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City Member

Lou Penrose
Public Member

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County Member

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Luis Tapia
Interim Executive Officer

Scott Smith
General Counsel

MEETING DATE: June 11, 2025

8a | Commission
Discussion

TO: Local Agency Formation Commission
of Orange County

FROM: Interim Executive Officer
Policy Analyst I

SUBJECT: OC LAFCO Accounting and Financial Policies

BACKGROUND

The OC LAFCO Accounting and Financial Policies were adopted by the Commission to establish and formalize the agency's financial operations and document internal controls. In the event of a change or modification to financial practices, these Policies are revised accordingly to ensure continued compliance and accuracy. Following the recent discontinuation of the Orange County Investment Pool (OC Fund), updates to these policies are required.

As a result of the discontinuation of the OC Fund, the Accounting and Financial Policies, originally adopted in 2005 and last reviewed in 2023, have been updated to remove references to the OC Fund and ensure that the agency's practices remain consistent with current procedures.

For ease of review, proposed amendments to the policy are indicated in redline format in Attachment 1 and are summarized in the table below.

Table 1: Summary of Proposed Amendments

Section	Page	Summary of Changes
Revenue Recognition Policies: 2.7C	9	Removed reference to the OC Fund in the interest income recognition process, as the agency no longer holds this account following its discontinuation.
Billing / Invoicing Policies: 2.8C	11	Removed reference to the OC Fund for deposits, withdrawals, and wire transfers, as the agency no longer holds this account following its discontinuation.
Investments: 2.14D	23	Removed reference to the OC Fund as an authorized investment option, as the agency no longer holds this account following its discontinuation.

RECOMMENDED ACTION

Staff recommends the Commission:

1. Adopt the OC LAFCO Accounting and Financial Policies, as amended.

Respectfully submitted,



LUIS TAPIA

AIMEE DIAZ

Attachment:

1. OC LAFCO Accounting & Financial Policies (Part 3: Section 2.7C, 2.8C and Part 5: Section 2.14D Redline)
2. OC LAFCO Accounting & Financial Policies (Part 3: Section 2.7C, 2.8C and Part 5: Section 2.14D As Amended)

**Part 3 and 5 of the Accounting and Financial Policies of the
Orange County Local Agency Formation Commission**

PART 3 – Policies Associated with Revenues and Cash Receipts

2.7 REVENUE RECOGNITION POLICIES

OC LAFCO receives revenue from several types of transactions. Revenue from each of these types of transactions is recognized in the financial statements of OC LAFCO in the following manner:

- A. OC LAFCO Apportionment – Received at the beginning of the fiscal year. Amount is equal to the approved operating budget and is split three ways among the County, the Cities, and the Special Districts. Revenues are recorded in the general fund.
- B. Application and Processing Fees – Provided by incoming project application. Filing fees and time and material deposits are collected to offset costs associated with applications and vary with each project. Filing fees are not budgeted as revenue due to the uncertainty of when applications are filed. These fees are accounted for by the project manager and recorded in a separate special fund.
- C. Interest Income – Interest on investments held by the County, the Local Agency Investment Fund (LAIF), ~~Orange County Investment Pool (OC Fund)~~, Public Agency Retirement Services (PARS), or other investments permitted by Commission policy. Interest income held by the County, and LAIF, ~~and OC Fund~~ is recorded in the general fund. Interest income held by the PARS is recorded in the PARS benefits trust account.
- D. Other Income – Miscellaneous revenues, including copies of agenda packets, minutes, and meeting tapes. Other income is recorded in the general fund.

2.8 BILLING/INVOICING POLICIES

- A. Overview

The following is a list of items billed and/or accrued and received by OC LAFCO and the frequency with which each is billed:

 - 1. Annual Billings
 - a. OC LAFCO Apportionment – Billings are performed and collected by the County of Orange.
 - 2. Miscellaneous Billings
 - a. Filing Fees
 - b. Agenda and Minutes copying fees

- c. Reimbursements (phone charges, workshops)
- B. Receipt and Handling of Incoming Money

It is the responsibility of the Office Manager to open the mail on a daily basis. All checks must be “restrictively endorsed” upon receipt. The Office Manager stamps all checks with the agency’s endorsement stamp (“For Deposit Only, Account #___.”).

1. Check Log

The Office Manager makes copies of all incoming checks and will place the properly endorsed checks in a lock box. The Office Manager will further log the checks into a spreadsheet, which includes fields for the following information:

- a. Payee
- b. Check number
- c. Amount of check
- d. Date issued
- e. Date of receipt
- f. Date of deposit
- g. Purpose of funds
- h. Related OC LAFCO project number (if applicable)

The lock box will be properly secured, and its access will be limited to a minimum number of OC LAFCO staff.

2. Deposits

The Executive Officer, the Assistant Executive Officer, or the Executive Officer’s designee will prepare a deposit slip when checks are received by the agency and will deposit funds into the agency’s bank account. The Office Manager will place copies of the deposit slips and corresponding bank receipts in the designated folder. The Office Manager will update the check log to reflect the deposits.

3. Reconciliation of Accounts

The accounting firm staff will perform a reconciliation of the agency’s bank accounts once monthly upon receipt of the agency’s bank statements. The accounting firm staff will compare the deposit slips to the check log and the agency’s bank statements to ensure that all funds are properly deposited and credited to the agency’s accounts.

The accountant will review the accounting firm staff's work.

C. Wire Transfers

The agency will maintain a deposit in an amount equal to estimated costs of quarterly payroll in County Account 770. The remaining balance will be wired to the agency's bank account. The accounting firm staff will prepare a cash flow analysis and permitted uses for excess cash shall be as follows: (a) contributions to the agency's Public Agency Retirement Services (PARS) Section 115 benefits trust; and (b) investment in the Local Agency Investment Fund (LAIF), ~~Orange County Investment Pool (OC Fund)~~ and/or other investment options approved by the Commission. Wire transfers for such permitted uses shall be processed in accordance with the wire transfer procedures of the County of Orange, ~~OC Fund~~, LAIF and PARS.

The Executive Officer and the Executive Officer's designee will complete the County of Orange Wire Transfer Request Form. The completed Wire Transfer Form will be signed by BOTH the Executive Officer and the Executive Officer designee. The Office Manager will make a copy of the Wire Transfer Form for the agency's records and will submit the signed Wire Transfer Request Form to the County Auditor – Controller for processing.

The accounting firm staff will compare the Wire Transfer Request Form to the agency's bank statements each month to ensure that all funds are properly transferred and credited to the agency's accounts. Periodically, a withdrawal of funds from LAIF ~~and the OC Fund~~ will be required to maintain ongoing payroll and operating expenses.

LAIF deposits and withdrawals are completed electronically. All electronic deposits and withdrawals will be authorized by the Executive Officer and/or the Executive Officer's designee. A log of all deposits and withdrawals for LAIF will be maintained and documentation of each deposit and withdrawal will be provided to the accounting firm staff.

~~OC Fund deposits and withdrawals require at least one (1) full business day to complete a deposit and at least three (3) full business days to complete a withdrawal. Deposits require the completion of a deposit form signed by both the Executive Officer and the Executive Officer designee. Withdrawals of funds from the agency's bank accounts to the OC Fund require the completion of appropriate transfer documents signed by both the Executive Officer and the Executive Officer designee. A log of all deposits and withdrawals for the OC Fund will be maintained and documentation of each deposit and withdrawal will be provided to the accounting firm staff.~~

Contributions to and payment reimbursements/distributions from the Section 115 benefits trust shall be processed in accordance with the PARS Administrative Agreement. The Executive Officer or the Executive Officer's designee shall complete the required forms to affect any contributions or distributions of the benefits trust account. A record of all transactions of the benefits trust will be maintained and documentation of each contribution and distribution will be provided to the accounting firm staff.

D. Cash Disbursements

1. Vendor Invoices

The Office Manager will receive, and open mail and date stamp all invoices, and place invoices in the accounting firm staff's folder for processing. The Office Manager will forward all invoices to the Executive Officer or Executive Officer designee for review and approval. The Office Manager will coordinate approval of the invoices and identify a project number for each invoice. The accounting firm staff will record the invoice in QuickBooks and generate the check. All invoices will be approved by the Executive Officer prior to payment. The Office Manager will place a copy of the check and invoice in the respective vendor files. The Office Manager will mail checks to vendors.

2. Check-Writing Provisions

The Executive Officer or the Executive Officer designee may sign checks written for less than \$500. Checks written for \$500 or more require the signatures of BOTH the Executive Officer and the Executive Officer designee. The Office Manager will maintain copies of all checks written on the agency's checking account.

3. Reconciliation

As stated previously, the accounting firm staff will perform a reconciliation of the agency's bank accounts once monthly upon receipt of the agency's bank statements. This includes a reconciliation of the agency's checking account. The accounting firm staff will compare checks written on the agency's checking account against the agency's bank statements to ensure that all funds are properly debited from the agency's account.

4. Stale Checks

In reconciling the agency's checking account, the accounting firm staff will be responsible for identifying checks issued by OC LAFCO which have not been cashed within six months of issuance. The accounting firm staff will notify the Executive Officer of any "stale" checks during the checking account reconciliation process. If any stale checks are identified, the Executive Officer or the Executive Officer's designee will request the bank to issue a "stop payment" and direct the accounting firm staff to prepare a replacement check when necessary.

5. Check Stock

Check stock will be maintained in a locked drawer in the Executive Officer's office. Access to the check stock will be restricted to the Executive Officer or the Assistant Executive Officer.

6. Agency Credit Card

All credit card purchases of \$250 or more must be approved, prior to the transaction, by BOTH the Executive Officer and the Executive Officer designee. OC LAFCO maintains three (3) credit cards. The Office Manager, Assistant Executive Officer and the Executive Officer each hold one card. All credit card bills must be reviewed by the Executive Officer prior to payment being issued. All purchases made with the OC LAFCO credit cards must be directly related to OC LAFCO's mission.

E. Reporting

Reports – Monthly reports, prepared by the accounting firm staff, for OC LAFCO staff and/or Commission will include:

1. Balance Sheet
2. Cash Flow Statement
3. Detailed Profit and Loss Statement
4. Summary Profit and Loss with Budget and Percentages
5. Separate reports of designated projects as needed

PART 5 – Policies Pertaining to Specific Asset and Liability Accounts**2.13 CASH AND CASH MANAGEMENT****A. Cash Accounts**

The primary operating account provides for routine business check disbursements. All cash and credit card deposits are made to this account. Bank reconciliations are performed by the OC LAFCO accounting firm staff. The following minimum balances shall be maintained in the agency's accounts at all times to ensure there are sufficient funds to cover ongoing operating and payroll expenses:

Savings:	\$205,000
Payroll:	3 Months of Current Payroll Expenses
Checking:	3 Months of Operational Expenses

B. Reserve Policy

OC LAFCO currently has three reserve funds restricted to the agency's savings account. These funds are as follows: (1) Contingency; (2) Litigation; and (3) Unfunded Liability. These accounts are considered "restricted" accounts and are only used for the specific purposes described below:

1. Contingency Reserves – restricted funds to cover any unforeseen future agency loss and/or urgency which includes but is not limited to property or equipment damage, loss or theft. The minimum balance in the Contingency Reserve Account shall be \$100,000.
2. Litigation Reserves – restricted funds for cost related to agency legal challenges. The minimum balance in the Litigation Reserve Account shall be \$75,000.
3. Unfunded Liability Reserve – restricted funds to offset anticipated agency liabilities including employee vacation and administrative leave payouts. The minimum balance in the Unfunded Liability Reserve Account shall be \$30,000.

2.14 INVESTMENTS**A. Authority**

In accordance with California Government Code Section 56300 et seq., the authority to invest public funds not required for the immediate needs of the agency is expressly delegated to the Orange County Local Agency Formation Commission (OC LAFCO). The Commission may also delegate this responsibility to the OC LAFCO Executive Committee and the Executive Officer.

The purpose of this section of the policy is to establish investment guidelines for OC LAFCO officials to ensure the stewardship of agency funds. Pursuant to state law, the

Commission, Executive Committee, Executive Officer, and Executive Officer Designee, when investing OC LAFCO funds, shall act with care, skill, prudence, and diligence under the circumstance than prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency. All investments shall be in conformance with federal, state and other legal requirements.

Investments made pursuant to this policy are limited to those instruments specified by OC LAFCO. The Commission shall review the investment program quarterly.

B. Investment Objectives

The specific objectives for all funds invested as defined by this policy are listed in priority order as follows:

1. Safety of Principal

The preservation of principal is of primary importance. Each transaction shall seek to ensure that capital losses are avoided.

2. Legality

Each transaction and the entire investment program must comply with the California Government Code and OC LAFCO's investment policy as defined herein.

3. Liquidity

The invested funds should remain sufficiently flexible to enable OC LAFCO to meet all operating requirements which may be reasonably anticipated.

The managing of OC LAFCO investments shall be subject to the prudent investor standard, a standard of conduct requiring that any investment be made with care, skill, prudence, and diligence in order to safeguard agency funds and maintain the liquidity needs of the agency.

C. Return on Investment

Investments shall be undertaken to produce an acceptable rate of return after first considering safety of principal and liquidity and the prudent investor standard.

Authority to manage OC LAFCO's investment program is delegated to the OC LAFCO Commission. Management Responsibility is hereby delegated to the Executive Committee and the Executive Officer under the direction of the full OC LAFCO Commission.

D. Authorized Investments

Agency funds are not required for the immediate needs of OC LAFCO but may be invested as follows:

- Investment Funds

Agency funds not required for immediate needs of OC LAFCO may be remitted to the State Local Agency Investment Fund (LAIF) ~~or the Orange County Investment Pool (OC Fund)~~ for the purpose of investment (Government Code Section 16429.1).

- Section 115 Public Agencies Post-Employment Benefits Trust
Agency funds from excess cash net income and not required for immediate needs of OC LAFCO may be deposited to the benefits trust account managed through an agreement with the Public Agency Retirement Services (PARS). The account is established for agency contributions and lowering of the agency's overall net pension expenses. The annual transfer to the benefits trust account must not exceed fifty percent (50%) of the excess cash net income at fiscal year- end, unless approved by the Commission.
- Other Investments
Other investments are permitted by Government Code Section 53600 may be made subject to prior approval of the Commission and may include the following:
 - U.S. Government and Agencies Obligations.
 - Negotiable Certificates of Deposit issued by a nationally or state-chartered bank, a state or federal savings and loan association, or a savings bank with ratings equivalent by Fitch to F1 or better.

As deemed appropriate, the Commission may, at any time, further restrict the securities approved for investment.

E. Reporting

The Executive Officer shall submit a quarterly report to the Commission showing investment activity, including yield and earnings and the status of cash by depository.

As part of the Commission's annual audit, the independent auditor shall also evaluate investment performance and conduct an operations audit. The purpose of these examinations shall be to obtain suggestions for improved future performance and to verify that investments has been done in accordance with the policy and all applicable laws.

2.15 FIXED ASSET MANAGEMENT

A. Capitalization Policy

Physical assets acquired with unit costs in excess of \$2,000 are capitalized as fixed assets on the financial statements. Items with unit costs below this threshold shall be expensed in the year purchased.

Capitalized fixed assets are accounted for at their historical cost and all such assets,

except land, are subject to depreciation over their estimated useful lives, for government-wide financial statements in accordance with GASB Statement No. 34.

B. Contributed Assets

Assets with fair market values in excess of \$2,000 (per unit) that are contributed to OC LAFCO shall be capitalized as fixed assets on the financial statements. Contributed items with market values below this threshold shall be expensed in the year contributed.

Capitalized contributed assets are accounted for at their market value at the time of donation and all such assets, except land, are subject to depreciation for government-wide financial statements.

C. Establishment and Maintenance of a Fixed Asset Listing

All capitalized fixed assets shall be recorded in a property log. This log shall include the following information with respect to each asset:

1. Date of acquisition.
2. Cost
3. Description (including color, model, and serial number)
4. Location of asset
5. Depreciation method
6. Estimated useful life

A physical inventory of all assets capitalized under the preceding policies will be taken on an annual basis by OC LAFCO. This physical inventory shall be reconciled to the property log and adjustments made as necessary. All adjustments resulting from this reconciliation will be approved by the Executive Officer.

D. Depreciation and Useful Lives

All capitalized assets are maintained in the special fixed assets account group. Fixed assets are depreciated over their estimated useful lives using the straight- line method only when presenting government-wide financial statements. Fund financial statements do not include fixed assets or depreciation.

In the year of acquisition, depreciation is recorded based on the number of months the asset is in service, counting the month of acquisition as a full month (Example: an asset purchased on the 15th day of the fifth month shall have eight full months of depreciation (eight-twelfths of one year) recorded for that year).

Estimated useful lives of capitalized assets shall be determined by the Executive Officer. The following is a list of the estimated useful lives of each category of fixed asset for depreciation purposes:

Furniture and fixtures	Up to 10 yrs.
General office equipment	5 yrs.
Computer hardware and peripherals	3-5 yrs.
Computer software	2-3 yrs.
Leased assets	Life of Lease

For accounting and interim financial reporting purposes, depreciation expense will be calculated on an annual basis in conjunction with the annual audit.

E. Repairs of Fixed Assets

Expenditures to repair capitalized assets shall be expensed as incurred if the repairs do not materially add to the value of the property or materially prolong the estimated useful life of the property.

Expenditures to repair capitalized assets shall be capitalized if the repairs increase the value of property, prolong its estimated useful life, or adapt it to a new or different use. Such capitalized repair costs shall be depreciated over the remaining estimated useful life of the property. If the repairs significantly extend the estimated useful life of the property, the original cost of the property shall also be depreciated over its new, extended useful life.

F. Dispositions of Fixed Assets

In the event a non-expendable asset is sold, scrapped, donated or stolen, adjustments need to be made to the fixed asset listing and property log.

2.16 ACCRUED LIABILITIES

A. Identification of Liabilities

The accounting department shall establish a list of commonly incurred expenses that may have to be accrued at the end of an accounting period. Some of the expenses that shall be accrued by OC LAFCO at the end of an accounting period are:

1. Salaries and wages
2. Payroll taxes
3. Vacation pay
4. Facility expenses payable to the County

In addition, OC LAFCO shall record a liability for deferred revenue (revenue received but not yet earned) in accordance with the revenue recognition policies described elsewhere in this manual.

**Part 3 and 5 of the Accounting and Financial Policies of the
Orange County Local Agency Formation Commission**

PART 3 – Policies Associated with Revenues and Cash Receipts

2.7 REVENUE RECOGNITION POLICIES

OC LAFCO receives revenue from several types of transactions. Revenue from each of these types of transactions is recognized in the financial statements of OC LAFCO in the following manner:

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- C. Interest Income – Interest on investments held by the County, the Local Agency Investment Fund (LAIF), Public Agency Retirement Services (PARS), or other investments permitted by Commission policy. Interest income held by the County and LAIF is recorded in the general fund. Interest income held by the PARS is recorded in the PARS benefits trust account.
- D. Other Income – Miscellaneous revenues, including copies of agenda packets, minutes, and meeting tapes. Other income is recorded in the general fund.

2.8 BILLING/INVOICING POLICIES

A. Overview

The following is a list of items billed and/or accrued and received by OC LAFCO and the frequency with which each is billed:

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The lock box will be properly secured, and its access will be limited to a minimum number of OC LAFCO staff.

2. Deposits

The Executive Officer, the Assistant Executive Officer, or the Executive Officer’s designee will prepare a deposit slip when checks are received by the agency and will deposit funds into the agency’s bank account. The Office Manager will place copies of the deposit slips and corresponding bank receipts in the designated folder. The Office Manager will update the check log to reflect the deposits.

3. Reconciliation of Accounts

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The accountant will review the accounting firm staff's work.

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The Executive Officer and the Executive Officer's designee will complete the County of Orange Wire Transfer Request Form. The completed Wire Transfer Form will be signed by BOTH the Executive Officer and the Executive Officer designee. The Office Manager will make a copy of the Wire Transfer Form for the agency's records and will submit the signed Wire Transfer Request Form to the County Auditor – Controller for processing.

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Contributions to and payment reimbursements/distributions from the Section 115 benefits trust shall be processed in accordance with the PARS Administrative Agreement. The Executive Officer or the Executive Officer's designee shall complete the required forms to affect any contributions or distributions of the benefits trust account. A record of all transactions of the benefits trust will be maintained and documentation of each contribution and distribution will be provided to the accounting firm staff.

D. Cash Disbursements

1. Vendor Invoices

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the invoice in QuickBooks and generate the check. All invoices will be approved by the Executive Officer prior to payment. The Office Manager will place a copy of the check and invoice in the respective vendor files. The Office Manager will mail checks to vendors.

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5. Check Stock

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6. Agency Credit Card

All credit card purchases of \$250 or more must be approved, prior to the transaction, by BOTH the Executive Officer and the Executive Officer designee. OC LAFCO maintains three (3) credit cards. The Office Manager, Assistant Executive Officer and the Executive Officer each hold one card. All credit card bills must be reviewed by the Executive Officer prior to payment being issued. All purchases made with the OC LAFCO credit cards must be directly related to OC LAFCO's mission.

E. Reporting

Reports – Monthly reports, prepared by the accounting firm staff, for OC LAFCO staff and/or Commission will include:

1. Balance Sheet
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PART 5 – Policies Pertaining to Specific Asset and Liability Accounts**2.13 CASH AND CASH MANAGEMENT****A. Cash Accounts**

The primary operating account provides for routine business check disbursements. All cash and credit card deposits are made to this account. Bank reconciliations are performed by the OC LAFCO accounting firm staff. The following minimum balances shall be maintained in the agency's accounts at all times to ensure there are sufficient funds to cover ongoing operating and payroll expenses:

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OC LAFCO currently has three reserve funds restricted to the agency's savings account. These funds are as follows: (1) Contingency; (2) Litigation; and (3) Un funded Liability. These accounts are considered "restricted" accounts and are only used for the specific purposes described below:

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2. Litigation Reserves – restricted funds for cost related to agency legal challenges. The minimum balance in the Litigation Reserve Account shall be \$75,000.
3. Unfunded Liability Reserve – restricted funds to offset anticipated agency liabilities including employee vacation and administrative leave payouts. The minimum balance in the Unfunded Liability Reserve Account shall be \$30,000.

2.14 INVESTMENTS**A. Authority**

In accordance with California Government Code Section 56300 et seq., the authority to invest public funds not required for the immediate needs of the agency is expressly delegated to the Orange County Local Agency Formation Commission (OC LAFCO). The Commission may also delegate this responsibility to the OC LAFCO Executive Committee and the Executive Officer.

The purpose of this section of the policy is to establish investment guidelines for OC

LAFCO officials to ensure the stewardship of agency funds. Pursuant to state law, the Commission, Executive Committee, Executive Officer, and Executive Officer Designee, when investing OC LAFCO funds, shall act with care, skill, prudence, and diligence under the circumstance than prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency. All investments shall be in conformance with federal, state and other legal requirements.

Investments made pursuant to this policy are limited to those instruments specified by OC LAFCO. The Commission shall review the investment program quarterly.

B. Investment Objectives

The specific objectives for all funds invested as defined by this policy are listed in priority order as follows:

1. Safety of Principal

The preservation of principal is of primary importance. Each transaction shall seek to ensure that capital losses are avoided.

2. Legality

Each transaction and the entire investment program must comply with the California Government Code and OC LAFCO's investment policy as defined herein.

3. Liquidity

The invested funds should remain sufficiently flexible to enable OC LAFCO to meet all operating requirements which may be reasonably anticipated.

The managing of OC LAFCO investments shall be subject to the prudent investor standard, a standard of conduct requiring that any investment be made with care, skill, prudence, and diligence in order to safeguard agency funds and maintain the liquidity needs of the agency.

C. Return on Investment

Investments shall be undertaken to produce an acceptable rate of return after first considering safety of principal and liquidity and the prudent investor standard.

Authority to manage OC LAFCO's investment program is delegated to the OC LAFCO Commission. Management Responsibility is hereby delegated to the Executive Committee and the Executive Officer under the direction of the full OC LAFCO Commission.

D. Authorized Investments

Agency funds are not required for the immediate needs of OC LAFCO but may be invested as follows:

- Investment Funds
Agency funds not required for immediate needs of OC LAFCO may be remitted to the State Local Agency Investment Fund (LAIF) for the purpose of investment (Government Code Section 16429.1).
- Section 115 Public Agencies Post-Employment Benefits Trust
Agency funds from excess cash net income and not required for immediate needs of OC LAFCO may be deposited to the benefits trust account managed through an agreement with the Public Agency Retirement Services (PARS). The account is established for agency contributions and lowering of the agency's overall net pension expenses. The annual transfer to the benefits trust account must not exceed fifty percent (50%) of the excess cash net income at fiscal year- end, unless approved by the Commission.
- Other Investments
Other investments are permitted by Government Code Section 53600 may be made subject to prior approval of the Commission and may include the following:
 - U.S. Government and Agencies Obligations.
 - Negotiable Certificates of Deposit issued by a nationally or state-chartered bank, a state or federal savings and loan association, or a savings bank with ratings equivalent by Fitch to F1 or better.

As deemed appropriate, the Commission may, at any time, further restrict the securities approved for investment.

E. Reporting

The Executive Officer shall submit a quarterly report to the Commission showing investment activity, including yield and earnings and the status of cash by depository.

As part of the Commission's annual audit, the independent auditor shall also evaluate investment performance and conduct an operations audit. The purpose of these examinations shall be to obtain suggestions for improved future performance and to verify that investments has been done in accordance with the policy and all applicable laws.

2.15 FIXED ASSET MANAGEMENT

A. Capitalization Policy

Physical assets acquired with unit costs in excess of \$2,000 are capitalized as fixed assets on the financial statements. Items with unit costs below this threshold shall be expensed in the year purchased.

Capitalized fixed assets are accounted for at their historical cost and all such assets, except land, are subject to depreciation over their estimated useful lives, for government-wide financial statements in accordance with GASB Statement No. 34.

B. Contributed Assets

Assets with fair market values in excess of \$2,000 (per unit) that are contributed to OC LAFCO shall be capitalized as fixed assets on the financial statements. Contributed items with market values below this threshold shall be expensed in the year contributed.

Capitalized contributed assets are accounted for at their market value at the time of donation and all such assets, except land, are subject to depreciation for government-wide financial statements.

C. Establishment and Maintenance of a Fixed Asset Listing

All capitalized fixed assets shall be recorded in a property log. This log shall include the following information with respect to each asset:

1. Date of acquisition.
2. Cost
3. Description (including color, model, and serial number)
4. Location of asset
5. Depreciation method
6. Estimated useful life

A physical inventory of all assets capitalized under the preceding policies will be taken on an annual basis by OC LAFCO. This physical inventory shall be reconciled to the property log and adjustments made as necessary. All adjustments resulting from this reconciliation will be approved by the Executive Officer.

D. Depreciation and Useful Lives

All capitalized assets are maintained in the special fixed assets account group. Fixed assets are depreciated over their estimated useful lives using the straight- line method only when presenting government-wide financial statements. Fund financial statements do not include fixed assets or depreciation.

In the year of acquisition, depreciation is recorded based on the number of months the asset is in service, counting the month of acquisition as a full month (Example: an asset purchased on the 15th day of the fifth month shall have eight full months of

depreciation (eight-twelfths of one year) recorded for that year).

Estimated useful lives of capitalized assets shall be determined by the Executive Officer. The following is a list of the estimated useful lives of each category of fixed asset for depreciation purposes:

Furniture and fixtures	Up to 10 yrs.
General office equipment	5 yrs.
Computer hardware and peripherals	3-5 yrs.
Computer software	2-3 yrs.
Leased assets	Life of Lease

For accounting and interim financial reporting purposes, depreciation expense will be calculated on an annual basis in conjunction with the annual audit.

E. Repairs of Fixed Assets

Expenditures to repair capitalized assets shall be expensed as incurred if the repairs do not materially add to the value of the property or materially prolong the estimated useful life of the property.

Expenditures to repair capitalized assets shall be capitalized if the repairs increase the value of property, prolong its estimated useful life, or adapt it to a new or different use. Such capitalized repair costs shall be depreciated over the remaining estimated useful life of the property. If the repairs significantly extend the estimated useful life of the property, the original cost of the property shall also be depreciated over its new, extended useful life.

F. Dispositions of Fixed Assets

In the event a non-expendable asset is sold, scrapped, donated or stolen, adjustments need to be made to the fixed asset listing and property log.

2.16 ACCRUED LIABILITIES

A. Identification of Liabilities

The accounting department shall establish a list of commonly incurred expenses that may have to be accrued at the end of an accounting period. Some of the expenses that shall be accrued by OC LAFCO at the end of an accounting period are:

1. Salaries and wages
2. Payroll taxes
3. Vacation pay

4. Facility expenses payable to the County

In addition, OC LAFCO shall record a liability for deferred revenue (revenue received but not yet earned) in accordance with the revenue recognition policies described elsewhere in this manual.