



Financial Statements
June 30, 2022 and 2021

Orange County Fringe Benefits Joint Powers Authority

Orange County Fringe Benefits Joint Powers Authority

Buena Park, California

Board of Directors

June 30, 2022

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Independent Auditor's Report

The Board of Directors
Orange County Fringe Benefits Joint Powers Authority
Buena Park, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Orange County Fringe Benefits Joint Powers Authority (OCFBJPA) which comprise the statements of net position as of June 30, 2022 and 2021, and the related statements of revenues, expenses, and change in net position, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the OCFBJPA as of June 30, 2022, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 OCFBJPA and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 they are conditions or events, considered in the aggregate, that raise substantial doubt about OCFBJPA'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 opinion. 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, we:

- Exercise professional judgement 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 including 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 OCFBJPA'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about OCFBJPA'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 were identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 4 through 11 and the ten-year claims development information on pages 21 through 22, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 11, 2022 on our consideration of OCFBJPA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of OCFBJPA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OCFBJPA's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California
October 11, 2022

The following report reflects on the financial condition of as of Orange County Fringe Benefits Joint Powers Authority (OCFBJPA) and for the fiscal years ended June 30, 2022 and June 30, 2021. It discusses OCFBJPA's financial operations and analyzes the significant financial changes from the prior year. Readers should review the financial management information report and independent financial audit in conjunction with this report to enhance their understanding of OCFBJPA's financial performance.

Introduction and Background

Orange County Fringe Benefits Joint Powers Authority (OCFBJPA) was established under a Joint Exercise of Power Agreement effective January 1, 1987, to provide school district members with the capability of self-funding medical, dental, and vision benefits that are stable and cost effective. OCFBJPA includes 5 school districts in Orange County and covers more than 3,360 employees and their dependents.

With a strong commitment to self-funding and controlling costs, OCFBJPA has offered a stable rate structure over its years of operation. After October 31, 2003 this program has essentially become a self-funded Dental and Vision JPA due to the withdrawal of members from the medical program.

Membership

OCFBJPA's membership includes 5 members from Orange County for dental and vision insurance programs. Membership includes 3 School Districts, 1 Community College District, and 1 Regional Occupational Program (ROP).

Services and Programs

There are currently three members in the vision program and four in the dental program. OCFBJPA participates in the California Dental Coalition and the Vision Service Plan (VSP) Coalition, which due to their size and purchasing power, provides the benefit of a reduced administration fee from Delta Dental and VSP. Delta Dental and VSP pay and administer the claims. Keenan & Associates as the dental and vision consultant oversees the eligibility and billing process.

Financial Management and Control

OCFBJPA is responsible in establishing and maintaining an internal control structure designed to ensure that assets are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for preparation of financial statements in conformity with generally accepted accounting principles (GAAP).

OCFBJPA has contracted with Keenan & Associates for administrative management responsibilities, which include ensuring that OCFBJPA meets its commitment to its members, for operational efficiency and organizational integrity, for implementing policies established by the Board of Directors (BOD), as set forth in organizational documents and bylaws. Service Enhancement Technologies (SETECH) a Division of Keenan & Associates provides financial management and reporting to the Board. Budgetary control is provided by verification of budgeted amounts prior to expenses and analysis of all account totals compared to budgeted amounts. Detailed financial statements include budget-to-actual comparisons. A comprehensive financial management information report is provided quarterly and is the basis for the independent financial audit.

Eide Bailly LLP, Certified Public Accountants, have performed an independent audit examination of the financial statements in accordance with generally accepted auditing standards.

In compliance with AB1200 OCFBJPA contracts with an independent actuarial firm every three year to evaluate the adequacy of their reserves. The last AB1200 study was perform by Total Compensation Systems (TCS). This study confirms the adequacy and reasonableness of the liabilities recorded as outstanding Incurred but Not Paid (IBNP) and Unallocated Loss Adjustment Expense (ULAE) costs for all program years.

Description of the Financial Statements

OCFBJPA's financial statements are prepared in conformity with generally accepted accounting principles and necessarily include amounts based upon reliable estimates and judgments. Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, and the Statements of Cash Flows are included.

The Statements of Net Position provides information on OCFBJPA's program assets and liabilities, with the difference reported as Designated/Undesignated Net Position as of June 30, 2022 and 2021. The Statements of Revenues, Expenses and Changes in Net Position presents information showing total revenues versus total expenses for fiscal years 2021-2022 and 2020-2021 and the resulting effect on Net Position. The Statements of Cash Flows provides a reconciliation of the change during the fiscal years 2021-2022 and 2020-2021 in cash and cash equivalents.

OCFBJPA operates on a program and fiscal year from July 1st through June 30th and calculates the financial position of each program year on the basis that each year stands on its own. Specifically, that means that the funding determined necessary for each claim year is collected in that claim year, and all liabilities and expenses of each claim year are accounted for in the year they are incurred.

Orange County Fringe Benefits Joint Powers Authority
Management's Discussion and Analysis
June 30, 2022 and 2021

FINANCIAL ANALYSIS

Condensed Financial Information Statement of Net Position

Below is a summary of the Statements of Net Position showing total assets versus total liabilities with a percentage of change from the 2020-2021 to the 2021-2022 program year.

	Balances as of June 30,		Difference	Percentage
	2022	2021		
Current Assets				
Deposits and investments	\$ 3,802,277	\$ 3,556,493	\$ 245,784	6.91 %
Accounts/interest receivable	9,697	2,684	7,013	261.29
Total assets	\$ 3,811,974	\$ 3,559,177	\$ 252,797	7.10 %
Current Liabilities				
Accounts payable and unearned revenue	\$ 150,772	\$ 127,229	\$ 23,543	18.50 %
Claim Liabilities	184,701	182,267	2,434	1.34
Total liabilities	335,473	309,496	25,977	8.39
Total net position	3,476,501	3,249,681	226,820	6.98 %
Total liabilities and net position	\$ 3,811,974	\$ 3,559,177	\$ 252,797	7.10 %

Orange County Fringe Benefits Joint Powers Authority
Management's Discussion and Analysis

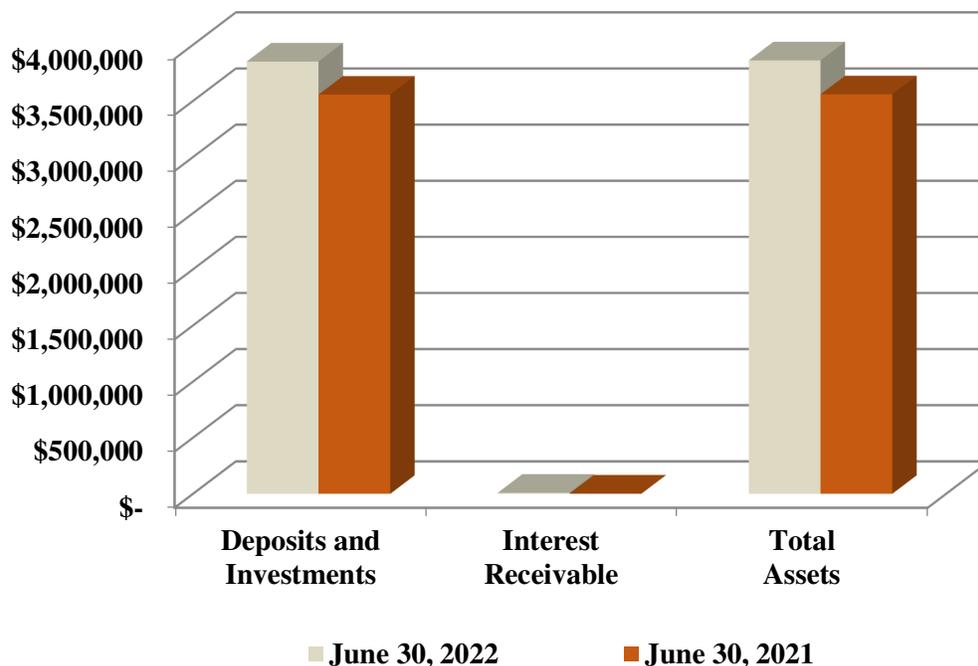
June 30, 2022 and 2021

Assets

The overall assets of OCFBJPA increased by \$252,797 or 7.10%, the deposits and investments increased by \$245,784 or 6.91%, and accounts/interest receivable increased by \$7,013 or 261.29%. The most significant reason for the increase from June 30, 2021 of \$3,559,177 to June 30, 2022 of \$3,811,974 is due to Program Year 2021-2022 revenues exceeding claims and claim administration expenditures of \$431,946 for Delta Dental and VSP as shown in the actual cost as a percentage of original net contributions by program year of 87.98% for Delta Dental and 79.20% for VSP, which are offset by net accounts payable and unearned revenue activities of \$25,543, a return of net position to withdrawn members of \$103,148, unfunded administrative expenses of \$63,238 and net investment income earned with fair value of \$36,306

OCFBJPA invests funds not immediately necessary for the payment of operating expense to optimize the rate of return through Local Agency Investment Fund (L.A.I.F.) in Sacramento, California, which is administered by the State Treasurer's Office. Funds are invested in a manner that will protect principal, allow for cash flow needs and optimize returns, and are in conformity with all federal, state, and local statutes governing such investment of public funds.

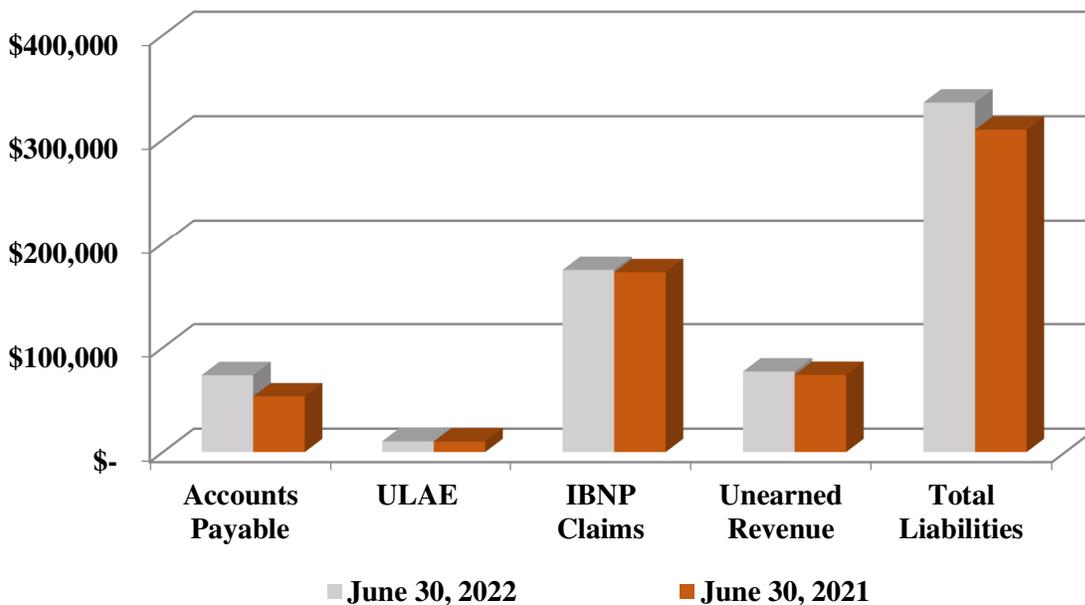
This increase in assets can be seen below for 2021-2022 and 2020-2021.



Liabilities

The liabilities of OCFBJPA increased in 2021-2022 by \$25,977 or 8.39%. This is mainly attributed to an increase in net accounts payable and unearned revenue activities of \$23,543. The claims experience is also a factor that resulted an increase to the claim liabilities and unallocated adjustment expense of \$2,434.

This increase can be seen in the chart below from 2021-2022 and 2020-2021.



Net Position

OCFBJPA's Statements of Net Position reflects the Undesignated Net Position of \$2,698,604 and a Designated Capital Target of \$777,897. OCFBJPA's net position increased by \$226,820 or 6.98%. This increase to the net position is primarily attributed to the Program Year 2021-2022 revenues exceeding claims and claim administration expenditures of \$431,946 for Delta Dental and VSP, which are offset by unfunded administrative expenses of \$63,238 a return of net position to withdrawn members of \$103,148, net investment income earned with fair value of \$36,306 along with an increase in claim liabilities and unallocated loss adjustment expense of \$2,434.

OCFBJPA has adopted a Capital Target policy that is reviewed annually based upon the adopted annual budget and is calculated using the annual actual claims multiplied by 25% this is an increase of the prior calculation of 8%. The capital target policy which is reviewed annually requires an evaluation of the net position overall as well as by individual program years. Member distributions are calculated using the audited year-end financial statements. The Statements of Net Position reflects the capital target reserve and the amount available above the capital target.

Orange County Fringe Benefits Joint Powers Authority
Management's Discussion and Analysis
June 30, 2022 and 2020

Statements of Revenues, Expenses, and Changes in Net Position

Revenues exceeded expenses by \$226,820 in 2021-2022, resulting in a net increase to the Fund Net Position of 6.98% as shown in the Condensed Statements of Revenues, Expenses, and Changes in Net Position shown below.

	Balances as of June 30,		Variance	Percentage
	2022	2021		
Operating Revenues				
Contributions	\$ 3,342,876	\$ 3,287,482	\$ 55,394	1.68 %
Total operating revenues	<u>3,342,876</u>	<u>3,287,482</u>	<u>55,394</u>	<u>1.68</u>
Operating Expenses				
Administrative expenses	273,716	281,978	(8,262)	(2.93)
Other insurance	<u>2,702,886</u>	<u>2,854,488</u>	<u>(151,602)</u>	<u>(5.31)</u>
Total administrative expenses	<u>2,976,602</u>	<u>3,136,466</u>	<u>(159,864)</u>	<u>(5.10)</u>
Nonoperating Revenues				
Withdrawn member	(103,148)	(174,262)	71,114	(40.81)
Late fees	-	-	-	-
Net increase/decrease in fair value	(49,422)	-	(49,422)	-
Net investment income	<u>13,116</u>	<u>18,785</u>	<u>(5,669)</u>	<u>(30.18)</u>
Total nonoperating revenues	<u>(139,454)</u>	<u>(155,477)</u>	<u>16,023</u>	<u>(10.31)</u>
Change in Net Position	226,820	(4,461)	231,281	(5,184.51)
Beginning Net Position	<u>3,249,681</u>	<u>3,254,142</u>	<u>(4,461)</u>	<u>(0.14)</u>
Ending Net Position	<u>\$ 3,476,501</u>	<u>\$ 3,249,681</u>	<u>\$ 226,820</u>	<u>6.98 %</u>

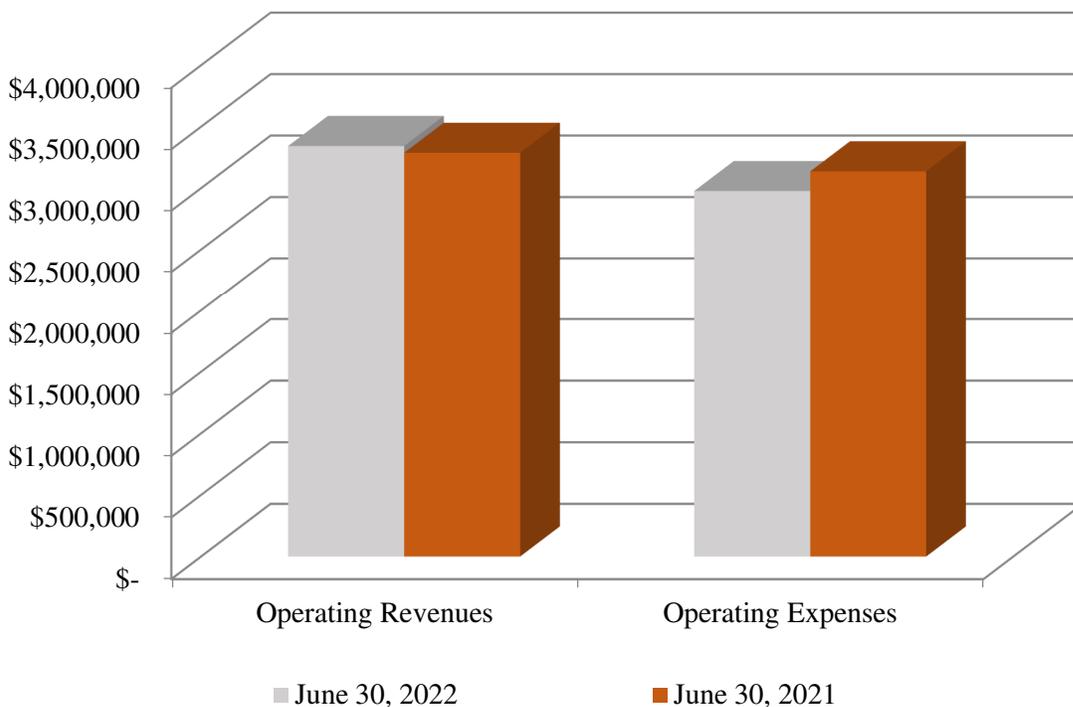
Revenues

Pool operating revenues consist mainly of contributions received from members. Member Contributions increased by 1.68% from \$3,287,482 in 2020-2021 to \$3,342,876 in 2021-2022. The annual funding renewal process determines member contributions rates. As a part of the renewal funding process the BOD adopts recommended percentage rate changes increases or decreases annually. Adopted renewal funding for 2021-2022 for both Dental and Vision was a rate pass.

Expenses

Operating expenses, claims costs, and fully-insured premiums, and administrative expenses decreased by 5.10% in 2021-2022 from \$3,136,466 to \$2,976,602 due to a decrease in claims activity despite rate passes for Delta Dental and VSP beginning with each member renewal date.

Below is a graph that reflects operating income and expenses in 2021-2022 and 2020-2021.



Orange County Fringe Benefits Joint Powers Authority
Management's Discussion and Analysis
June 30, 2022 and 2021

Analysis of Significant Variations between Final Budget Amounts and Actual Amounts

Each year the OCFBJPA BOD approves a budget and establishes rates and funding levels for the program year. The preliminary budget is brought to the BOD in May or June, with a final budget to be approved by the BOD no later than November. The final budget incorporates any changes in assumptions or projections that have been subsequently made to the approval of the preliminary budget. OCFBJPA is not required to make mid-year budget adjustments.

Below is a summary of the budget information with a comparison to actual expenses:

	2021 - 2022			
	Adopted Budget	Actual Results	Variance	Percentage
Revenues				
Contributions	\$ 3,340,584	\$ 3,342,876	\$ 2,292	100.07
Withdrawn member	(5,139)	(103,148)	(98,009)	2,007.16
Net increase/decrease in fair value		(49,422)	(49,422)	-
Net investment income	49,586	13,116	(36,470)	26.45
Total revenues	3,385,031	3,203,422	(181,609)	94.63
Expenses				
Other Insurance	3,111,589	2,702,886	(408,703)	86.87
Administrative expense	322,467	273,716	(48,751)	84.88
Total expenses	3,434,056	2,976,602	(457,454)	86.68
Revenues in excess of expenses	<u>\$ (49,025)</u>	<u>\$ 226,820</u>	<u>\$ (275,845)</u>	<u>(462.66)</u>

Description of Facts or Conditions That are Expected to Have a Significant Effect on Financial Position or Results of Operations

At present, there are no known facts or conditions that are expected to have a significant effect on the financial position or results of operations.

Orange County Fringe Benefits Joint Powers Authority
 Statements of Net Position
 June 30, 2022 and 2021

	2022	2021
Assets		
Current assets		
Deposits and investments	\$ 3,802,277	\$ 3,556,493
Interest receivable	6,505	2,684
Accounts receivable	3,192	-
	3,811,974	3,559,177
Total assets		
Liabilities		
Current liabilities		
Overdraft	20,303	-
Due to members	53,363	53,360
Unearned revenue	77,106	73,869
Administrative runoff	10,318	10,159
Unpaid claims and claim adjustment expenses	174,383	172,108
	335,473	309,496
Total liabilities		
Net Position - Unrestricted	\$ 3,476,501	\$ 3,249,681

Orange County Fringe Benefits Joint Powers Authority
 Statements of Revenues, Expenses, and Change in the Net Position
 Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating Revenues		
Member contributions	\$ 3,342,876	\$ 3,287,482
Operating Expenses		
Claims paid	2,700,452	2,822,939
Provision for claims liability	2,275	29,782
Provision for administrative runoff	159	1,767
ASO fees	178,098	185,747
Administration expenses	32,380	31,962
Accounting and audit	26,657	25,857
Other administrative expenses	36,581	38,412
Total operating expenses	<u>2,976,602</u>	<u>3,136,466</u>
Operating income	<u>366,274</u>	<u>151,016</u>
Non-Operating Revenues (Expenses)		
Withdrawan member - return of net position	(103,148)	(174,262)
Unrealized loss in fair value of investments	(49,422)	
Interest	13,116	18,785
Net non-operating expenses	<u>(139,454)</u>	<u>(155,477)</u>
Change in Net Position	226,820	(4,461)
Net Position, Beginning of Year	<u>3,249,681</u>	<u>3,254,142</u>
Net Position, End of Year	<u>\$ 3,476,501</u>	<u>\$ 3,249,681</u>

Orange County Fringe Benefits Joint Powers Authority

Statements of Cash Flows

Years Ended June 30, 2022 and 2021

	2022	2021
Operating Activities		
Cash received from members and others	\$ 3,342,921	\$ 3,284,606
Cash paid for claims and settlements	(2,700,452)	(2,824,706)
Cash paid to suppliers for goods and services	(253,410)	(305,691)
Net Cash Provided by Operating Activities	389,059	154,209
Investing Activities		
Interest Income	(40,127)	27,429
Financing Activities		
Return of member net position	(103,148)	(174,262)
Net Change in Cash and Cash Equivalents	245,784	7,376
Cash and Cash Equivalents, Beginning of Year	3,556,493	3,549,117
Cash and Cash Equivalents, End of Year	\$ 3,802,277	\$ 3,556,493
Reconciliation of Operating Income to Net		
Cash Provided by Operating Activities		
Operating income	\$ 366,274	\$ 151,016
Adjustments to reconcile operating income to net cash provided by operating activities		
Changes in assets and liabilities:		
Receivables	(3,192)	5,664
Accounts payable and unearned revenues	23,543	(34,020)
Claims and ULAE liabilities	2,434	31,549
Total adjustments	22,785	3,193
Net Cash Provided by Operating Activities	\$ 389,059	\$ 154,209

Note 1 - Summary of Significant Accounting Policies

The Orange County Fringe Benefits Joint Powers Authority (OCFBJPA) accounts for its financial transactions in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants.

Reporting Entity

OCFBJPA was established for the purpose of providing the services and other items necessary and appropriate for the establishment, operation, and maintenance of a self-insurance system for employee health and welfare benefit claims for the public educational agencies who are members. OCFBJPA was established and operates pursuant to a Joint Powers Agreement and became operative January 1, 1987. Effective October 1, 2006, Westminster School District withdrew its membership in OCFBJPA, effective October 1, 2008, Ocean View School District withdrew its membership in OCFBJPA, effective October 1, 2009, Savanna School District withdrew its membership in OCFBJPA, effective July 1, 2012, Coastline Regional Occupational Program withdrew its membership in OCFBJPA, and effective October 1, 2012, Huntington Beach City School District became a member of OCFBJPA, Brea-Olinda Unified Schools District withdrew its membership in OCFBJPA, effective October 1, 2018. La Habra City School District withdrew from the program, effective January 1, 2021.

OCFBJPA is governed by a board whose members are appointed by the participating members' governing boards and have decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

OCFBJPA includes all funds and account groups that are controlled by or dependent on OCFBJPA's governing board for financial reporting purposes. OCFBJPA has considered all potential component units in determining how to define the reporting entity, using criteria set forth in accounting principles generally accepted in the United States of America. OCFBJPA determined that there are no potential component units that meet the criteria for inclusion within the reporting entity.

Basis of Accounting

The accompanying financial statements are presented as a proprietary fund on the accrual basis of accounting in accordance with Governmental Generally Accepted Accounting Principles. Under the accrual basis, revenues and the related assets are recognized when earned, and expenses and related liabilities are recognized when the obligation is incurred. Operating revenues include member contributions net of any applicable rate credits. Operating expenses include the provision for claims and claims adjustment expenses, insurance premiums, premium rebates, and general and administrative expenses. All other revenues and expenses are considered non-operating.

Budget and Budgetary Accounting

Annually, the Board of Directors adopts a budget that is subject to amendment throughout the year to give consideration to unanticipated revenue and expenses primarily resulting from events unknown at the time of budget adoption.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Member Contributions

Each member's contribution is determined based upon the number of plan participants and the contribution rate for each classification of covered participant. The rates for each member are determined based on each member's loss history, unusual exposures, and other pertinent information. If the total obligations would exceed the total assets of OCFBJPA, the members may be assessed additional contributions.

Unearned Revenue

Member contributions received in advance are recorded as unearned revenue and recognized over the effective coverage period.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with original maturities of three months or less. For purposes of the cash flow statement, deposits with the State Investment Pool Local Agency Investment Fund (LAIF) are considered cash equivalents.

Accounts Receivables

Receivables generally includes investment earnings from deposits with the Local Agency Investment Fund, member contributions, and insurance recoveries. Management has analyzed these accounts and believes all amounts are fully collectible.

Income Taxes

OCFBJPA's income is exempt from Federal and State income taxes under Internal Revenue Code Section 115, and the corresponding section of the California Revenue and Taxation Code.

Change in Accounting Principles

Implementation of GASB Statement No. 92

In January 2020, the GASB issued Statement No. 92, Omnibus 2020. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following that is applicable to the JPA: reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers.

The provisions of this Statement have been implemented as of June 30, 2022.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2022 and 2021, consist of the following:

	2022	2021
Cash on hand and in banks	\$ 262	\$ 158
Cash deposits	12,830	27,859
Investments - State Investment Pool	3,789,185	3,528,476
Total deposits and investments	\$ 3,802,277	\$ 3,556,493

Policies and Practices

OCFBJPA is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in the State Investment Pool

OCFBJPA is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of OCFBJPA's investment in the pool is reported in the accompanying financial statement at amounts based upon OCFBJPA's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis. The LAIF has average weighted maturity of 311 days. For additional information visit LAIF's website at: www.treasurer.ca.gov/pmia-laif.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The OCFBJPA manages its exposure to interest rate risk by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Credit Risk

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 rating by a nationally recognized statistical rating organization. OCFBJPA's investments in the Local Agency Investment Fund are not required to be rated.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, OCFBJPA's deposits may not be returned to it. OCFBJPA does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2022, and 2021, OCFBJPA's bank balances of \$12,830 and \$27,859, respectively, were exposed to custodial credit risk because they were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of OCFBJPA.

Note 3 - Estimated Claims Liability

The liability for claims was established by the plan administrator based on the study of claims experience prior to year-end. The claims liability is reviewed on a monthly basis by the plan administrator and is revised as necessary.

In general, loss development patterns are developed based on claims experience by type of coverage. This information is then applied to the estimate of the number of claims incurred prior to year-end to arrive at the current year claims liability. The calculations are based on estimates that may fluctuate from period to period based upon changes in information or additional information becoming available from time to time.

Orange County Fringe Benefits Joint Powers Authority

Notes to Financial Statements

June 30, 2022 and 2021

Note 4 - Claims Liability

The following represents changes in the claims liabilities of OCFBJPA for the fiscal years ended:

	June 30,	
	2022	2021
Claims Liability, Beginning of Fiscal Year	\$ 172,108	\$ 142,326
Incurred Claims:		
Provision for insured events of the current fiscal year	2,702,727	2,852,721
Payments:		
Losses attributable to insured events of the current fiscal year	2,526,069	2,680,613
Losses attributable to insured events of prior fiscal years	174,383	142,326
Total payments	2,700,452	2,822,939
Claims Liability, End of Fiscal Year	\$ 174,383	\$ 172,108

Claims liabilities are not discounted at June 30, 2022 and 2021.

Note 5 - Net Position

Net position is composed of the following elements as of June 30, 2022 and 2021:

	2022	2021
Unrestricted		
Designated - capital target	\$ 777,897	\$ 818,081
Undesignated	2,698,604	2,431,600
Total net position	\$ 3,476,501	\$ 3,249,681



Required Supplementary Information
June 30, 2022

Orange County Fringe Benefits Joint Powers Authority

The following table illustrates how OCFBJPA's earned revenue (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by OCFBJPA as of the end of each of the past years. The rows of the table are defined as follows:

1. This line shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.
2. This line shows each fiscal year's other operating costs of OCFBJPA including overhead and claims expense not allocable to individual claims.
3. This line shows OCFBJPA's gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and allocated adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called *policy year*).
4. This section of rows shows the cumulative net amounts paid as of the end of successive years for each policy year.
5. This line shows the latest re-estimated amount of claims assumed by reinsurers as of the end of the current year for each accident year.
6. This section of rows shows how each policy year's net incurred claims increased or decreased as of the end of successive years. (This annual re-estimation results from new information received on known claims, reevaluation of existing information on known claims, and emergence of new claims not previously known).
7. This line compares the latest re-estimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought.

As data for individual policy years mature, the correlation between original estimates and re-estimated amounts commonly is used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

Orange County Fringe Benefits Joint Powers Authority

Ten-Year Claims Development Information

June 30, 2022

	June 30,				
	2013	2014	2015	2016	2017
(1) Required contribution and investment revenue:					
Earned	\$ 3,908,415	\$ 3,947,378	\$ 3,903,650	\$ 3,776,772	\$ 3,969,964
Ceded	-	-	-	-	-
Net earned	<u>3,908,415</u>	<u>3,947,378</u>	<u>3,903,650</u>	<u>3,776,772</u>	<u>3,969,964</u>
(2) Unallocated expenses	<u>298,777</u>	<u>304,666</u>	<u>266,618</u>	<u>270,280</u>	<u>290,520</u>
(3) Estimated claims and expenses					
End of policy year					
Net incurred	<u>3,058,628</u>	<u>3,159,754</u>	<u>3,118,427</u>	<u>3,162,199</u>	<u>3,408,234</u>
(4) Net paid (cumulative) as of:					
End of policy year	2,848,565	2,961,600	2,921,154	2,969,251	3,181,226
One year later	3,058,628	3,159,754	3,118,427	3,162,199	3,194,182
Two years later	3,058,628	3,159,754	3,118,427	3,162,199	3,194,182
Three years later	3,058,628	3,159,754	3,118,427	3,162,199	3,194,182
Four years later	3,058,628	3,159,754	3,118,427	3,162,199	3,194,182
Five years later	3,058,628	3,159,754	3,118,427	3,162,199	3,194,182
Six years later	3,058,628	3,159,754	3,118,427	3,162,199	
Seven years later	3,058,628	3,159,754	3,118,427		
Eight years later	3,058,628	3,159,754			
Nine years later	<u>3,058,628</u>				
(5) Re-estimated ceded claims and expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(6) Re-estimated net incurred claims and expenses:					
End of policy year	3,058,628	3,159,754	3,118,427	3,162,199	3,408,234
One year later	3,058,628	3,159,754	3,118,427	3,162,199	3,194,182
Two years later	3,058,628	3,159,754	3,118,427	3,162,199	3,194,182
Three years later	3,058,628	3,159,754	3,118,427	3,162,199	3,194,182
Four years later	3,058,628	3,159,754	3,118,427	3,162,199	3,194,182
Five years later	3,058,628	3,159,754	3,118,427	3,162,199	3,194,182
Six years later	3,058,628	3,159,754	3,118,427	3,162,199	
Seven years later	3,058,628	3,159,754	3,118,427		
Eight years later	3,058,628	3,159,754			
Nine years later	<u>3,058,628</u>				
(7) Increase (decrease) in estimated incurred claims and expenses from end of policy year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (214,052)</u>

Orange County Fringe Benefits Joint Powers Authority

Ten-Year Claims Development Information

June 30, 2022

	June 30,				
	2018	2019	2020	2021	2022
(1) Required contribution and investment revenue:					
Earned	\$ 4,026,708	\$ 3,079,247	\$ 3,332,682	\$ 3,132,005	\$ 3,203,422
Ceded	-	-	-	-	-
Net earned	<u>4,026,708</u>	<u>3,079,247</u>	<u>3,332,682</u>	<u>3,132,005</u>	<u>3,203,422</u>
(2) Unallocated expenses	<u>282,410</u>	<u>280,142</u>	<u>255,379</u>	<u>283,745</u>	<u>273,875</u>
(3) Estimated claims and expenses					
End of policy year					
Net incurred	<u>3,356,265</u>	<u>2,937,355</u>	<u>2,416,308</u>	<u>2,852,721</u>	<u>2,702,727</u>
(4) Net paid (cumulative) as of:					
End of policy year	3,348,794	2,746,883	2,263,543	2,680,613	2,680,105
One year later	3,582,738	2,935,373	2,405,869	2,854,996	
Two years later	3,816,682	3,123,863	2,548,195		
Three years later	4,050,626	3,312,353			
Four years later	4,284,570				
Five years later					
Six years later					
Seven years later					
Eight years later					
Nine years later					
(5) Re-estimated ceded claims and expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(6) Re-estimated net incurred claims and expenses:					
End of policy year	3,356,265	2,937,355	2,416,308	2,852,721	2,702,727
One year later	3,356,265	2,937,355	2,416,308	2,852,721	
Two years later	4,050,626	3,123,863	2,416,308		
Three years later	4,050,626	3,123,863			
Four years later	4,050,626				
Five years later					
Six years later					
Seven years later					
Eight years later					
Nine years later					
(7) Increase (decrease) in estimated incurred claims and expenses from end of policy year	<u>\$ 694,361</u>	<u>\$ 186,508</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



Independent Auditor's Report
June 30, 2022

**Orange County Fringe Benefits Joint
Powers Authority**



**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

The Board of Directors
Orange County Fringe Benefits Joint Powers Authority
Buena Park, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Orange County Fringe Benefits Joint Powers Authority (OCFBJPA), which comprise the statement of net position as of June 30, 2022, and the related statement of revenues, expenses, changes in net position, and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated October 11, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered OCFBJPA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OCFBJPA's internal control. Accordingly, we do not express an opinion on the effectiveness of OCFBJPA'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weakness or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying Schedule of Financial Statement Findings, as item 2022-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether OCFBJPA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying

OCFBJPA's Response to Findings

OCFBJPA's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. OCFBJPA's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California
October 11, 2022



Schedule of Financial Statement Findings
June 30, 2022

Orange County Fringe Benefits Joint Powers Authority

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted?	No

The following finding represents a material weakness related to the financial statements that is required to be reported in accordance with Government Auditing Standards.

2022-001 Fair Market Value Adjustment (GASB 31)

Criteria or Specific Requirements

Management is responsible for the design, implementation, and maintenance of internal controls to ensure that the financial statements are free from material misstatement, whether due to error or fraud. Such internal controls should include a review of all adjusting journal entries and reclassifying journal entries used in the preparation of the JPA's financial statements. Additionally, the JPA should ensure that all applicable accounting principles are adhered to when preparing the financial statements.

Condition

During the course of our engagement, we identified a material misstatement of balance presented within the JPA's 2022 financial statements. The description of the misstatement is as follows:

- The JPA over reported its year-end cash equivalent balance in the amount of \$49,422. Specifically, the amount was associated with fair market value basis reporting of State Investment Pool (LAIF), as required by GASB 31.

Context

The condition was identified through inquiry with SETECH personnel and through review of available JPA records related to balances reported in the JPA's 2022 financial statements.

Effect

The effect of these errors resulted in a misstatement in the JPA's 2022 financial statements. The JPA's ending fund balance was overstated by \$49,422 as of June 30, 2022.

Cause

The condition identified appears to be caused by the incomplete evaluation of certain transactions related to year-end closing and also attributed to the significant change in market conditions related to investments.

Recommendation

In light of the condition identified, the JPA should implement a process to evaluate the State Investment Pool's market value basis compared to its cost basis at year-end. This would allow the JPA to recognize the change in value for financial reporting purposes.

Corrective Action Plan/Views of Responsible Officials

SETECH will review the State Investment Pool's June investment report annually and record the pool's market value basis as part of year-end closing process moving forward.

Orange County Fringe Benefits Joint Powers Authority
Summary Schedule of Prior Audit Findings
June 30, 2022

There were no prior year findings.