



Financial Statements  
Year Ended June 30, 2022  
**Orange County**  
**Council of Governments**

# ORANGE COUNTY COUNCIL OF GOVERNMENTS

## Basic Financial Statements

Year Ended June 30, 2022

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## Independent Auditor's Report



## Independent Auditor's Report

To the Board of Directors  
Orange County Council of Governments  
Irvine, California

### Report on the Audit of the Financial Statements

#### ***Opinions***

We have audited the financial statements of the governmental activities, the general fund, and the aggregate remaining fund information of the Orange County Council of Governments (OCCOG) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise OCCOG's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the general fund, and the aggregate remaining fund information of the OCCOG's, as of June 30, 2022, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the OCCOG's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of OCCOG's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about OCCOG's ability to continue as a going concern for a reasonable period of time.

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

## ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 December 22, 2022, on our consideration of the OCCOG'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 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 OCCOG'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 OCCOG's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Laguna Hills, California  
December 22, 2022

# ORANGE COUNTY COUNCIL OF GOVERNMENTS

## **Management's Discussion and Analysis**

As Management of the Orange County Council of Governments (OCCOG), we offer readers of OCCOG's financial statements this narrative overview and analysis of OCCOG's financial activities for the fiscal year ended June 30, 2022.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to OCCOG's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information.

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of OCCOG's finances in a manner similar to a private-sector business.

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

The statement of activities presents information showing how OCCOG's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The government-wide financial statements may be found on pages 8 and 9.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. OCCOG, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental Funds.* Governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. OCCOG consists of a single governmental fund. The fund financial statements may be found on pages 10 and 11.

*Fiduciary Funds.* OCCOG is responsible for other assets, that can only be used for the beneficiary on another entity. The fiduciary activities are reported in a separate Statement of Fiduciary net Position and Statement of Changes in Fiduciary Net Position on pages 12 and 13 respectively. OCCOG excludes these activities in OCCOG’s other financial statements because OCCOG can not use these assets to finance its operations. OCCOG is responsible to ensure the assets are reported in this fund is used for its intended purpose.

**Government-wide Financial Analysis**

The total net position of OCCOG was \$175,412 at June 30, 2022 (as noted in Table 1). In comparison, the total net position of OCCOG at June 30, 2021 was \$242,606. OCCOG’s net position at June 30, 2022 was unrestricted, meaning there are no external restrictions placed on the future use of the organization’s net position.

Table 1.

**ORANGE COUNTY COUNCIL OF GOVERNMENTS**

**Net Position at June 30:**

|                          | Governmental Activities |                   | Percent<br>Change |
|--------------------------|-------------------------|-------------------|-------------------|
|                          | 2022                    | 2021              |                   |
| Current and other assets | \$ 636,658              | \$ 386,671        | 64.7%             |
| Total assets             | <u>636,658</u>          | <u>386,671</u>    |                   |
| Current liabilities      | 461,246                 | 144,065           | 220.1%            |
| Total liabilities        | <u>461,246</u>          | <u>144,065</u>    |                   |
| Net position:            |                         |                   |                   |
| Unrestricted             | 175,412                 | 242,606           | -27.7%            |
| Total net position       | <u>\$ 175,412</u>       | <u>\$ 242,606</u> |                   |

The total net position of OCCOG decreased by \$67,194, or 27.7%, during FY 2021-22 (see Table 2). This means that expenses exceeded revenues, on a full accrual basis, by \$67,194 for the year. This compares to the decrease in net position during FY 2020-21 of \$81,243. Revenues were 203.2% higher than in FY 2021-22, and expenses were 171.1% higher. The overall increase in revenues can be attributed to Regional Action Planning (REAP) grant. Membership dues and fees increased in FY 2021-22 compared to FY 2021-22 mainly due to County of Orange re-joining OCCOG and paying Dues in FY 2021-22. Charges for services increased by \$953,839 in FY 2021-22 compared to FY 2020-21 primarily related to (REAP) grant billing for full fiscal year. The increase in expenses can be attributed to increased spending for REAP grant in Community Development which amounted to \$1,026,193.



Table 2.

**ORANGE COUNTY COUNCIL OF GOVERNMENTS**

**Changes in net position  
For the year ended June 30:**

|                                    | Governmental Activities |                   | Percent<br>Change |
|------------------------------------|-------------------------|-------------------|-------------------|
|                                    | 2022                    | 2021              |                   |
| Revenues                           |                         |                   |                   |
| Program revenues                   |                         |                   |                   |
| Charges for services               | \$ 416,203              | \$ 348,691        | 19.4%             |
| Operating grants and contributions | 1,028,658               | 125,614           | 718.9%            |
| Investment earnings (loss)         | (1,483)                 | 1,753             | -184.6%           |
| Total revenues                     | <u>1,443,378</u>        | <u>476,058</u>    | 203.2%            |
| Expenses                           |                         |                   |                   |
| General government                 | (427,546)               | (425,257)         | -1.9%             |
| Community development              | (1,083,026)             | (132,044)         | 728.0%            |
| Total expenses                     | <u>(1,510,572)</u>      | <u>(557,301)</u>  | 171.1%            |
| Change in net position             | (67,194)                | (81,243)          | 17.3%             |
| Net position, beginning of year    | 242,606                 | 323,849           | -25.10%           |
| Net position, end of year          | <u>\$ 175,412</u>       | <u>\$ 242,606</u> | -27.7%            |

**Financial Analysis of the General Fund**

As noted above, OCCOG maintains two governmental funds, the General Fund and an Agency Fund.

OCCOG's revenues for FY 2021-22 came from membership dues and fees, as well as charges for services. Members pay annual membership dues that fund expenditures related to the administration of OCCOG. Members also reimburse OCCOG for the cost of demographic research performed by California State University, Fullerton. There was no change in the dues structure from FY 2020-21 to FY 2021-22. For FY 21-22 OCCOG recorded revenue in charges for services to administer planning related projects. The source of funding is Regional Early Action Planning (REAP) Grant Partnerships and Outreach.

### **General Fund Budgetary Highlights**

The OCCOG Board of Directors adopted a formal budget for the fiscal year ended June 30, 2022, on June 24, 2021, which anticipated a deficit of revenues over expenditures for the year of \$(59,670).

Actual expenditures exceeded actual revenues for the year by \$67,194. Actual revenues for the year of \$1,443,378 were \$2,011,031 lower than the final budget amount, as a result primarily of revenue for REAP grant which was not fully realized for FY 21-22. The remaining REAP budget balance is carried over to FY 2022-23.

Total actual expenditures of \$1,510,572 were \$2,003,507 lower than expected in the final FY 2021-22 budget. Expenditures were lower than budget mainly due to REAP grant expenditures which were not fully realized for FY 21-22 budgeted. The remaining REAP budget balance is carried over to FY 2022-23.

### **Contacting OCCOG Management**

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the OCCOG Executive Director at Irvine City Hall, 1 Civic Center Plaza, Irvine, CA 92623-9575, or to the OCCOG Treasurer at 3972 Barranca Parkway Suite J127, Irvine, CA 92606.

ORANGE COUNTY COUNCIL OF GOVERNMENTS

Statement of Net Position  
June 30, 2022

|                               | <u>Governmental<br/>Activities</u> |
|-------------------------------|------------------------------------|
| <u>Assets</u>                 |                                    |
| Cash and cash equivalents     | \$ 148,966                         |
| Accounts receivable           | 475,733                            |
| Accrued interest              | 463                                |
| Prepaid items                 | 11,496                             |
| Total assets                  | <u>636,658</u>                     |
| <u>Liabilities</u>            |                                    |
| Accounts payable              | 461,246                            |
| Total liabilities             | <u>461,246</u>                     |
| <u>Net Position</u>           |                                    |
| Net position:<br>Unrestricted | <u>\$ 175,412</u>                  |

See accompanying notes to the financial statements.

**ORANGE COUNTY COUNCIL OF GOVERNMENTS**

**Statement of Activities  
Year Ended June 30, 2022**

|                                    | <u>Governmental<br/>Activities</u> |
|------------------------------------|------------------------------------|
| General Government:                |                                    |
| Program Revenues:                  |                                    |
| Charges for services               |                                    |
| Membership dues and fees           | \$ 365,408                         |
| General assembly                   | 50,795                             |
| Operating grants and contributions |                                    |
| Regional early action planning     | 1,028,658                          |
| Total program revenues             | <u>1,444,861</u>                   |
| Expenses:                          |                                    |
| General government                 | (427,546)                          |
| Community development              | (1,083,026)                        |
| Total expenses                     | <u>(1,510,572)</u>                 |
| Net program expense                | (65,711)                           |
| General Revenues:                  |                                    |
| Investment earnings (loss)         | <u>(1,483)</u>                     |
| Change in net position             | (67,194)                           |
| Net position, beginning of year    | <u>242,606</u>                     |
| Net position, end of year          | <u><u>\$ 175,412</u></u>           |

See accompanying notes to the financial statements.

ORANGE COUNTY COUNCIL OF GOVERNMENTS

Governmental Fund  
Balance Sheet  
June 30, 2022

|                                     | <u>General Fund</u> |
|-------------------------------------|---------------------|
| <u>Assets</u>                       |                     |
| Cash and investments                | \$ 148,966          |
| Accounts receivable                 | 475,733             |
| Accrued interest                    | 463                 |
| Prepaid items                       | 11,496              |
| Total assets                        | <u>\$ 636,658</u>   |
| <u>Liabilities and Fund Balance</u> |                     |
| Liabilities:                        |                     |
| Accounts payable                    | \$ 461,246          |
| Total liabilities                   | <u>461,246</u>      |
| Fund balance:                       |                     |
| Nonspendable                        | 11,496              |
| Unassigned                          | 163,916             |
| Total fund balance                  | <u>175,412</u>      |
| Total liabilities and fund balance  | <u>\$ 636,658</u>   |

See accompanying notes to the financial statements.

**ORANGE COUNTY COUNCIL OF GOVERNMENTS**

**Governmental Fund  
Statement of Revenues, Expenditures and Change in Fund Balance  
Year Ended June 30, 2022**

|   | <u>General Fund</u> |
|---|---------------------|
| Revenues:   |                     |
| Membership dues and fees                                    | \$ 365,408          |
| Charges for Services - General Assembly                     | 50,795              |
| Intergovernmental revenues - Regional early action planning | 1,028,658           |
| Investment earnings (loss)                                  | (1,483)             |
| Total revenues  | 1,443,378           |
| Expenditures:   |                     |
| Current:  |                     |
| General government:   |                     |
| Demographic research  | 110,379             |
| Administrative  | 153,081             |
| Professional services                                       | 144,662             |
| Miscellaneous   | 19,424              |
| Subtotal - general government                               | 427,546             |
| Community development                                       |                     |
| General Assembly conference                                 | 56,833              |
| Regional early action planning                              | 1,026,193           |
| Subtotal - Community development                            | 1,083,026           |
| Total expenditures  | 1,510,572           |
| Net change in fund balance                                  | (67,194)            |
| Fund balance, beginning of year                             | 242,606             |
| Fund balance, end of year                                   | \$ 175,412          |

See accompanying notes to the financial statements.

ORANGE COUNTY COUNCIL OF GOVERNMENTS

Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2022

|   | <u>Custodial<br/>Fund</u> |
|---|---------------------------|
| <u>Assets</u>   |                           |
| Cash and Investments  | <u>\$ 55,672</u>          |
| <u>Net Position</u>   |                           |
| Net position:   |                           |
| Restricted for individuals, organizations and other governments | <u><u>\$ 55,672</u></u>   |

See accompanying notes to the financial statements.

ORANGE COUNTY COUNCIL OF GOVERNMENTS

Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
Year Ended June 30, 2022

|   | <u>Custodial Fund</u> |
|---|-----------------------|
| Additions   |                       |
| Collections for other governments                 | \$ 4,000              |
| Deductions  |                       |
| Payments to other governments                     | <u>153,603</u>        |
| Net increase (decrease) in fiduciary net position | (149,603)             |
| Net position, beginning of year                   | <u>205,275</u>        |
| Net position, end of year                         | <u>\$ 55,672</u>      |

See accompanying notes to the financial statements.



# ORANGE COUNTY COUNCIL OF GOVERNMENTS

## Notes to the Financial Statements Year Ended June 30, 2022

### (1) Summary of Significant Accounting Policies

#### (a) Organization

A Joint Exercise of Powers Agreement (Agreement) between public agencies located in Orange County, California (Members) created the Orange County Council of Governments (OCCOG) in August 1996. Member agencies include all 34 Orange County cities, the County of Orange, the Orange County Transportation Authority, the Transportation Corridor Agencies, Orange County Sanitation Districts, Independent Special Districts of Orange County and the South Coast Air Quality Management District. The Agreement may not be terminated except by an affirmative vote of a majority of total voting membership of the Board of Directors.

The general purpose of OCCOG is: 1) to serve as the Sub-regional Organization that represents Orange County on mandated and non-mandated Southern California Association of Governments (SCAG) regional planning activities; 2) to develop and adopt an Orange County Projections that serves as Orange County's official growth forecast for local, area-wide and regional planning activities; 3) to provide a vehicle for its members to engage cooperatively and voluntarily on additional regional and cooperative planning efforts with federal, state and regional agencies and to provide Orange County a voice on recommendations and solutions on such additional planning issues to federal, state and regional agencies; and 4) to conduct studies and projects designed to improve and coordinate the common governmental responsibilities and services on an area-wide and regional basis through the establishment of a council of governments. The goal and intent of OCCOG is one of voluntary cooperation among its member agencies for the collective benefit of all member agencies in Orange County.

The books and financial records for OCCOG for the year ended June 30, 2020 are maintained by the Orange County Council of Governments at 3972 Barranca Pkwy, Suite J127, Irvine, CA 92606.

#### (b) Measurement Focus, Basis of Accounting and Financial Statement Presentation

The basis financial statements of OCCOG are comprised of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

# ORANGE COUNTY COUNCIL OF GOVERNMENTS

## Notes to the Financial Statements Year Ended June 30, 2022

### (1) Summary of Significant Accounting Policies (Continued)

#### (b) Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

##### Government-wide Financial Statements

Government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Fiduciary activities are not included in these statements. Program revenues include Charges for Services and Operating Grants and Contributions.

##### Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

OCCOG reports the following major governmental fund:

General Fund – The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

##### Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Net Position and Statement of Changes in Fiduciary Net Position. The fiduciary fund represents a custodial fund. Fiduciary fund types are accounted for according to the nature of the fund. Custodial funds are reported on the accrual basis of accounting.

OCCOG reports the following fiduciary fund:

Custodial Fund – The Custodial Fund is used to account for monies held by OCCOG on behalf of jurisdictions participating in the Orange County Data Acquisition Partnership (OCDAP) with Southern California Association of Governments (SCAG). Each Agency has entered into an agreement with SCAG, of which OCCOG is an intermediary to collect funds from jurisdictions, and remit to SCAG as needed throughout the project.

**ORANGE COUNTY COUNCIL OF GOVERNMENTS**

**Notes to the Financial Statements  
Year Ended June 30, 2022**

**(1) Summary of Significant Accounting Policies (Continued)**

(c) Use of Estimates

The financial statements have been prepared in accordance with generally accepted accounting principles and may include amounts based on estimates and assumptions by management. Actual results could differ from those amounts.

(d) Net Position and Fund Balance

Net position represents the difference between assets and deferred outflow of resources less liabilities and deferred inflows of resources, and is classified into three categories:

- Net Investment in Capital Assets – The amount consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets, and excludes unspent debt proceeds. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt should also be included in this component of net position.
- Restricted – This amount represents the net position that is not accessible for general use because its use is subject to restrictions enforceable by third parties and enabling legislation, reduced by liabilities and deferred inflows of resources related to those assets.
- Unrestricted – This amount represents the residual of amounts not classified in the other two categories and represents the net position available for OCCOG.

In the governmental fund financial statements, fund balances are classified in the following categories:

- Nonspendable – Items that cannot be spent because they are not in spendable form, such as prepaid items and inventories; advances, which are long-term interfund borrowings; and items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan funds.
- Unassigned – This includes the excess residual amounts in the General Fund and the residual deficit of all other governmental funds, which have not been restricted, committed or assigned to specific purposes.

The General fund is the only fund that reports a positive unassigned fund balance amount.

When an expense/expenditure is incurred for purposes which both restricted and unrestricted resources are available. OCCOG's policy is to apply restricted resources first.

**ORANGE COUNTY COUNCIL OF GOVERNMENTS**

**Notes to the Financial Statements  
Year Ended June 30, 2022**

**(1) Summary of Significant Accounting Policies (Continued)**

(e) Cash and cash equivalents and investments

OCCOG pools its available cash for investment purposes. OCCOG's cash and equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid money market investments with maturities of one year or less at time of purchase are stated at amortized cost.

**(2) Cash and Investments**

As of June 30, 2022, cash and investments were reported in the financial statements as follows:

|                            |                          |
|----------------------------|--------------------------|
| Statement of net position: |                          |
| Governmental Activities    | \$ 148,966               |
| Fiduciary Funds            | 55,672                   |
| Total cash and investments | <u><u>\$ 204,638</u></u> |

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

|                                      |                          |
|--------------------------------------|--------------------------|
| Deposits with financial institutions | \$ (1,289)               |
| Investments                          | 205,927                  |
| Total cash and investments           | <u><u>\$ 204,638</u></u> |

California public agency depositors. As of June 30, 2022, the carrying amount of OCCOG deposits was \$(1,289) and the bank balance was \$22,219. The \$23,508 difference represents outstanding checks.

Cash consists of bank demand deposit accounts. The *California Government Code* requires California banks and savings and loan associations to secure a government's deposits by pledging government securities with a value of 110% of a government's deposits. California law also allows financial institutions to secure government deposits by pledging first trust deed mortgage notes at 150% of the value of the government's total deposits. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking. These securities are physically held in an undivided pool of all California public agency depositors. In accordance with OCCOG's investment policy, the following investments are permitted:

**ORANGE COUNTY COUNCIL OF GOVERNMENTS**

**Notes to the Financial Statements  
Year Ended June 30, 2022**

**(2) Cash and Investments (Continued)**

| <u>Investments Types</u>            | <u>Maximum<br/>Maturity</u> | <u>Maximum<br/>Percentage of<br/>Portfolio</u> | <u>Maximum<br/>Investment in<br/>One Issuer</u> |
|-------------------------------------|-----------------------------|--|---|
| Local Agency Investment Fund (LAIF) | N/A                         | \$75M  | \$75M   |
| Local Government Investment Pool    | N/A                         | 30%  | None  |
| Money Market Mutual Fund            | N/A                         | 20%  | None  |

**Investments in State Investment Pool**

OCCOG is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by *California Government Code* under the oversight of the Treasurer of the State of California. The fair value of OCCOG’s investment in this pool is reported in the accompanying financial statements at amounts based upon OCCOG’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 are recorded on an amortized cost basis.

**Credit Risk**

Generally, 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 a rating by a nationally recognized statistical rating organization.

**Concentration of Credit Risk**

As of June 30, 2019, in accordance with GASB statement No. 40 requirements, OCCOG is exposed to concentration of credit risk whenever they have invested more than 5% of their total investments in any one issuer. As of June 30, 2022 OCCOG was not exposed to concentration of credit risk.

**Custodial Credit Risk**

The custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The custodial credit risk for investments is the risk that, in the event of failure of a counterparty to a transaction, a government will not be able to recover the value of investment in collateral securities that are in the possession of an outside party. Custodial credit risk does not apply to a local government’s indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF). As of June 30, 2022, none of OCCOG’s deposits or investments were exposed to custodial credit risk.

**ORANGE COUNTY COUNCIL OF GOVERNMENTS**

**Notes to the Financial Statements  
Year Ended June 30, 2022**

**(2) Cash and Investments (Continued)**

Disclosures Relating to 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. OCCOG's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. LAIF has an investment maturity of less than 1 year.

Fair Value Classifications

Fair value measurements are categorized based on the valuation inputs used to measure fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments in LAIF investment pool are uncategorized as deposit and withdrawals are made on the basis of \$1 and not fair value.

**(3) Prepaid Items**

Prepaid items at June 30, 2022 consisted of the following:

|                   |           |
|-------------------|-----------|
| Prepaid insurance | \$ 11,496 |
|-------------------|-----------|

**(4) Accounts Receivable**

Accounts receivable as of June 30, 2022 consisted mainly of \$475,733 due from SCAG in relation to funds due for the Regional Early Action Planning (REAP) grant partnership.

**(5) Liability Insurance**

**(a) Description of Self-Insurance Pool Pursuant to Joint Powers Agreement**

The Orange County Council of Governments is a member of the California Joint Powers Insurance Authority (the Authority), which provides joint protection programs and group purchased insurance for local government agencies. The Authority is composed of 116 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. OCCOG participates in the Authority's Primary Liability Program, which does not have a self-insured retention or member deductible.

# ORANGE COUNTY COUNCIL OF GOVERNMENTS

## Notes to the Financial Statements Year Ended June 30, 2022

### **(5) Liability Insurance (Continued)**

The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Subsidence losses have a sub-limit of \$40 million per occurrence. The coverage structure includes retained risk that is pooled among members, reinsurance, and excess insurance. More detailed information about the various layers of coverage is available on the following website: <https://cjpia.org/protection/coverage-programs>.

During the past three fiscal years, the Primary Liability Program did not experience settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured coverage in 2021-22.

OCCOG pays an annual contribution to the Authority and may share in any member refunds in the event that pooled funding exceeds the cost of pooled claims and claim-related expenses, or OCCOG may be required to pay additional contributions based upon the Authority's operating results. The Authority's financial statements may be obtained from its administrative office located at 8081 Moody Street, La Palma, California 90623, or by calling (562) 467-8700.

### **(6) Excess Expenditures over Appropriations**

For the year ended June 30, 2022, expenditures of \$56,833 exceeded appropriations of \$45,000 by \$11,833 for the General Assembly conference account level within the General fund, due to additional assembly costs that were not budgeted.

**ORANGE COUNTY COUNCIL OF GOVERNMENTS**

**Required Supplementary Information  
Budgetary Comparison Schedule  
General Fund  
For the Year Ended June 30, 2022**

|   | Budgeted Amounts   |                    | Actual<br>Amounts | Variance<br>with Final<br>Budget<br>Positive/<br>(Negative) |
|---|--------------------|--------------------|-------------------|---|
|   | Original           | Final              |                   |   |
| Revenues:   |                    |                    |                   |   |
| Membership dues and fees                                    | \$ 356,409         | \$ 356,409         | \$ 365,408        | \$ 8,999  |
| Charges for services  | 50,000             | 50,000             | 50,795            | 795   |
| Intergovernmental revenues - Regional early action planning | 3,045,000          | 3,045,000          | 1,028,658         | (2,016,342)   |
| Investment earnings (loss)                                  | 3,000              | 3,000              | (1,483)           | (4,483)   |
| Total revenues  | <u>3,454,409</u>   | <u>3,454,409</u>   | <u>1,443,378</u>  | <u>(2,011,031)</u>  |
| Expenditures:   |                    |                    |                   |   |
| Current:  |                    |                    |                   |   |
| General government:   |                    |                    |                   |   |
| Demographic research  | 110,379            | 110,379            | 110,379           | -   |
| Administrative  | 180,000            | 180,000            | 153,081           | 26,919  |
| Professional services                                       | 168,000            | 168,000            | 144,662           | 23,338  |
| Miscellaneous   | 45,900             | 45,900             | 19,424            | 26,476  |
| Community development                                       |                    |                    |                   |   |
| General Assembly conference                                 | 45,000             | 45,000             | 56,833            | (11,833)  |
| Regional early action planning                              | 2,964,800          | 2,964,800          | 1,026,193         | 1,938,607   |
| Total expenditures  | <u>3,514,079</u>   | <u>3,514,079</u>   | <u>1,510,572</u>  | <u>2,003,507</u>  |
| Net change in fund balance                                  | <u>\$ (59,670)</u> | <u>\$ (59,670)</u> | <u>(67,194)</u>   | <u>\$ (7,524)</u>   |
| Fund balance, beginning of year                             |                    |                    | 242,606           |   |
| Fund balance, end of year                                   |                    |                    | <u>\$ 175,412</u> |   |

See accompanying note to the required supplementary information.



ORANGE COUNTY COUNCIL OF GOVERNMENTS

**Note Required Supplementary Information**  
**Year Ended June 30, 2022**

**Budgetary Data**

OCCOG establishes accounting control through formal adoption of an annual operating budget. The budget is prepared in conformity with accounting principles generally accepted in the United States of America. The adopted budget can be amended by the Board as unforeseen circumstances come to management's attention. In addition, the Executive Director was granted authority to approve amendments to the budget, provided that any individual amendment did not exceed \$10,000 and further provided that any and all such amendments did not increase the total amount of budgeted expenditures. Individual budget amendments in excess of \$10,000 and increases in the total amount of budgeted expenditures required the approval of the Board of Directors.

The legal level of budgetary control is the account level within the General Fund. For the year ended June 30, 2022, expenditures of \$56,833 exceeded appropriations of \$45,000 by \$11,833 for the General Assembly conference account level within the General fund, due to additional assembly costs that were not budgeted.



**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***

To the Board of Directors  
Orange County Council of Governments  
Irvine, 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 governmental activities, the general fund, and the aggregate remaining fund information of Orange County Council of Governments (OCCOG), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise OCCOG’s basic financial statements and have issued our report thereon dated December 22, 2022.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered OCCOG'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 OCCOG’s internal control. Accordingly, we do not express an opinion on the effectiveness of OCCOG’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 and therefore material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control described in the accompanying Schedule of Findings and Responses as items 2022-001 and 2022-002 that we consider to be significant deficiencies.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether OCCOG'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*.

## **OCCOG's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on OCCOG's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. OCCOG's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **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.

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

Laguna Hills, California  
December 22, 2022

**Finding Number 2022-001****BUDGET APPROPRIATIONS****Criteria:**

OCCOG management has the responsibility for ensuring compliance with the approved annual budget. The adopted budget can be amended by the Board as unforeseen circumstances come to management's attention. The Executive Director has the authority to approve amendments to the budget, provided that any individual amendment did not exceed \$10,000 and further that any and all such amendments did not increase the total amount of budgeted expenditures. Individual budget amendments in excess of \$10,000 and increases in the total amount of budgeted expenditures required the approval of the Board of Directors. The legal level of budgetary control for the General fund budget is at the account level.

**Condition:**

During our audit it was noted that the OCCOG's general fund expenditures were within appropriations at the fund level. However the General Assembly conference expenditures exceeded appropriations by \$11,833. The excess expenditures over appropriations were due to General Assembly cost increases for higher attendance, as well as staff time that was not budgeted in that category for the event. Overall, expenditures of \$1.5 million were less than budgeted appropriations of \$3.5 million.

**Context:**

The condition was noted during our audit procedures over OCCOG's annual budget and related budget to actual schedules included within OCCOG's financial statements for the year ended June 30, 2022.

**Effect:**

Excess expenditures over budgeted appropriations of \$11,833 are disclosed in Note 6 to the financial statements.

**Cause:**

OCCOG's budget was not amended for excess appropriations for the General Assembly, during the year ended June 30, 2022.

**Recommendation:**

We recommend OCCOG revisit policies and practices related to budget amendments for significant activities, to ensure appropriations are part of an approved budget. OCCOG may wish to consider the appropriate level of budgetary control for future budget periods.

**Views of Responsible Officials and Planned Corrective Actions:**

OCCOG will review actual expenditures to budgeted amounts on a quarterly basis. We will ensure that expenditures did not exceed budgeted amounts. IF expenditures do exceed budget, we will propose a budget amendment to the Board for approval

**Finding Number 2022-002**

**FAIR MARKET VALUE ADJUSTMENT**

**Criteria:**

Investments are required to be reported at fair market value in accordance with U.S. Generally Accepted Accounting Principles.

**Condition:**

The LAIF investment balance, which is tracked based on amortized cost, was not reported at fair value. As of June 30, 2022, the LAIF allocation was 0.987125414, resulting in a loss as of year end. As a result, we proposed an adjustment of \$2,686 to reduce the value of the LAIF investment and related interest income (loss).

**Context:**

The condition was noted during our audit procedures over OCCOG's cash and investment balances.

**Effect:**

Cash and investments was overstated by \$2,686.

**Cause:**

OCCOG considered fair value of LAIF immaterial, and didn't post an adjustment at year end.

**Recommendation:**

We recommend OCCOG incorporate procedures to consider and post fair value market adjustments for LAIF.

**Views of Responsible Officials and Planned Corrective Actions:**

OCCOG will review and recalculate the LAIF FMV at year end to ensure no investment income(loss) was incurred. If a loss is noted the adjustment entry will be posted.

Orange County Council of Governments  
Summary Schedule of Prior Audit Findings  
June 30, 2022

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| <u>Finding No.</u> | <u>Description</u>    | <u>Status of Corrective Action</u>             |
|--------------------|-----------------------|--|
| 2021-001           | Budget Appropriations | Not implemented – refer to finding<br>2022-001 |