



**ORANGE COUNTY – CITY HAZARDOUS MATERIALS  
EMERGENCY RESPONSE AUTHORITY**

Basic Financial Statements

June 30, 2024 and 2023

(With Independent Auditors' Report Thereon)

**ORANGE COUNTY – CITY HAZARDOUS MATERIALS  
EMERGENCY RESPONSE AUTHORITY**

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## Independent Auditors' Report

The Board of Directors  
Orange County – City Hazardous Materials Emergency Response Authority:

### *Opinion*

We have audited the financial statements of the Orange County – City Hazardous Materials Emergency Response Authority (the Authority) as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements for the years then ended as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2024 and 2023, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, 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 Authority'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.

### *Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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, 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 the Authority'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 the Authority'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*

Management has omitted management's discussion and analysis that U.S. generally accepted accounting principles require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

**KPMG LLP**

Los Angeles, California  
December 23, 2024

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Statements of Net Position

June 30, 2024 and 2023

	<b>Assets</b>	<u>2024</u>	<u>2023</u>
Investments	\$	324,592	311,342
Accounts receivable, net		14,939	—
Interest receivable		2,925	1,426
Total assets		<u>342,456</u>	<u>312,768</u>
<b>Liability</b>			
Due to provider agencies		<u>23,068</u>	<u>4,576</u>
Total liability		<u>23,068</u>	<u>4,576</u>
<b>Net Position</b>			
Unrestricted net position		<u>319,388</u>	<u>308,192</u>
Total net position	\$	<u><u>319,388</u></u>	<u><u>308,192</u></u>

See accompanying notes to basic financial statements.

**ORANGE COUNTY – CITY HAZARDOUS MATERIALS  
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Statements of Revenue, Expenses, and Changes in Net Position

Years ended June 30, 2024 and 2023

	<b>2024</b>	<b>2023</b>
Operating revenue:		
Subscriber agency contributions	\$ 77,572	76,072
Charges for services	18,191	—
Total operating revenue	95,763	76,072
Operating expenses:		
Administrative and overhead	19,939	19,866
Other operating expenses	61,838	94,873
Total operating expenses	81,777	114,739
Operating income (loss)	13,986	(38,667)
Nonoperating revenue:		
Investment income	15,401	6,750
Fair-share distributions	(18,191)	—
Total nonoperating (expense) revenues	(2,790)	6,750
Change in net position	11,196	(31,917)
Net position at beginning of year	308,192	340,109
Net position at ending of year	\$ 319,388	308,192

See accompanying notes to basic financial statements.

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Statements of Cash Flows

Years ended June 30, 2024 and 2023

	<b>2024</b>	<b>2023</b>
Cash flows from operating activities:		
Receipts from subscriber agencies	\$ 77,572	76,072
Receipts from users of services	3,252	—
Payments to suppliers for goods and services	(58,285)	(103,984)
Payments to City of Anaheim for administration and overhead	(19,939)	(19,866)
Net cash provided by (used for) operating activities	2,600	(47,778)
Cash flows from noncapital financing activity:		
Payments to provider agencies for fair-share distributions	(3,252)	(15,960)
Net cash used for noncapital financing activity	(3,252)	(15,960)
Cash flows from investing activities:		
Purchase of investment securities	(100,904)	(85,850)
Proceeds from sales and maturity of investment securities	91,000	140,000
Interest received	10,556	9,588
Net cash provided by investment activities	652	63,738
Change in cash	—	—
Cash at beginning of year	—	—
Cash at end of year	\$ —	—
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ 13,986	(38,667)
Adjustment to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Changes in assets and liabilities:		
Accounts receivable	(14,939)	—
Due to provider agencies	3,553	(9,111)
Net cash provided by (used for) operating activities	\$ 2,600	(47,778)
Schedule of noncash noncapital financing and investing activities:		
Increase (decrease) in fair value of investments	\$ 3,346	(2,415)
Increase in Due to Provider Agencies for fair-share distribution	14,939	—

See accompanying notes to basic financial statements.

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Notes to Basic Financial Statements

June 30, 2024 and 2023

**(1) Summary of Accounting Policies**

**(a) Organization**

On November 28, 1989, the Orange County – City Hazardous Materials Emergency Response Authority (the Authority) was created by a Joint Exercise of Powers Agreement (JPA) for the purpose of responding to, assessing the nature of, and stabilizing any emergency created by the release or threatened release of hazardous materials. In July 1991, the JPA was amended to encourage public entities within Orange County (the County) to subscribe for the services (notes 4 and 6). Under the amended JPA, the definition of a subscribing agency is a public entity that has agreed to contribute to the costs of administering the JPA by making “fair-share contributions.” As one of its objectives, the Authority calls for continued prompt and efficient response to hazardous materials emergencies and proposes to achieve this objective by continuing to provide emergency response service for spills, illegal dumping, and other incidents involving hazardous materials and waste throughout the County. The Authority coordinates responses to hazardous materials emergencies to ensure efficient use of resources and will provide equitable sharing of risks associated with such emergencies. The Authority commenced operations on April 1, 1990.

The following entities are members of the Authority: The Cities of Anaheim and Huntington Beach (provider agencies). Members of the Board of Directors (the Board) consist of (1) one voting Board member and an alternate appointed by the governing body from the provider agencies; and (2) three voting subscriber agency Board members and an alternate appointed to one-year terms (note 4).

Public entities in the County may receive hazardous materials response services from the Authority by executing an agreement and paying a fair-share contribution. Annually, the Board adopts a budget and determines the cost of services to the participating agencies and the rates associated with responses.

**(b) Basis of Presentation**

The Authority’s financial statements are prepared in conformity with U.S. generally accepted accounting principles. The Governmental Accounting Standards Board (GASB) is the acknowledged standard-setting body for establishing accounting and financial reporting standards followed by government entities in the United States.

The financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the statements of net position. Under the accrual basis of accounting, revenue is recognized when earned and expenses are recognized when incurred.

Operating revenue is the revenue that is generated from the Authority’s primary operations. All other revenue is reported as nonoperating revenue. Operating expenses are those expenses that are essential to the Authority’s primary operations. All other expenses are reported as nonoperating expenses.



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**(c) Fair Value Measurements**

The Authority uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine the fair value disclosures. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in certain instances, there are no quoted market prices for the Authority's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. The Authority groups its assets and liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability. This valuation is accomplished using management's best estimate of fair value, with inputs into the determination of fair value that require significant management judgment or estimation. The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest-level input that is significant to the fair value measurement in its entirety.

**(d) Investments**

The Authority participates in the investment pool managed by the City of Anaheim (City), which is an external investment pool and is not registered with the Securities and Exchange Commission. The Authority's investment in the pool is carried at fair value based on the value of each participating unit and is accordingly not leveled in the fair value hierarchy.

**(e) Net Position**

Net position represents the difference between all other elements in the statements of net position and should be displayed in the following three components:

- *Net investment in capital assets* – This component of net position consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* – This component of net position consists of restricted assets subject to externally imposed conditions or constraints that can be fulfilled by the actions of the Authority or by the passage of time. The restrictions are externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or by law through constitutional provisions or enabling

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legislation. The Authority has adopted a policy of generally utilizing restricted funds, prior to unrestricted funds, when an expense is incurred for purposes for which both are available.

- *Unrestricted* – This component of net position is the amount the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

At June 30, 2024 and 2023, the entire net position of the Authority is considered unrestricted.

**(f) Use of Estimates**

The preparation of the basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

**(2) New Accounting Pronouncement**

The Authority adopted the following new accounting pronouncements issued by the GASB during the current fiscal year that ended June 30, 2024:

- GASB Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*. This Statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements. The Authority adopted this statement during the year ended June 30, 2024 and determined it did not have a material impact to the financial statements.
- GASB Statement No. 101, *Compensated Absences*. This Statements requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but has not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The Authority adopted this statement during the year ended June 30, 2024 and determined it did not have a material impact to the financial statements.

**(3) Investments**

The Authority's investment policy allows all funds to be invested with the City. As of June 30, 2024 and 2023, the Authority had \$324,592 and \$311,342, respectively invested in the City's pooled investment fund, respectively. The City's investment policy limits the permitted investments in the investment pool to the following: obligations of the U.S. government, federal agencies, and government-sponsored enterprises, medium-term corporate notes, certificates of deposit, bankers' acceptances, commercial paper, supranational, Local Agency Investment Fund (LAIF), repurchase agreements, reverse repurchase agreements, and money market mutual funds. The City's Treasurer investment portfolio rating at June 30,

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2024 and 2023 was AAf/S1. The Treasurer’s investment portfolio has a weighted average maturity of 1.67 and 1.59 years at June 30, 2024 and 2023, respectively.

**(4) Subscribing Agency Contributions**

The Authority collects fair-share contributions from the subscribing agencies and fees from emergency service contract agencies. The contribution amount for subscribing agencies is calculated each year by multiplying the projected operating costs by the subscriber’s current-year fair-share percentage. Each member’s fair-share percentage means the percentages calculated utilizing population values (provided by the State of California) and the square miles of the respective subscriber agency (provided by the County). If actual operating costs fall beneath the projected amount, the Board of Directors may, at its discretion, reimburse the difference to the subscribing agencies. For the years ended June 30, 2024 and 2023, actual operating costs were \$81,778 and \$114,739, respectively, which fell beneath budgeted costs of \$102,572 and \$121,072, respectively. The Board has not taken actions for the distribution of excess fair-share contributions.

An emergency service contract agency is a public agency that contracts with the Authority to pay for hazardous materials emergency response services on an hourly basis. As of June 30, 2024 and 2023, the following cities were subscribing agencies: Brea, Costa Mesa, Fountain Valley, Fullerton, Placentia, Newport Beach, and Orange.

The percentages and amounts of subscribing agency contributions consisted of the following for the fiscal years ended June 30, 2024 and 2023:

	<b>2024</b>		<b>2023</b>	
	<b>Percentage</b>	<b>Amount</b>	<b>Percentage</b>	<b>Amount</b>
City of Brea	9.22 %	\$ 7,152	9.08 %	\$ 6,911
City of Costa Mesa	15.55	12,063	15.58	11,852
City of Fountain Valley	8.37	6,494	8.41	6,394
City of Fullerton	20.91	16,220	21.02	15,991
City of Placentia	6.84	5,308	6.89	5,240
City of Newport Beach	17.10	13,262	17.25	13,125
City of Orange	22.01	17,073	21.77	16,559
Total	<u>100.00 %</u>	<u>\$ 77,572</u>	<u>100.00 %</u>	<u>\$ 76,072</u>

**(5) Charges for Services**

The Authority provided Fire and Rescue hazardous materials incident responses. The amount of billable incidents, net of allowance for uncollectibles, were \$18,191 and \$0 during the year ended June 30, 2024 and 2023, respectively.

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**(6) Fair-Share Distribution**

Under the amended JPA Agreement, the provider agencies participate in all revenue other than amounts billed to subscribing agencies. Revenue is distributed to the provider agencies as follows: (1) all administrative expenses actually incurred by the City shall be reimbursed prior to distribution to any provider agencies; (2) any revenue collected from reimbursement of a hazardous materials incident will be distributed based upon the direct costs incurred by the provider agencies, the administrative office, and/or other jurisdictions that assisted in the incident, for that respective incident; and (3) any revenue not previously outlined will be distributed in accordance with resolutions set by the Board. Fair-share distributions were \$18,191 and \$0 for the fiscal year ended June 30, 2024, and 2023 respectively.

**(7) Accounts Receivable**

Accounts receivable, net of allowance for uncollectible, were \$14,939 and \$0 at June 30, 2024 and June 30, 2023 and 2023 respectively.

**(8) Administration of the JPA**

Administrative services required for the operation of the Authority and administration of the personnel are administered by the City. For the fiscal years ended June 30, 2024 and 2023, administration fees paid to the City were \$19,939 and \$19,866, respectively, per the JPA Agreement.

**(9) Risk Management**

The Authority is self-insured for general liability claims. The amount of claims paid out is distributed among each member for reimbursement. In the event an unfunded liability arises, the contribution of each member shall be in an amount equal to the total unfunded liability multiplied by that member's percentage of budget. At June 30, 2024 and 2023, the Authority did not have any claims outstanding nor did the Authority pay any claims during the year.

**(10) Commitments and Contingencies**

**(a) Lawsuits**

In the ordinary course of business, the Authority is subject to various claims, investigations, proceedings, tax assessments, and legal actions from time to time arising out of the conduct of the Authority's business. Management believes that, based on current knowledge, the outcome of any such pending matters will not have a material adverse effect on the Authority's financial position.

**(b) Commitments**

The Authority does not have any major contractual commitments or contingencies as of June 30, 2024 and 2023.