ORANGE COUNTY FRINGE BENEFITS
JOINT POWERS AUTHORITY

ANNUAL FINANCIAL REPORT

JUNE 30, 2016 AND 2015

ORANGE COUNTY FRINGE BENEFITS JOINT POWERS AUTHORITY

(A Joint Powers Authority)

JUNE 30, 2016

PARTICIPATING MEMBERS

MEMBER	REPRESENTATIVE	OFFICE
Buena Park School District	Greg Magnuson	President
Brea Olinda Unified School District	Barbara Ott	Vice President
Fountain Valley School District	Cathie Abdel	Secretary
North Orange County Regional Occupational Program	Howard Burkett	Treasurer
Huntington Beach City School District	Jon Archibald	Member
La Habra City School District	Carol Argomaniz	Member
North Orange County Community College District	Terry Chambers	Member

ORANGE COUNTY FRINGE BENEFITS JOINT POWERS AUTHORITY
(A Joint Powers Authority)

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Orange County Fringe Benefits Joint Powers Authority (the Authority) as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the State Controller's *Minimum Audit Requirements for California Special Districts*, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Orange County Fringe Benefits Joint Powers Authority as of June 30, 2016 and 2015, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 and claims development information on pages 19 and 20 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2016, on our consideration of the Orange County Fringe Benefits Joint Powers Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Orange County Fringe Benefits Joint Powers Authority's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
September 30, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016 AND 2015

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, 2015 and June 30, 2016. It discusses OCFBJPA's financial operations and analyzes the significant financial changes from the prior year. Readers should review the 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 7 school districts in Orange County and covers more than 3,310 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. In program year 2003-2004 OCFBJPA experienced a change to its program structure and became primarily a Dental and Vision JPA.

Services and Programs

After October 31, 2003, the OCFBJPA program has essentially become a Dental and Vision JPA due to the withdrawal of members from the medical programs. There are currently two members remaining in the vision program and six in the dental program, with no remaining medical members. OCFBJPA participates in the California Dental Coalition and the Vision Service Plan (VSP) Coalition, which due to their increased 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.

Membership

OCFBJPA's membership includes 7 members from Orange County for dental and vision insurance programs. Membership includes 5 School Districts, 1 Community College District, and 1 Regional Occupational Program (ROP).

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, 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.

Vavrinek, Trine, Day & Co., 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 years 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 Basic 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. Statement of Net Position, Statements of Revenues, Expenses and Changes in Net Position, and the Statements of Cash Flows are included.

The Statement 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, 2015 and 2016. The Statement of Revenues, Expenses and Changes in Net Position presents information showing total revenues versus total expenses for fiscal years 2014-2015 and 2015-2016 and the resulting effect on Net Position. The Statement of Cash Flows provides a reconciliation of the change during the fiscal years 2014-2015 and 2015-2016 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.

Analysis of Overall Financial Position and Results of Operations

Condensed Financial Information Statement of Net Position

Below is a summary of the Statement of Net Position showing total assets versus total liabilities with a percentage of change from the 2014-2015 to the 2015-2016 program year.

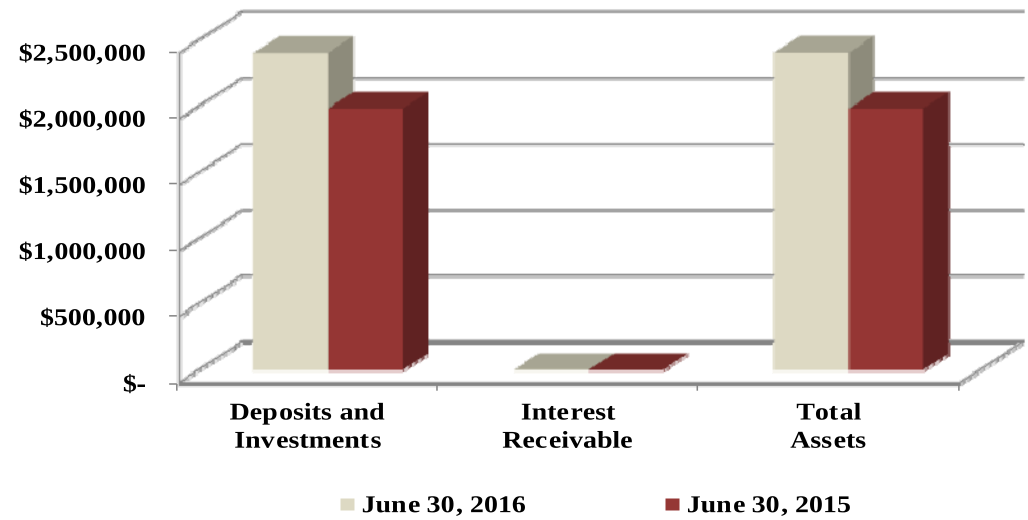
	Balances of June 30,			
	2016	**2015**	**Difference**	**Percentage**
Current Assets				
Deposits and Investments	$ 2,406,595	$ 1,985,011	$ 421,584	21.24 %
Accounts/Interest Receivable	2,902	1,256	1,646	131.05
Total Assets	$ 2,409,497	$ 1,986,267	$ 423,230	21.31 %
Current Liabilities				
Accounts Payable and Unearned Revenue	$ 137,183	$ 53,866	$ 83,317	154.67 %
Claim Liabilities	204,190	208,570	(4,380)	(2.10)
Total Liabilities	341,373	262,436	78,937	30.08
Total Net Position	2,068,124	1,723,831	344,293	19.97 %
Total Liabilities and Net Position	$ 2,409,497	$ 1,986,267	$ 423,230	21.31 %

Assets

The overall assets of OCFBJPA increased by $423,230 or 21.31 percent, deposits and investments increased by $421,584 or 21.24 percent accounts/interest receivable increased by $1,646. OCFBJPA retained a greater portion of their funding (cash) to pay future claims due to the better than anticipated claims experience in 2015-2016.

OCFBJPA invests funds not immediately necessary for the payment of operating expense in order 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.

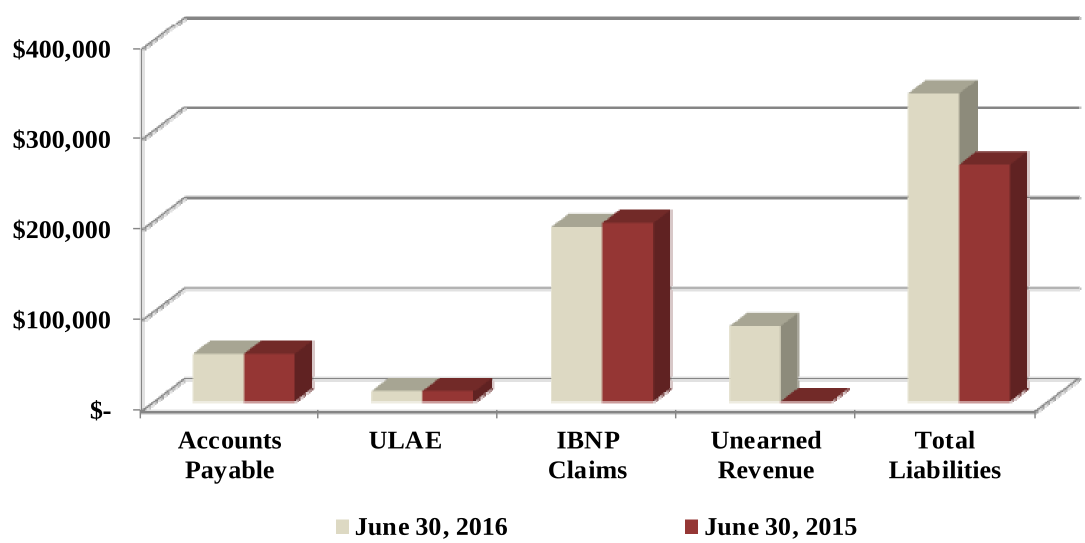
This increase in assets can be seen below for 2014-2015 and 2015-2016.



Liabilities

The liabilities of OCFBJPA increased in 2015-2016 by $78,937 or 30.08 percent. This is mainly attributed to an increase in Unearned Revenue of $83,317. The improved claims experience is a factor with decrease in IBNP and ULAE of $4,380.

This increase can be seen in the chart below from 2014-2015 and 2015-2016.



Designated Fund Net Position

OCFBJPA's Statement of Net Position reflects the Undesignated Net Position of $1,814,802 and a Designated Capital Target of $253,322. OCFBJPA's net position has increased by $344,293 or 19.97 percent. This increase to the net position is primarily attributed to better than anticipated claims experience in 2015-2016.

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 8 percent. The capital target policy 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 Statement of Net Position reflects the capital target reserve and the amount available above the capital target. Distributions are made by request and approval of the Treasurer.

Statements of Revenues, Expenses, and Changes in Net Position

Revenues exceeded Expenses by $344,293 in 2015-2016, resulting in a net increase to the Fund Net Position of 19.97 percent as shown in the Condensed Statement of Revenues, Expenses, and Change in Net Position shown below.

	Balances of June 30,			
	2016	2015	Variance	Percentage
Operating Revenues				
Contributions	$ 3,766,115	$ 3,899,598	$ (133,483)	(3.42) %
Operating Expenses				
Administrative Expense	270,335	266,791	3,544	1.33
Other Insurance	3,162,144	3,118,254	43,890	1.41
Total Administrative	3,432,479	3,385,045	47,434	1.40
Nonoperating Revenues				
Interest	10,657	4,052	6,605	163.01
Withdrawn Member	-	(2,829)	2,829	(100.00)
Total Nonoperating Revenues	10,657	1,223	9,434	771.38
Change in Net Position	344,293	515,776	(171,483)	(33.25)
Beginning Net Position	1,723,831	1,208,055	515,776	42.69
Ending Net Position	$ 2,068,124	$ 1,723,831	$ 344,293	19.97 %

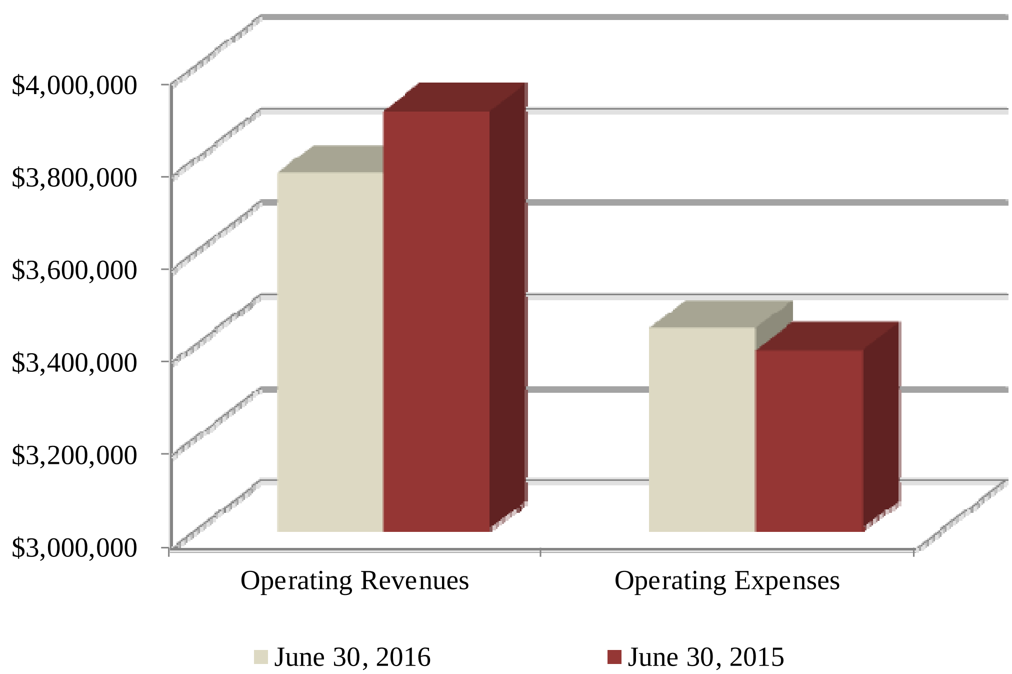
Revenues

Pool operating revenues consist mainly of contributions received from members. Member Contributions decreased by 3.42 percent from $3,899,598 to $3,766,155 in 2015-2016. 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 2015-2016 for Dental and Vision was a rate pass.

Expenses

Operating expenses, claims costs and fully-insured premiums, and administrative expenses increased by 1.40 percent in 2015-2016 to $3,432,479.

Below is a graph that reflects operating income and expense in 2014-2015 and 2015-2016.



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 made subsequent 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:

	2015 - 2016		
	Adopted Budget	**Actual Results**	**Variance**
Revenues			
Contributions	$ 3,864,264	$ 3,766,115	$ (98,149)
Net Investment Income	4,079	10,657	6,578
Total Revenues	3,868,343	3,776,772	(91,571)
Expenses			
Other Insurance	3,546,532	3,162,144	(384,388)
Administrative Expense	320,143	270,335	(49,808)
Total Expenses	3,866,675	3,432,479	(434,196)
Revenues in Excess of Expenses	$ 1,668	$ 344,293	$ 342,625

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
(A Joint Powers Authority)

STATEMENTS OF NET POSITION
JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
Current Assets		
Deposits and investments	$ 2,406,595	$ 1,985,011
Accounts receivable	2,902	1,256
Total Assets	2,409,497	1,986,267
LIABILITIES		
Current Liabilities		
Accounts payable	53,566	53,566
Unearned revenue	83,617	300
Administrative runoff	11,242	11,297
Unpaid claims and claim adjustment expenses	192,948	197,273
Total Liabilities	341,373	262,436
NET POSITION - UNRESTRICTED	$ 2,068,124	$ 1,723,831

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

ORANGE COUNTY FRINGE BENEFITS JOINT POWERS AUTHORITY
(A Joint Powers Authority)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
OPERATING REVENUES		
Contributions	$ 3,766,115	$ 3,899,598
OPERATING EXPENSES		
Claims paid	3,166,524	3,119,308
Credit for claims liability	(4,325)	(881)
Credit for administrative runoff	(55)	(173)
ASO fees	204,770	202,105
Administration expenses	37,292	36,785
Accounting and audit	22,800	22,000
AB 1200 Report	-	2,800
Other administrative expenses	5,473	3,101
Total Operating Expenses	3,432,479	3,385,045
Operating Income	333,636	514,553
NON-OPERATING REVENUES (EXPENSES)		
Return of member net position	-	(2,829)
Interest	10,657	4,052
Total Non-Operating Revenues	10,657	1,223
INCREASE IN NET POSITION	344,293	515,776
NET POSITION, BEGINNING OF YEAR	1,723,831	1,208,055
NET POSITION, END OF YEAR	$ 2,068,124	$ 1,723,831

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

ORANGE COUNTY FRINGE BENEFITS JOINT POWERS AUTHORITY
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STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from members and others	$ 3,849,432	$ 3,899,598
Cash paid for claims and settlements	(3,166,524)	(3,215,885)
Cash paid to suppliers for goods and services	(270,335)	(281,059)
Cash paid to members	-	(89)
Net Cash Provided by Operating Activities	412,573	402,565
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	9,011	3,529
CASH FLOWS FROM FINANCING ACTIVITIES		
Return of member net position	-	(2,829)
NET CHANGE IN CASH AND CASH EQUIVALENTS	421,584	403,265
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,985,011	1,581,746
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,406,595	$ 1,985,011
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 333,636	$ 514,553
Adjustments to reconcile operating income to net cash provided by operating activities		
Changes in Assets and Liabilities:		
Increase (Decrease) in accounts payable and unearned revenue	83,317	(110,934)
Decrease in claims and ULAE liabilities	(4,380)	(1,054)
Total Adjustments	78,937	(111,988)
Net Cash Provided by Operating Activities	$ 412,573	$ 402,565

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Orange County Fringe Benefits Joint Powers Authority (the Authority) 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

The Authority 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. The Authority was established and operates pursuant to a Joint Powers Agreement and became operative January 1, 1987. Effective November 1, 2006, Westminster School District withdrew its membership in the Authority, effective October 1, 2008, Ocean View School District withdrew its membership in the Authority, effective June 30, 2009, Savanna School District withdrew its membership in the Authority, effective June 30, 2012, Coastline Regional Occupational Program withdrew its membership in the Authority, and effective October 1, 2012, Huntington Beach City School District became a member of the Authority.

The Authority 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.

The Authority includes all funds and account groups that are controlled by or dependent on the Authority's governing board for financial reporting purposes. The Authority 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. The Authority 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.

Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority has elected to apply all applicable Opinions and Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The Authority has elected not to apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, when preparing the financial statements.

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 the Authority, 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 Local Agency Investment Fund are considered cash equivalents.

Accounts Receivable

Accounts receivable 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

The Authority'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

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The Authority has implemented the provisions of this Statement as of June 30, 2016.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The Authority has implemented the provisions of this Statement as of June 30, 2016.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement No. 31, as amended.

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

The Authority has implemented the provisions of this Statement as of June 30, 2016.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2016 and 2015, consist of the following:

	2016	2015
Cash on hand and in banks	$ 438	$ 196
Cash deposits	288,473	142,883
Investments - State Investment Pool	2,117,684	1,841,932
Total Deposits and Investments	$ 2,406,595	$ 1,985,011

Policies and Practices

The Authority 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

The Authority 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 the Authority's investment in the pool is reported in the accompanying financial statement at amounts based upon the Authority'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. For additional information visit LAIF's website at: www.treasurer.ca.gov/pmia-laif.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority 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 percent 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 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2016 and 2015, the Authority's bank balances of $288,473 and $142,883, respectively, was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of Orange County Fringe Benefits Joint Power Authority.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2016 and 2015, consist of the following:

	2016	2015
Interest income	$ 2,902	$ 1,256

NOTE 4 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2016 and 2015, consist of the following:

	2016	2015
Due members	$ 53,566	$ 53,566

NOTE 5 - ESTIMATED IBNR CLAIMS LIABILITY

The liability for incurred but not reported claims (IBNR) was established by the plan administrator based on the study of claims experience prior to year-end. The liability for IBNR claims 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.

NOTE 6 - CLAIMS LIABILITY

The following represents changes in the claims liability of the Authority for the fiscal years ended:

	June 30, 2016	June 30, 2015
Claims Liability, Beginning of Fiscal Year	$ 197,273	$ 198,154
Incurred Claims:		
Provision for insured events of the current fiscal year	3,162,199	3,118,427
Payments:		
Losses attributable to insured events of the current fiscal year	2,969,251	2,921,154
Losses attributable to insured events of prior fiscal years	197,273	198,154
Total Payments	3,166,524	3,119,308
Claims Liability, End of Fiscal Year	$ 192,948	$ 197,273

NOTE 7 - NET POSITION

Net position is composed of the following elements as of June 30, 2016 and 2015:

	2016	2015
Unrestricted		
Designated - capital target	$ 253,322	$ 249,544
Undesignated	1,814,802	1,474,287
Total Net Position	$ 2,068,124	$ 1,723,831

REQUIRED SUPPLEMENTARY INFORMATION

ORANGE COUNTY FRINGE BENEFITS JOINT POWERS AUTHORITY
(A Joint Powers Authority)

CLAIMS DEVELOPMENT INFORMATION
JUNE 30, 2016 AND 2015

The following table illustrates how the Authority'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 the Authority 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 the Authority including overhead and claims expense not allocable to individual claims.
(3) This line shows the Authority'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
(A Joint Powers Authority)

CLAIMS DEVELOPMENT INFORMATION
JUNE 30, 2016 AND 2015

TEN-YEAR CLAIMS DEVELOPMENT INFORMATION

	2007	2008	2009
(1) Required contribution and investment revenue:			
Earned	$ 3,865,838	$ 4,070,940	$ 3,527,406
Ceded	-	-	-
Net earned	3,865,838	4,070,940	3,527,406
(2) Unallocated expenses	378,788	386,018	350,411
(3) Estimated claims and expenses			
End of policy year			
Net incurred	3,686,580	3,740,856	3,703,235
(4) Net paid (cumulative) as of:			
End of policy year	3,358,281	3,426,046	3,462,149
One year later	3,673,091	3,717,905	3,754,008
Two years later	3,673,091	3,717,905	3,754,008
Three years later	3,673,091	3,717,905	3,754,008
Four years later	3,673,091	3,717,905	3,754,008
Five years later	3,673,091	3,717,905	3,754,008
Six years later	3,673,091	3,717,905	3,754,008
Seven years later	3,673,091	3,717,905	3,754,008
Eight years later	3,673,091	3,717,905	
Nine years later	3,673,091		
(5) Re-estimated ceded claims and expenses			
(6) Re-estimated net incurred claims and expenses:			
End of policy year	3,686,580	3,740,856	3,703,235
One year later	3,686,580	3,717,905	3,754,008
Two years later	3,673,091	3,717,905	3,754,008
Three years later	3,673,091	3,717,905	3,754,008
Four years later	3,673,091	3,717,905	3,754,008
Five years later	3,673,091	3,717,905	3,754,008
Six years later	3,673,091	3,717,905	3,754,008
Seven years later	3,673,091	3,717,905	3,754,008
Eight years later	3,673,091	3,717,905	
Nine years later	3,673,091		
(7) Increase (decrease) in estimated incurred claims and expenses from end of policy year	$ (13,489)	$ (22,951)	$ 50,773

June 30,						
2010	2011	2012	2013	2014	2015	2016
$ 3,276,710	$ 3,323,517	$ 3,538,499	$ 3,908,415	$ 3,947,378	$ 3,903,650	$ 3,776,772
-	-	-	-	-	-	-
3,276,710	3,323,517	3,538,499	3,908,415	3,947,378	3,903,650	3,776,772
327,893	311,203	294,627	298,777	304,666	266,618	270,280
3,018,720	3,066,607	2,884,570	3,058,628	3,159,754	3,118,427	3,162,199
2,726,861	2,817,946	2,671,579	2,848,565	2,961,600	2,921,154	2,969,251
3,241,175	2,774,748	2,897,394	3,058,628	3,159,754	3,118,427	
3,241,175	2,774,748	2,897,394	3,058,628	3,159,754		
3,241,175	2,774,748	2,897,394	3,058,628			
3,241,175	2,774,748	2,897,394				
3,241,175	2,774,748					
3,241,175						
3,018,720	3,066,607	2,884,570	3,058,628	3,159,754	3,118,427	3,162,199
3,241,175	2,774,748	2,897,394	3,058,628	3,159,754	3,118,427	
3,241,175	2,774,748	2,897,394	3,058,628	3,159,754		
3,241,175	2,774,748	2,897,394	3,058,628			
3,241,175	2,774,748	2,897,394				
3,241,175	2,774,748					
3,241,175						
$ 222,455	$ (291,859)	$ 12,824	$ -	$ -	$ -	$ -

INDEPENDENT AUDITOR'S REPORTS

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

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*

Governing Board
Orange County Fringe Benefits
Joint Powers Authority
Buena Park, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Orange County Fringe Benefits Joint Powers Authority (the Authority) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Orange County Fringe Benefits Joint Powers Authority's basic financial statements, and have issued our report thereon dated September 30, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Orange County Fringe Benefits Joint Powers Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Orange County Fringe Benefits Joint Powers Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Orange County Fringe Benefits Joint Powers Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 may exist that have not been identified.

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Compliance and Other Matters

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

Purpose of this Report

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
September 30, 2016

SCHEDULE OF FINDINGS

SCHEDULE OF FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016 AND 2015

There were no findings related to the financial statements that are required to be reported in accordance with *Governmental Auditing Standards*.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016 AND 2015

There were no audit findings reported in the prior year's schedule of financial statement findings.