



Financial Statements  
June 30, 2021 and 2020

# Orange County Fringe Benefits Joint Powers Authority

# Orange County Fringe Benefits Joint Powers Authority

Buena Park, California

Board of Directors

June 30, 2021

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# Orange County Fringe Benefits Joint Powers Authority

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June 30, 2021 and 2020

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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 Financial Statements

We have audited the accompanying financial statements of Orange County Fringe Benefits Joint Powers Authority (OCFBJPA) which comprise the statements of net position as of June 30, 2021 and 2020, and the related statements of revenues, expenses, changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

### 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 controls 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 an opinion 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 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 misstatements.

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 judgement, 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 entity'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 entity'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 opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the OCFBJPA as of June 30, 2021 and 2020, and the results of its operations and cash flows for the years then ended in conformity 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 on pages 3 through 11 and the ten-year claims development information on pages 19 through 21, 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 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 a report dated October 12, 2021 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.

*Eide Bailly LLP*

Rancho Cucamonga, California  
October 12, 2021

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, 2021 and June 30, 2020. 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 10/31/2003 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 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. 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, 2021 and 2020. The Statements of Revenues, Expenses and Changes in Net Position presents information showing total revenues versus total expenses for fiscal years 2020-2021 and 2019-2020 and the resulting effect on Net Position. The Statements of Cash Flows provides a reconciliation of the change during the fiscal years 2020-2021 and 2019-2020 in cash and cash equivalents.

OCFBJPA operates on a program and fiscal year from July 1<sup>st</sup> through June 30<sup>th</sup> 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 Statements of Net Position showing total assets versus total liabilities with a percentage of change from the 2019-2020 to the 2020-2021 program year.

	Balances as of June 30,		Difference	Percentage
	2021	2020		
<b>Current Assets</b>				
Deposits and Investments	\$ 3,556,493	\$ 3,549,117	\$ 7,376	0.21 %
Accounts/Interest Receivable	2,684	16,992	(14,308)	(84.20)
<b>Total assets</b>	<b>\$ 3,559,177</b>	<b>\$ 3,566,109</b>	<b>\$ (6,932)</b>	<b>(0.19) %</b>
<b>Current Liabilities</b>				
Accounts Payable and Unearned Revenue	\$ 127,229	\$ 161,249	\$ (34,020)	(21.10) %
Claim Liabilities	182,267	150,718	31,549	20.93
<b>Total liabilities</b>	<b>309,496</b>	<b>311,967</b>	<b>(2,471)</b>	<b>(0.79)</b>
<b>Net position - unrestricted</b>	<b>3,249,681</b>	<b>3,254,142</b>	<b>(4,461)</b>	<b>(0.14) %</b>
<b>Total liabilities and net position</b>	<b>\$ 3,559,177</b>	<b>\$ 3,566,109</b>	<b>\$ (6,932)</b>	<b>(0.19) %</b>

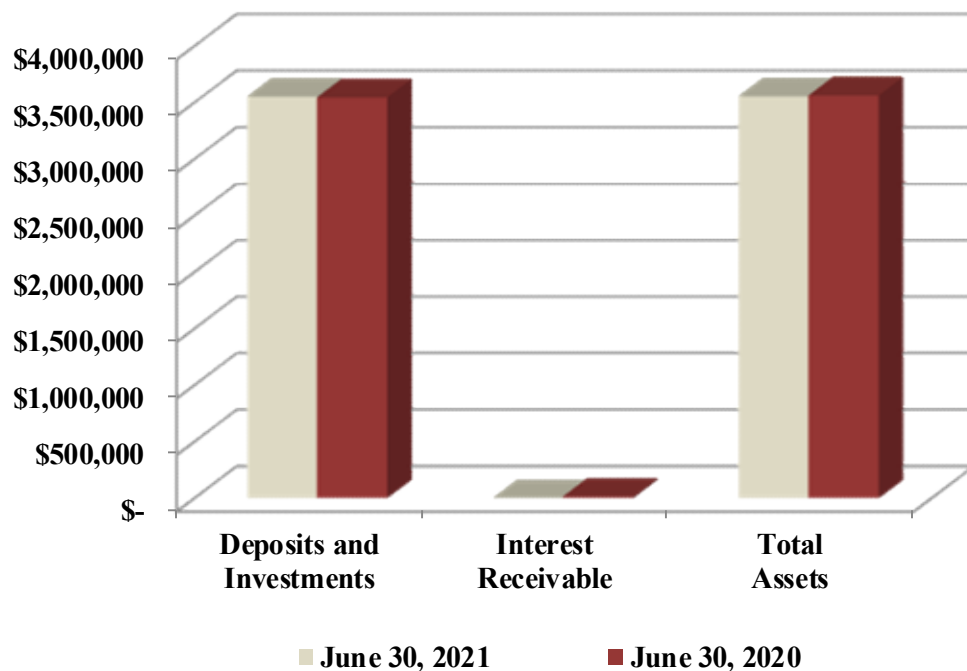


**Assets**

The overall assets of OCFBJPA decreased by \$6,932 or 0.19%, the deposits and investments increased by \$7,376 or 0.21%, and accounts/interest receivable decreased by \$14,308 or 84.20%. The most significant reason for the decrease from June 30, 2020 of \$3,566,109 to June 30, 2021 of \$3,559,177 is due to a Return of Net Position to a Withdrawn Member of \$174,262 as approved at the October 10, 2020 Board Meeting.

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.

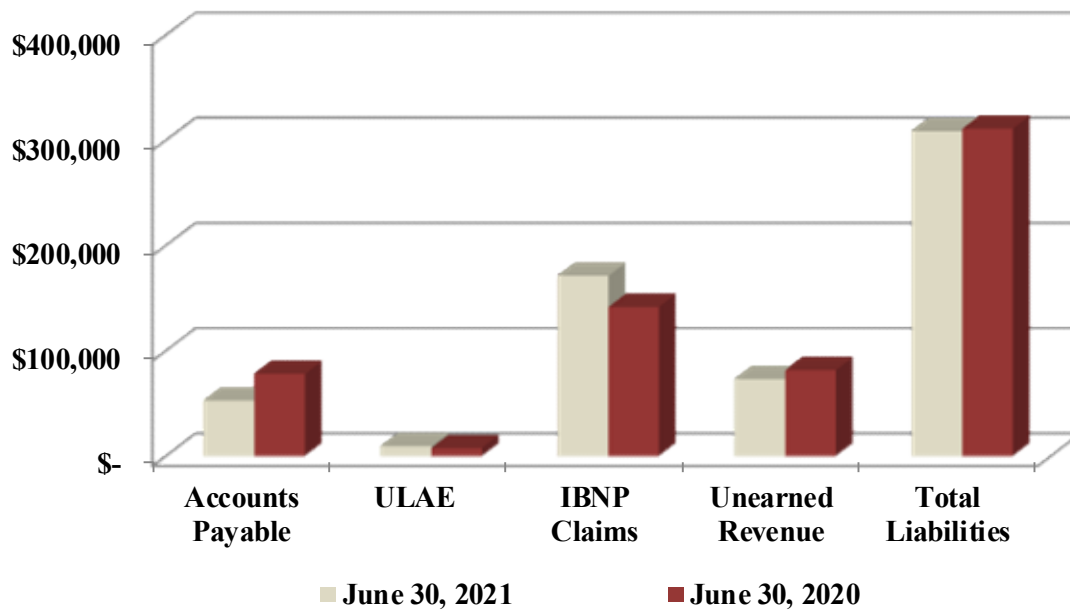
This decrease in assets can be seen below for 2020-2021 and 2019-2020.



**Liabilities**

The liabilities of OCFBJPA decreased in 2020-2021 by \$2,471 or 0.79%. This is mainly attributed to a decrease in accounts payable and unearned revenue activities, which is offset by an increase in claim liabilities. The claims experience is a factor with increase in IBNP and ULAE of \$31,549.

This decrease can be seen in the chart below from 2020-2021 and 2019-2020.



**Net Position**

OCFBJPA's Statements of Net Position reflects the Undesignated Net Position of \$2,431,600 and a Designated Capital Target of \$818,081. OCFBJPA's net position has decreased by \$4,461 or 0.14%. This decrease to the net position is primarily attributed to the Return of Net Position to a Withdrawn Member of \$174,262 in 2020-2021.

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, 2021 and 2020

**Statements of Revenues, Expenses, and Changes in Net Position**

Expenses exceeded Revenues by \$4,461 in 2020-2021, resulting in a net decrease to the Fund Net Position of 0.14% as shown in the Condensed Statements of Revenues, Expenses, and Changes in Net Position shown below.

	Balances as of June 30,		Variance	Percentage
	2021	2020		
Operating Revenues				
Contributions	\$ 3,287,482	\$ 3,336,448	\$ (48,966)	(1.47) %
Operating Expenses				
Administrative Expense	281,978	255,379	26,599	10.42
Other Insurance	2,854,488	2,414,261	440,227	18.23
Total Administrative	3,136,466	2,669,640	466,826	17.49
Nonoperating Revenues				
Withdrawn Member	(174,262)	(66,405)	(107,857)	162.42
Late Fees	-	5,457	(5,457)	(100.00)
Interest	18,785	57,182	(38,397)	(67.15)
Total Nonoperating Revenues	(155,477)	(3,766)	(151,711)	4,028.44
Change in Net Position	(4,461)	663,042	(667,503)	(100.67)
Beginning Net Position	3,254,142	2,591,100	663,042	25.59
Ending Net Position	\$ 3,249,681	\$ 3,254,142	\$ (4,461)	(0.14) %

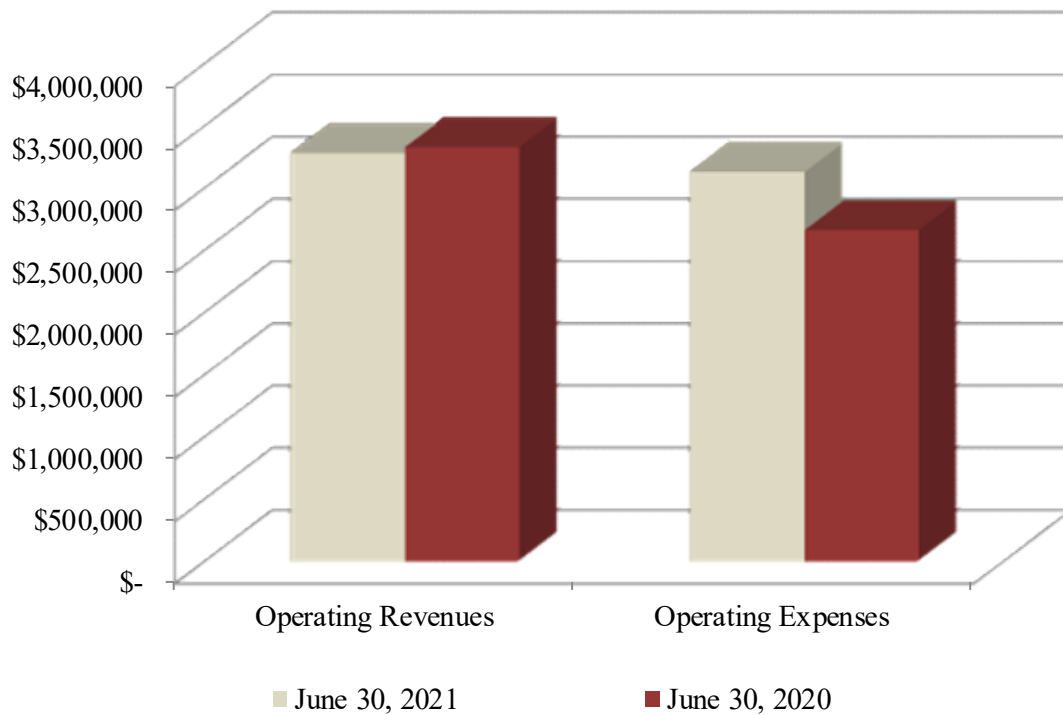
**Revenues**

Pool operating revenues consist mainly of contributions received from members. Member Contributions decreased by 1.47% from \$3,336,448 to \$3,287,482 in 2020-2021. 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 2020-2021 for Dental and Vision was a rate pass.

**Expenses**

Operating expenses, claims costs, and fully-insured premiums, and administrative expenses increased by 17.49% in 2020-2021 from \$2,669,640 to \$3,136,466.

Below is a graph that reflects operating income and expenses in 2020-2021 and 2019-2020.



**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:

	2020 - 2021			
	Adopted Budget	Actual Results	Variance	Percentage
<b>Revenues</b>				
Contributions	\$ 3,502,716	\$ 3,287,482	\$ (215,234)	93.86 %
Withdrawn Member	-	(174,262)	(174,262)	-
Net Investment Income	49,586	18,785	(30,801)	37.88
Total Revenues	<u>3,552,302</u>	<u>3,132,005</u>	<u>(420,297)</u>	<u>88.17 %</u>
<b>Expenses</b>				
Other Insurance	3,272,324	2,854,488	(417,836)	87.23 %
Administrative Expense	334,789	281,978	(52,811)	84.23
Total Expenses	<u>3,607,113</u>	<u>3,136,466</u>	<u>(470,647)</u>	<u>86.95</u>
Revenues in Excess of Expenses	<u>\$ (54,811)</u>	<u>\$ (4,461)</u>	<u>\$ (50,350)</u>	<u>8.14 %</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, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Deposits and investments	\$ 3,556,493	\$ 3,549,117
Interest receivable	2,684	11,328
Accounts receivable	-	5,664
	3,559,177	3,566,109
Total assets		
Liabilities		
Current Liabilities		
Accounts payable	-	25,070
Due to members	53,360	53,770
Unearned revenue	73,869	82,409
Administrative runoff	10,159	8,392
Unpaid claims and claim adjustment expenses	172,108	142,326
	309,496	311,967
Total liabilities		
Net Position - Unrestricted	\$ 3,249,681	\$ 3,254,142

Orange County Fringe Benefits Joint Powers Authority  
 Statements of Revenues, Expenses, and Changes in the Net Position  
 Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Revenues		
Contributions	\$ 3,287,482	\$ 3,336,448
Operating Expenses		
Claims paid	2,822,939	2,452,033
Credit for claims liability	29,782	(35,725)
Credit for administrative runoff	1,767	(2,047)
ASO fees	185,747	163,578
Administration expenses	31,962	32,952
Accounting and audit	25,857	25,607
Other administrative expenses	38,412	33,242
Total Operating Expenses	<u>3,136,466</u>	<u>2,669,640</u>
Operating Income	<u>151,016</u>	<u>666,808</u>
Non-Operating Revenues (Expenses)		
Withdrawan Member - Return of Net Position	(174,262)	(66,405)
Late fees	-	5,457
Interest	18,785	57,182
Net Non-Operating Expenses	<u>(155,477)</u>	<u>(3,766)</u>
Change in Net Position	(4,461)	663,042
Net Position, Beginning of Year	<u>3,254,142</u>	<u>2,591,100</u>
Net Position, End of Year	<u>\$ 3,249,681</u>	<u>\$ 3,254,142</u>

# Orange County Fringe Benefits Joint Powers Authority

## Statements of Cash Flows Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Cash Received from Members and Others	\$ 3,284,606	\$ 3,332,038
Cash Paid for Claims and Settlements	(2,824,706)	(2,463,447)
Cash Paid to Suppliers for Goods and Services	(305,691)	(232,356)
Net Cash Provided by Operating Activities	154,209	636,235
Cash Flows from Investing Activities		
Interest Income	27,429	67,962
Cash Flows from Financing Activities		
Return of Member Net Position	(174,262)	(66,405)
Net Change in Cash and Cash Equivalents	7,376	637,792
Cash and Cash Equivalents, Beginning of Year	3,549,117	2,911,325
Cash and Cash Equivalents, End of Year	\$ 3,556,493	\$ 3,549,117
Reconciliation of Operating Income to Net		
Cash Provided by Operating Activities		
Operating Income	\$ 151,016	\$ 666,808
Adjustments to Reconcile Operating Income		
to Net Cash Provided by Operating Activities		
Changes in Assets and Liabilities:		
Accounts Receivable	5,664	(5,457)
Accounts Payable and Unearned Revenues	(34,020)	12,656
Claims and ULAE Liabilities	31,549	(37,772)
Total Adjustments	3,193	(30,573)
Net Cash Provided by Operating Activities	\$ 154,209	\$ 636,235



**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 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**

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.

**Note 2 - Deposits and Investments**

**Summary of Deposits and Investments**

Deposits and investments as of June 30, 2021 and 2020, consist of the following:

	2021	2020
Cash on hand and in banks	\$ 158	\$ 87,285
Cash deposits	27,859	53,640
Investments - State Investment Pool	3,528,476	3,408,192
Total deposits and investments	\$ 3,556,493	\$ 3,549,117

**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 191 days. For additional information visit LAIF's website at: [www.treasurer.ca.gov/pmia-laif](http://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, 2021, and 2020, OCFBJPA's bank balances of \$27,859 and \$53,640, 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, 2021 and 2020

**Note 4 - Claims Liability**

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

	June 30,	
	2021	2020
Claims Liability, Beginning of Fiscal Year	\$ 142,326	\$ 178,051
Incurred Claims:		
Provision for insured events of the current fiscal year	2,852,721	2,416,308
Payments:		
Losses attributable to insured events of the current fiscal year	2,680,613	2,263,543
Losses attributable to insured events of prior fiscal years	142,326	188,490
Total Payments	2,822,939	2,452,033
Claims Liability, End of Fiscal Year	\$ 172,108	\$ 142,326

Claims liabilities are not discounted at June 30, 2021 and 2020.

**Note 5 - Net Position**

Net position is composed of the following elements as of June 30, 2021 and 2020:

	2021	2020
Unrestricted		
Designated - capital target	\$ 818,081	\$ 847,888
Undesignated	2,431,600	2,406,254
Total Net Position	\$ 3,249,681	\$ 3,254,142



Required Supplementary Information  
June 30, 2021

# 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, 2021

	June 30,				
	2012	2013	2014	2015	2016
(1) Required contribution and investment revenue:					
Earned	\$ 3,538,499	\$ 3,908,415	\$ 3,947,378	\$ 3,903,650	\$ 3,776,772
Ceded	-	-	-	-	-
Net earned	<u>3,538,499</u>	<u>3,908,415</u>	<u>3,947,378</u>	<u>3,903,650</u>	<u>3,776,772</u>
(2) Unallocated expenses	<u>294,627</u>	<u>298,777</u>	<u>304,666</u>	<u>266,618</u>	<u>270,280</u>
(3) Estimated claims and expenses					
End of policy year					
Net incurred	<u>2,884,570</u>	<u>3,058,628</u>	<u>3,159,754</u>	<u>3,118,427</u>	<u>3,162,199</u>
(4) Net paid (cumulative) as of:					
End of policy year	2,671,579	2,848,565	2,961,600	2,921,154	2,969,251
One year later	2,897,394	3,058,628	3,159,754	3,118,427	3,162,199
Two years later	2,897,394	3,058,628	3,159,754	3,118,427	3,162,199
Three years later	2,897,394	3,058,628	3,159,754	3,118,427	3,162,199
Four years later	2,897,394	3,058,628	3,159,754	3,118,427	3,162,199
Five years later	2,897,394	3,058,628	3,159,754	3,118,427	3,162,199
Six years later	2,897,394	3,058,628	3,159,754	3,118,427	
Seven years later	2,897,394	3,058,628	3,159,754		
Eight years later	2,897,394	3,058,628			
Nine years later	<u>2,897,394</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	2,884,570	3,058,628	3,159,754	3,118,427	3,162,199
One year later	2,897,394	3,058,628	3,159,754	3,118,427	3,162,199
Two years later	2,897,394	3,058,628	3,159,754	3,118,427	3,162,199
Three years later	2,897,394	3,058,628	3,159,754	3,118,427	3,162,199
Four years later	2,897,394	3,058,628	3,159,754	3,118,427	3,162,199
Five years later	2,897,394	3,058,628	3,159,754	3,118,427	3,162,199
Six years later	2,897,394	3,058,628	3,159,754	3,118,427	
Seven years later	2,897,394	3,058,628	3,159,754		
Eight years later	2,897,394	3,058,628			
Nine years later	<u>2,897,394</u>				
(7) Increase (decrease) in estimated incurred claims and expenses from end of policy year	<u>\$ 12,824</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



Orange County Fringe Benefits Joint Powers Authority

Ten-Year Claims Development Information

June 30, 2021

	June 30,				
	2017	2018	2019	2020	2021
(1) Required contribution and investment revenue:					
Earned	\$ 3,969,964	\$ 4,026,708	\$ 3,079,247	\$ 3,332,682	\$ 3,132,005
Ceded	-	-	-	-	-
Net earned	<u>3,969,964</u>	<u>4,026,708</u>	<u>3,079,247</u>	<u>3,332,682</u>	<u>3,132,005</u>
(2) Unallocated expenses	<u>290,520</u>	<u>282,410</u>	<u>280,142</u>	<u>255,379</u>	<u>283,745</u>
(3) Estimated claims and expenses					
End of policy year					
Net incurred	<u>3,408,234</u>	<u>3,356,265</u>	<u>2,937,355</u>	<u>2,416,308</u>	<u>2,793,157</u>
(4) Net paid (cumulative) as of:					
End of policy year	3,181,226	3,348,794	2,746,883	2,263,543	2,680,613
One year later	3,194,182	3,582,738	2,935,373	2,405,869	
Two years later	3,194,182	3,816,682	3,123,863		
Three years later	3,194,182	4,050,626			
Four years later	3,194,182				
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	3,408,234	3,356,265	2,937,355	2,416,308	2,793,157
One year later	3,194,182	3,356,265	2,937,355	2,416,308	
Two years later	3,194,182	4,050,626	3,123,863		
Three years later	3,194,182	4,050,626			
Four years later	3,194,182				
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>\$ (214,052)</u>	<u>\$ 694,361</u>	<u>\$ 186,508</u>	<u>\$ -</u>	<u>\$ -</u>



Independent Auditor's Report  
June 30, 2021

**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***

Governing Board  
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, 2021, 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 12, 2021.

**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 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.

**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

**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.

*Eide Bailly LLP*

Rancho Cucamonga, California  
October 12, 2021