.

Procedures

This item has been placed on Alameda LAFCO's agenda as part of the business calendar. The following procedures are recommended in consideration of this item:

1. Receive verbal presentation from staff unless waived.
2. Invite any comments from the public

3. Provide feedback on the item as needed.

Respectfully,

A handwritten signature in blue ink, appearing to read "Rachel Jones", with a long horizontal flourish extending to the right.

Rachel Jones
Executive Officer

Attachments:

1. O'Connor & Company Audit Management Letter
2. Audit Report for FY 2022-2023

DRAFT

9/17/2024

To be used only for management discussion purposes; engagement is incomplete; this draft is subject to final review and possible revision. ****Report/Letter date is TENTATIVE-TBD****

**ALAMEDA LOCAL AGENCY FORMATION
COMMISSION**

**BOARD OF COMMISSIONERS & MANAGEMENT
REPORT**

**For the Year Ended
JUNE 30, 2023**

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Commissioners
Alameda Local Agency Formation Commission
Hayward, California

In planning and performing our audit of the basic financial statements of Alameda Local Agency Formation Commission (LAFCo) for the fiscal year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered Alameda Local Agency Formation Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements but not for the purpose of expressing an opinion on the effectiveness of Alameda Local Agency Formation Commission's internal control.

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

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

During our audit, we noted certain matters involving internal controls and other operational matters that are presented for your consideration in this report. We will review the status of these comments during our next engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are not intended to be all-inclusive, but rather represent those matters that we considered worthy of your consideration. Our comments and recommendations are submitted as constructive suggestions to assist you in strengthening controls and procedures; they are not intended to reflect on the honesty or integrity of any employee. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist Alameda Local Agency Formation Commission in implementing the recommendations.

This report is intended solely for the information and use of management, the Commissioners, and officials of the federal and state grantor agencies and should not be used by anyone other than these specified parties.

We thank Alameda Local Agency Formation Commission's staff for its cooperation during our audit.

O'Connor & Company

Novato, California

Commissioners
Alameda Local Agency Formation Commission
Hayward, California

We have audited the basic financial statements of the governmental activities and major fund of Alameda Local Agency Formation Commission (LAFCo) for the year ended June 30, 2023. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated August 23, 2023, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of LAFCo. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Alameda Local Agency Formation Commission are described in Note 2 to the basic financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year. We noted no transactions entered by Alameda Local Agency Formation Commission during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the basic financial statements in a different period than when the transaction occurred.

The following pronouncements became effective, but did not have a material effect on the financial statements:

GASB 91 – Conduit Debt Obligations
GASB 94 – Public-Private and Public-Public and Availability Payment Arrangements
GASB 93 – Omnibus 2022, paragraphs 11-25
GASB 96 – Information Technology Subscription Arrangements
GASB 87 – Leases

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. We evaluated the key factors and assumptions used to develop the accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole. The most sensitive estimate(s) affecting the financial statements were:

- Fair value of investments and financial instruments.

We identified the following significant risk(s) of material misstatement as part of our audit planning: management override of controls, improper revenue recognition, and unallowable and fraudulent expenses.

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 (Audit Adjustments)

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, the 2 adjustments detected because of audit procedures and corrected by management were material, either individually or in aggregate, to the financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated [DATE].

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, like obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to LAFCo'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 LAFCo's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

This report is intended solely for the information and use of management and the Board of Commissioners of Alameda Local Agency Formation Commission and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Alameda Local Agency Formation Commission
BOARD OF COMMISSIONERS & MANAGEMENT REPORT
For the Year Ended June 30, 2023

Current Year Observations

1) Written Lease IT Subscription Arrangements Policy Based on GASB 87 & 96 Guidance

Observation:

During our audit, we noted that Alameda Local Agency Formation Commission (LAFCo) does not have a formal policy for accounting for leases and IT subscription arrangements based on GASB 87 & 96 guidance. This policy would document LAFCo's internal controls and processes in determining whether GASB 87 & 96 guidance applies to potential lease and IT subscription arrangements and capitalization thresholds. This policy would also outline the procedures for estimating and recording lease and right to use asset entries.

Recommendation:

We recommend Alameda Local Agency Formation Commission consider formalizing a capitalization policy for lease and IT subscription liabilities and the right to use assets over \$40,000. We also recommend keeping lease terms month to month or as annual leases whenever possible.

Prior Year Observations

Nothing came to our attention.

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10/3/2024

To be used only for management discussion purposes; engagement is incomplete; this draft is subject to final review and possible revision. **Report/Letter date is TENTATIVE-TBD**

**ALAMEDA LOCAL AGENCY
FORMATION COMMISSION**

HAYWARD, CALIFORNIA

ANNUAL FINANCIAL REPORT

JUNE 30, 2023

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INDEPENDENT AUDITORS' REPORT

Commissioners
Alameda Local Agency Formation Commission
Hayward, California

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of the Alameda Local Agency Formation Commission as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Alameda Local Agency Formation Commission's basic financial statements as listed in the table of contents.

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 Alameda Local Agency Formation Commission, as of June 30, 2023, 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. 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 Alameda Local Agency Formation Commission, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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 Alameda Local Agency Formation Commission'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 auditing standards generally accepted in the United States of America 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 controls.

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 auditing standards generally accepted in the United States of America, 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 Alameda Local Agency Formation Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Alameda Local Agency Formation Commission's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 3-5) and the required supplementary information (page 17), which follows this report letter, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

O'Connor & Company

Novato, California

Alameda Local Agency Formation Commission
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

This section of the Alameda Local Agency Formation Commission's (Alameda LAFCo) annual financial report presents management's narrative overview and analysis of the financial activities of Alameda LAFCo for the fiscal year (FY) ended June 30, 2023. This is the first audit completed for Alameda LAFCO since 2018.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the basic financial statements. Alameda LAFCo's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements are designed to provide readers with a broad overview of Alameda LAFCo's finances, in a manner like a private-sector business.

The statement of net position presents information on all of Alameda LAFCo's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Alameda LAFCo is improving or deteriorating.

The statement of activities presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is needful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The governmental funds balance sheet and statement of revenues, expenditures and changes in fund balances do not differ from government activities in the statement of net assets and statement of activities.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12 through 16 of this report.

Alameda Local Agency Formation Commission
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2023

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table presents a summary of the Alameda LAFCo's Statement of Net Position by category as of June 30, 2023.

Table 1
Governmental Net Position

	<u>2023 Governmental Activities</u>	<u>2022 Governmental Activities</u>
<u>Assets</u>		
Cash in County Treasury	\$ 1,298,145	\$ 1,090,399
Accounts receivable	71,996	-
Total assets	<u>1,370,141</u>	<u>1,090,399</u>
<u>Liabilities</u>		
Accounts payable	772,897	-
Total liabilities	<u>772,897</u>	<u>-</u>
<u>Net Position</u>		
Unrestricted	597,244	1,090,399
Total net position	<u>\$ 597,244</u>	<u>\$ 1,090,399</u>

A summary of total Alameda LAFCo Revenues, Expenses, and Changes in Net Position is presented in the tables below.

Table 2
Changes in Governmental Net Position

	<u>2023 Governmental Activities</u>	<u>2022 Governmental Activities</u>
<u>Revenues</u>		
Program revenues:		
Charges for service	\$ 53,397	\$ 78,147
Total program revenues	<u>53,397</u>	<u>78,147</u>
General revenues:		
Apportionment revenues	448,741	427,433
Interest earnings	20,157	7,608
Total general revenues	<u>522,295</u>	<u>513,188</u>
Total revenues		
<u>Expenses</u>		
Program expenses	1,015,450	276,215
Total expenses	<u>1,015,450</u>	<u>276,215</u>
Change in net position	<u>\$ (493,155)</u>	<u>\$ 236,973</u>

Alameda Local Agency Formation Commission
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

The main source of revenue for the program comes from charges to the member agencies. The cost sharing is based on the Cortese-Knox- Hertzberg Local Government Reorganization Act of 2000 (CA Gov. Code section 56000 et. seq.), which provides that the County, cities and independent special districts share jointly and equally in the net operating expenses of Alameda LAFCo.

Based on the cash balance remaining at the end of each quarter in fund number 83419, the program received a proportionate share of interest income calculated by the Controller's office quarterly based on the countywide pool of trust funds balances for the audited period.

CONTACTING ALAMEDA LAFCO MANAGEMENT

This financial report is designed to provide LAFCo Commission, management, member agencies, awarding agencies, and pass-through entities, with a general overview of the Alameda LAFCo's finances and to show the Alameda LAFCo's accountability for the money it receives. If you have any questions regarding this report or need additional financial information, contact Rachel Jones, LAFCo Executive Officer at (510) 272 3894 or Theresa Rude, LAFCo Staff Analyst at (510) 272 3879.

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Alameda Local Agency Formation Commission

STATEMENT OF NET POSITION

June 30, 2023

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current assets:	
Cash and investments	\$ 1,298,145
Accounts receivable	<u>71,996</u>
Total assets	<u>1,370,141</u>
 <u>LIABILITIES AND NET POSITION</u>	
Liabilities:	
Accounts payable and other accrued expenses	<u>772,897</u>
Total liabilities	<u>772,897</u>
Net position:	
Unrestricted net position	<u>597,244</u>
Total net position	<u>\$ 597,244</u>

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The accompanying notes are an integral part of these financial statements.

Alameda Local Agency Formation Commission

STATEMENT OF ACTIVITIES

June 30, 2023

	Expenses	Program Revenues <u>Charges for Services</u>	Net (Expense) Revenue and Changes in Net Position <u>Governmental Activities</u>
Governmental activities			
Services and supplies	\$ 1,015,450	\$ 53,397	\$ (962,053)
	<u>\$ 1,015,450</u>	<u>\$ 53,397</u>	<u>(962,053)</u>
Total governmental activities			
General revenues:			
Interest earnings			20,157
Apportionment revenues			<u>448,741</u>
Total general revenues			<u>468,898</u>
Change in net position			(493,155)
Net assets - beginning			<u>1,090,399</u>
Net assets - ending			<u>\$ 597,244</u>

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The accompanying notes are an integral part of these financial statements.

Alameda Local Agency Formation Commission
GOVERNMENTAL FUNDS - BALANCE SHEET
 June 30, 2023

	<u>General Fund</u>
<u>ASSETS</u>	
Cash and cash investments	\$ 1,298,145
Accounts receivable	<u>71,996</u>
Total assets	<u>\$ 1,370,141</u>
 <u>LIABILITIES</u>	
Accounts payable and other accrued expenses	<u>\$ 772,897</u>
Total liabilities	<u>772,897</u>
 <u>FUND BALANCES</u>	
Assigned fund balances	<u>597,244</u>
Total fund balances	<u>597,244</u>
Total liabilities and fund balances	<u>\$ 1,370,141</u>

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The accompanying notes are an integral part of these financial statements.

Alameda Local Agency Formation Commission
Reconciliation of the
GOVERNMENTAL FUNDS - BALANCE SHEET
with the
STATEMENT OF NET POSITION
For the Year Ended June 30, 2022

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$ 597,244
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Amount reported for governmental activities in the Statement of Net Position are different from those reported in the Governmental Funds above because of the following:

None

NET POSITION OF GOVERNMENTAL ACTIVITIES

-
<u>\$ 597,244</u>

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The accompanying notes are an integral part of these financial statements.

Alameda Local Agency Formation Commission
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
June 30, 2023

	<u>General Fund</u>
Revenues	
Agency apportionments	\$ 448,741
Application fees	53,397
Interest	20,157
Total revenues	522,295
 Expenditures	
Services and supplies	1,015,450
Total expenditures	1,015,450
 Excess (deficiency) of revenues over (under) expenditures	(493,155)
Fund balances, beginning of the period	1,090,399
 Fund balances, end of the period	\$ 597,244

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The accompanying notes are an integral part of these financial statements.

Alameda Local Agency Formation Commission
Reconciliation of the
STATEMENT OF REVENUES
EXPENDITURES, AND CHANGES IN FUND BALANCES
to the
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUND	\$ (493,155)
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The changes in Net Position reported for governmental activities in the Statement of Activities are different because:

None

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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (493,155)</u>
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The accompanying notes are an integral part of these financial statements.

Alameda Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - GENERAL INFORMATION

Background and Organization of Alameda LAFCo

Alameda Local Agency Formation Commission's (Alameda LAFCo's or the Commission's) mission is to provide oversight over local governments to make Alameda County a great place to live and work by balancing the preservation of agricultural and open space with the provision of sustainable municipal services.

Alameda LAFCo was formed in 1963 and became an independent state entity in 2000 with the passage of the Cortese-Knox-Hertzberg Local Government Act of 2000 (CA Gov. Code § 56000 et. seq.). Alameda LAFCo is responsible for coordinating logical and timely changes in local government boundaries, conducting special studies that review ways to reorganize, simplify, and streamline governmental structure, and preparing a sphere of influence for each city and special district within its county. Alameda LAFCo's efforts are directed toward seeing that services are provided efficiently and economically while agricultural and open-space lands are protected. Alameda LAFCo also conducts service reviews to evaluate the provision of municipal services within its county.

The Alameda LAFCo Commission consists of seven voting members and four alternates. Commissioners are appointed as follows: two and one alternate appointed by and from the County Board of Supervisors; two and one alternate appointed by and from the County's Mayor Conference; two and one alternate appointed by and from the Alameda County Special District Selection Committee; and one public member and an alternate appointed by the LAFCo Commission. All are appointed to staggered four-year terms.

Alameda LAFCo is not part of the County structure, but is an independent, quasi-legislative agency that serves as a direct agent of the State. Each Commissioner is required to represent the public when considering or rendering decisions. However, they bring the views, perspectives and experience of various local agencies and the public into the decision-making process.

Most Alameda LAFCo expenses are funded by equal contributions from Alameda County, its cities and its special districts. However, a portion of actual proposal processing costs are recovered by charging fees for certain services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Alameda LAFCo is a legally separate agency of the State of California. The Commission is made up of two county members, two city members, two special district members and one public member and one alternative member in each of these categories.

Under previous law, Alameda County provided and funded all services and supplies, including personnel and legal counsel; and designated the County Administrator as the Executive Officer of Alameda LAFCo. However, section 56380 of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (ACT) requires Alameda LAFCo to "make its own provision for necessary quarters, equipment and supplies, as well as personnel" and that Alameda LAFCo "may choose to contract with any public agency or private party for personnel and facilities". Also, Section 56384 provides that Alameda LAFCo shall appoint an executive officer and a legal counsel. Alameda LAFCo has chosen to continue to use the staff, equipment, and facilities of the County by way of a Memorandum of Understanding (MOU).

The County provides these services as an independent contractor. The County bills Alameda LAFCo for these services based upon the MOU. Alameda LAFCo is not a component unit of the County. The basic financial statements of LAFCo consist only of the funds of Alameda LAFCo. Alameda LAFCo has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by, or dependent on, Alameda LAFCo.

Alameda Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e. statement of net assets and the statement of changes in net assets) report information on all the non-fiduciary activities of Alameda LAFCo. The government-wide statements are prepared using the economic resources measurement focus.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of Alameda LAFCo's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Alameda LAFCo does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of Alameda LAFCo, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of Alameda LAFCo.

Fund Financial Statements:

Fund financial statements report detailed information about Alameda LAFCo. The focus of governmental fund financial statements is on major funds rather than reporting funds by type.

Alameda LAFCo has only one fund, the general fund, which is a major fund. The general fund is accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets.

C. Basis of Accounting

The basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental fund-wide financial statements use the modified accrual basis of accounting. Under accrual basis, revenues are recorded when earned and expenses are recorded when a liability is incurred.

Under modified accrual basis, revenue is recognized in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For Alameda LAFCo, "available" means collectible within the current period or within 90 days after yearend. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

D. Budgets and Budgetary Accounting

Alameda LAFCo prepares its budget on a basis of accounting that differs from generally accepted accounting principles (GAAP). The actual results of operations are presented in the Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on the budgetary basis to provide a meaningful comparison of actual results with the budget. Budgeted amounts represent the original budget modified by adjustments authorized during the year. The difference between the budgetary basis of accounting and GAAP is that encumbrances are recorded as expenditures under the budgetary basis. Expenditures exceeded appropriations by \$269,022 for the fiscal year ending June 30, 2023.

Alameda Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

E. Use of Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses during the reporting period. Actual results could differ from these estimates and the differences may be material.

NOTE 3 - CASH IN COUNTY TREASURY

Alameda LAFCO deposits all cash in the Alameda County Treasurer's pooled cash and investments. The cash balance at June 30, 2023 was \$1,298,145.

Interest earned on pooled cash and investments is allocated to Alameda LAFCo at the end of each quarter based upon the average daily cash balance during the quarter in relation to the average daily balance of total pooled cash. Funds with the County Treasurer are invested pursuant to investment policy guidelines approved by the County Board of Supervisors. The types of investment instruments and the percentage of the portfolio which may be invested in certain instruments are governed by Section 53600 et seq. of the Government Code of the State of California. Authorized instruments in which the Treasurer can invest include debt issued by the County, US Treasury securities, bankers Acceptances, federal, state and local government securities, commercial paper, medium-term notes, negotiable certificates of deposit, shares of beneficial interest and mortgage-backed securities. Credit risk information regarding the cash and investments held by the Treasurer is included in the Comprehensive Annual Financial Report of Alameda County.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for deposits and investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The entity's Treasurer may waive the collateral requirement for deposits which are fully insured up to \$250,000 by the FDIC. The collateral for deposits in federal and state-chartered banks is held in safekeeping by an authorized agent of depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an agent of depository. These securities are physically held in an undivided pool for all California public agency depositors.

Fair Value Measurement

GASB Statement No. 72, *Fair Value Measurements and Application*, establishes a fair value hierarchy consisting of three broad levels: Level 1 inputs consist of quoted prices (unadjusted) for identical assets and liabilities in active markets that a government can access at the measurement date, Level 2 inputs consist of inputs other than quoted prices that are observable for an asset or liability, either directly or indirectly, that can include quoted prices for similar assets or liabilities in active or inactive markets, or market-corroborated inputs, and Level 3 inputs have the lowest priority and consist of unobservable inputs for an asset or liability. The valuation method used for rental properties is the Leased Fee Market method, which is dependent on the income generated from the rental properties.

Alameda Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 3 - CASH IN COUNTY TREASURY (concluded)

Alameda LAFCo did not have any investments subject to the recurring fair value measurements as of June 30, 2023.

NOTE 4 - PAYABLE TO PARTICIPANTS

As per Government Code §56381(c), if, at the end of the fiscal year, Alameda LAFCo has funds more than what it needs, the Commission may retain those funds and calculate them into the following fiscal year's budget. Any excess funds are divided between reduced contributions and reserves.

NOTE 5 - NET POSITION AND FUND BALANCES

GASB Statement No. 34 added the concept of Net Position, which is measured on the full accrual basis, to the concept of Fund Balance, which is measured on the modified accrual basis.

A. Net Position

Net position is the excess of all Alameda LAFCo's assets over all its liabilities, regardless of the fund. The net position is divided into three captions under GASB Statement No. 34. These captions apply only to net position, which is determined only at the Government-wide level, and are described below:

Net investment in Capital Assets describes the portion of net position that is represented by the current net book value of Alameda LAFCo's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of net position that is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions that Alameda LAFCo cannot unilaterally alter. These include amounts for debt service requirements.

Unrestricted describes the portion of net position that is not restricted to use.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. To calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are applied. It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

B. Fund Balances

The accompanying basic financial statements reflect certain changes that have been made with respect to the reporting of the components of Fund Balances for governmental funds. In previous years, fund balances for governmental funds were reported in accordance with previous standards that included components for reserved fund balance, unreserved fund balance, designated fund balance, and undesignated fund balance. Due to the implementation of GASB Statement No. 54, the components of the fund balances of governmental funds now reflect the component classifications described below. In the fund financial statements, governmental fund balances are reported in the following classifications:

Non-spendable fund balance includes amounts that are not in a spendable form, such as prepaid items or supplies inventories, or that are legally or contractually required to remain intact, such as principal endowments.

Alameda Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 5 - NET POSITION AND FUND BALANCES (concluded)

B. Fund Balances (concluded)

Restricted fund balance includes amounts that are subject to externally enforceable legal restrictions imposed by outside parties (i.e., creditors, grantors, contributors) or that are imposed by law through constitutional provisions or enabling legislation.

The committed fund balance includes amounts whose use is constrained by specific limitations that the government imposes upon itself, as determined by a formal action of the highest level of decision-making authority. The Board of Commissioners serves as Alameda LAFCo's highest level of decision-making authority and has the authority to establish, modify or rescind a fund balance commitment via minutes action.

Assigned fund balance includes amounts intended to be used by Alameda LAFCo for specific purposes, subject to change, as established either directly by the Board of Commissioners or by management officials to whom assignment authority has been delegated by the Board of Commissioners.

Unassigned fund balance is the residual classification that includes spendable amounts in the General Fund that are available for any purpose.

Fund Balance Flow Assumption

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) fund balances are available, Alameda LAFCo specifies that restricted revenues will be applied first. When expenditures are incurred for purposes for which committed, assigned or unassigned fund balances are available, Alameda LAFCo's policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

NOTE 6- SUBSEQUENT EVENTS

In preparing these financial statements, Alameda LAFCo has evaluated events and transactions for potential recognition or disclosure through the date the financial statements were issued.

REQUIRED SUPPLEMENTARY INFORMATION

DRAFT

Alameda Local Agency Formation Commission
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Budget and Actual
For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		with <u>Final Budget</u>
Revenues:				
Agency Apportionments	\$ 459,429	\$ 459,429	\$ 448,741	\$ (10,688)
Application Fee	30,000	30,000	53,397	23,397
Interest	<u>7,000</u>	<u>7,000</u>	<u>20,157</u>	<u>13,157</u>
Total revenues	<u>496,429</u>	<u>496,429</u>	<u>522,295</u>	<u>25,866</u>
Expenditures				
Services and supplies	<u>746,428</u>	<u>746,428</u>	<u>1,015,450</u>	<u>(269,022)</u>
Total expenditures	<u>746,428</u>	<u>746,428</u>	<u>1,015,450</u>	<u>(269,022)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (249,999)</u>	<u>\$ (249,999)</u>	<u>(493,155)</u>	<u>\$ (243,156)</u>
Fund balances, beginning of the period			<u>1,090,399</u>	
Fund balance, end of period			<u>\$ 597,244</u>	