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ORANGE COUNTY FRINGE BENEFITS JOINT POWERS AUTHORITY

AUDIT REPORT

JUNE 30, 2024

ORANGE COUNTY FRINGE BENEFITS JOINT POWERS AUTHORITY
BOARD OF DIRECTORS
JUNE 30, 2024

Representative	Member	Office
Julie Kossick	North Orange County CCD	President
Cathie Abdel	Fountain Valley School District	Vice President
Sandy Poteet	Buena Park School District	Treasurer
Tonia Watkins	North Orange County ROP	Secretary
Jenny Delgado	Huntington Beach City School District	Member

ORANGE COUNTY FRINGE BENEFITS JOINT POWERS AUTHORITY
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FINANCIAL SECTION

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTSIndependent Auditors' Report

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

Report on the Audit of the Financial Statements***Opinion***

We have audited the accompanying financial statements of the Orange County Fringe Benefits Joint Powers Authority ("OCFBJPA"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the OCFBJPA's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, of the OCFBJPA, as of June 30, 2024, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the OCFBJPA 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 opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the OCFBJPA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 generally accepted auditing standards 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 of the financial statements.

In performing an audit in accordance with generally accepted auditing standards 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 the OCBJPA'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 OCBJPA'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 required supplementary information, such as management's discussion and analysis, claims development information, and ten-year claims development information 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 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 October 11, 2024 on our consideration of the OCFBJPA'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 the OCFBJPA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OCFBJPA's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Christy White, Inc". The signature is written in a cursive, flowing style.

San Diego, California
October 11, 2024

**ORANGE COUNTY FRINGE BENEFITS JOINT POWERS AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

The following report reflects on the financial condition of Orange County Fringe Benefits Joint Powers Authority (OCFBJPA) and for the fiscal years ended June 30, 2024. It discusses OCFBJPA's financial operations and analyzes the significant financial changes from the prior year. Readers should review the financial management information report and independent financial audit in conjunction with this report to enhance their understanding of OCFBJPA's financial performance.

INTRODUCTION AND BACKGROUND

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

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

MEMBERSHIP

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

SERVICES AND PROGRAMS

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

FINANCIAL MANAGEMENT AND CONTROL

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

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

Christy White Inc., Certified Public Accountants, have performed an independent audit examination of the financial statements in accordance with generally accepted auditing standards.

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

DESCRIPTION OF THE FINANCIAL STATEMENTS

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

The Statements of Net Position provides information on OCFBJPA's program assets and liabilities, with the difference reported as Designated/Undesignated Net Position as of June 30, 2024. The Statements of Revenues, Expenses and Changes in Net Position presents information showing total revenues versus total expenses for fiscal years 2023-2024 and the resulting effect on Net Position. The Statements of Cash Flows provides a reconciliation of the change during the fiscal years 2023-2024 in cash and cash equivalents.

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

ORANGE COUNTY FRINGE BENEFITS JOINT POWERS AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
JUNE 30, 2024

FINANCIAL ANALYSIS

Condensed Financial Information Statement of Net Position

Below is a summary of the Statements of Net Position showing total assets versus total liabilities with a percentage of change from the 2022-2023 to the 2023-2024 program year.

	As of		2023/2024	
	6/30/2024	6/30/2023	Variance	%
ASSETS				
Cash and investments	\$ 4,470,411	\$ 4,042,887	\$ 427,524	10.57%
Accounts/interest receivable	67	77,484	(77,417)	(99.91%)
Total Assets	<u>4,470,478</u>	<u>4,120,371</u>	<u>350,107</u>	<u>8.50%</u>
LIABILITIES				
Accounts payable/unearned revenue	81,801	74,344	7,457	10.03%
Claim liabilities	217,671	211,628	6,043	2.86%
Total Liabilities	<u>299,472</u>	<u>285,972</u>	<u>13,500</u>	<u>4.72%</u>
NET POSITION	<u>4,171,006</u>	<u>3,834,399</u>	<u>336,607</u>	<u>8.78%</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 4,470,478</u>	<u>\$ 4,120,371</u>	<u>\$ 350,107</u>	<u>8.50%</u>

Assets

The overall assets of OCFBJPA increased by \$350,107 or 8.50%, the deposits and investments increased by \$427,524 or 10.57%, and accounts/interest receivable decreased by \$77,417 or 99.91%. The reason for the increase from June 30, 2023 of \$4,120,371 to June 30, 2024 of \$4,470,478 is related to the following changes:

- Program Year 2023/2024 revenues exceeding claims and claim administration expenditures of \$168,841 for Delta Dental and VSP as shown in the actual cost as a percentage of original net contributions by program year of 95.22% for Delta Dental and 93.45% for VSP despite 2.50% rate decreases for Delta Dental and VSP beginning with each member renewal date.
- Net investment income earned with fair value of \$245,722.
- The net activities of accounts payable and unearned revenue of \$7,457.

Offset by:

- Administrative expenses of \$71,913 which are funded by the JPA's Net Position.

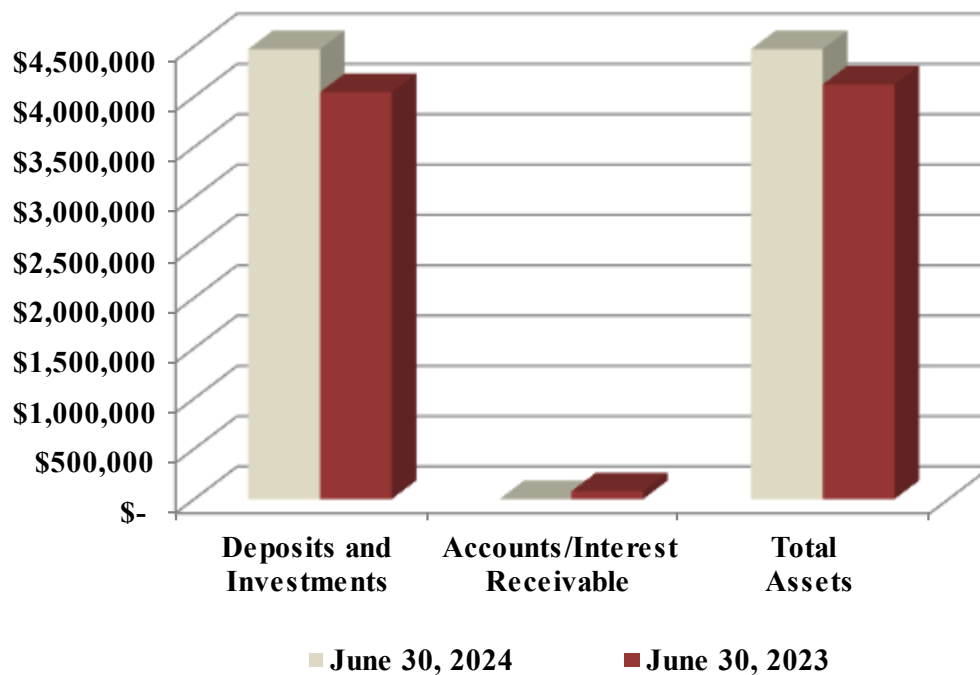
**ORANGE COUNTY FRINGE BENEFITS JOINT POWERS AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
JUNE 30, 2024**

FINANCIAL ANALYSIS (continued)

Assets (continued)

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

This increase in assets can be seen below for 2023-2024 and 2022-2023.



Liabilities

The liabilities of OCFBJPA increased in 2023-2024 by \$13,500 or 4.72% primarily due the following activities:

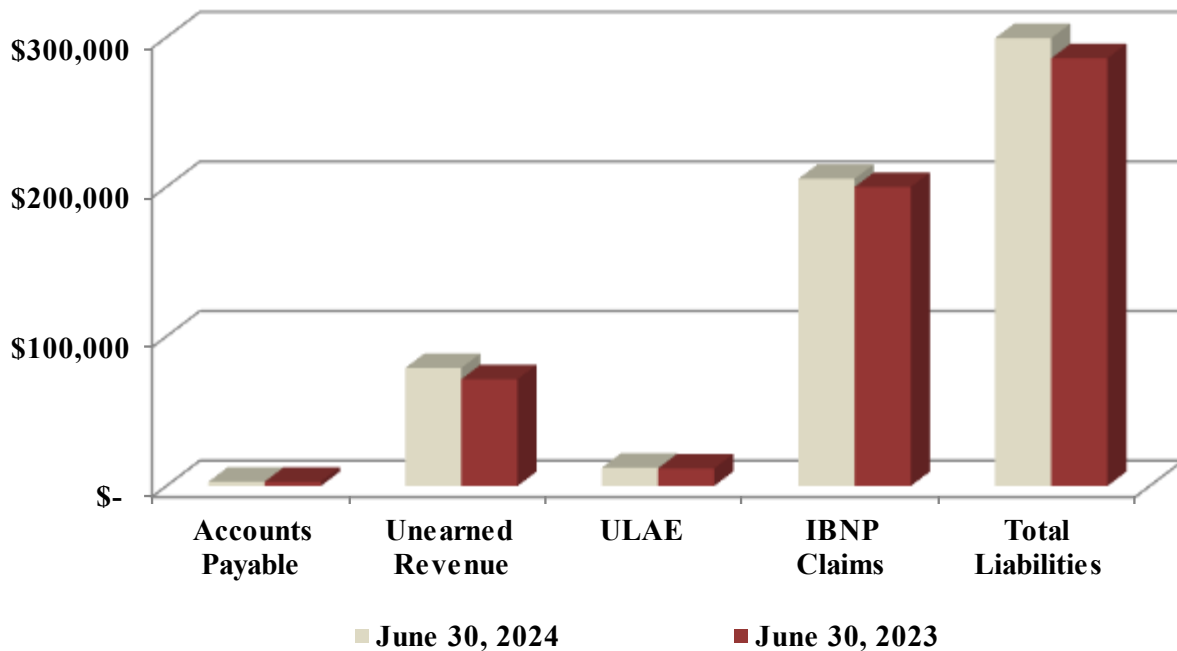
- The net activities of accounts payable and unearned revenue of \$7,457,
- The claims experience that resulted an increase to the claim liabilities and unallocated adjustment expense of \$6,043.

**ORANGE COUNTY FRINGE BENEFITS JOINT POWERS AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
JUNE 30, 2024**

FINANCIAL ANALYSIS (continued)

Liabilities (continued)

This increase can be seen in the chart below from 2023-2024 and 2022-2023.



Net Position

OCFBJPA's Statement of Net Position reflects the Undesignated Net Position of \$3,362,463 and a Designated Capital Target of \$808,543. OCFBJPA's net position increased by \$336,607 or 8.78%. This increase to the net position is primarily attributed to the following changes:

- Program Year 2023/2024 revenues have exceeded claims and claim administration expenditures by \$168,841 for Delta Dental and Vision Service Plan (VSP) as shown in the actual cost as a percentage of original net contributions by program year of 95.22% for Delta Dental and 93.45% for VSP (see page 4) despite 2.50% rate decreases for Delta Dental and VSP beginning with each member renewal date.
- Net investment income earned with fair value of \$245,722.

Offset by:

- Administrative expenses of \$71,913 which are funded by the JPA's Net Position.
- The claims experience that resulted an increase to the claim liabilities and unallocated adjustment expense of \$6,043.

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, continued
JUNE 30, 2024

FINANCIAL ANALYSIS (continued)

Statement of Revenues, Expenses, and Changes in Net Position

Revenues exceeded expenses by \$336,607 in 2023-2024, resulting in a net increase to the Net Position of 8.78 percent as shown in the Condensed Statement of Revenues, Expenses, and Changes in Net Position shown below.

	Fiscal Year Ended		Variance	%
	6/30/2024	6/30/2023		
Operating Revenue				
Member Contributions	\$ 3,535,849	\$ 3,487,650	\$ 48,199	1.38%
Total Operating Revenue	<u>3,535,849</u>	<u>3,487,650</u>	<u>48,199</u>	<u>1.38%</u>
Operating Expense				
Administrative expenses	314,592	288,096	26,496	9.20%
Other insurance	<u>3,130,372</u>	<u>2,916,179</u>	<u>214,193</u>	<u>7.34%</u>
Total Operating Expense	<u>3,444,964</u>	<u>3,204,275</u>	<u>240,689</u>	<u>7.51%</u>
Nonoperating Revenues				
Net increase/decrease in fair value	61,314	(11,922)	73,236	(614.29%)
Net investment income	<u>184,408</u>	<u>86,445</u>	<u>97,963</u>	<u>113.32%</u>
Total Nonoperating Revenues	<u>245,722</u>	<u>74,523</u>	<u>171,199</u>	<u>229.73%</u>
Change in Net Position	<u>336,607</u>	<u>357,898</u>	<u>(21,291)</u>	<u>(5.95%)</u>
Beginning Net Position	<u>3,834,399</u>	<u>3,476,501</u>	<u>357,898</u>	<u>10.29%</u>
Ending Net Position	<u>\$ 4,171,006</u>	<u>\$ 3,834,399</u>	<u>\$ 336,607</u>	<u>8.78%</u>

Revenues

Pool operating revenues mostly consist of contributions received from members. Member Contributions increased by 1.38 percent from \$3,487,650 in 2022-2023 to \$3,535,849 in 2023-2024. 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 2023-2024 for both Dental and Vision was a 2.50% decrease.

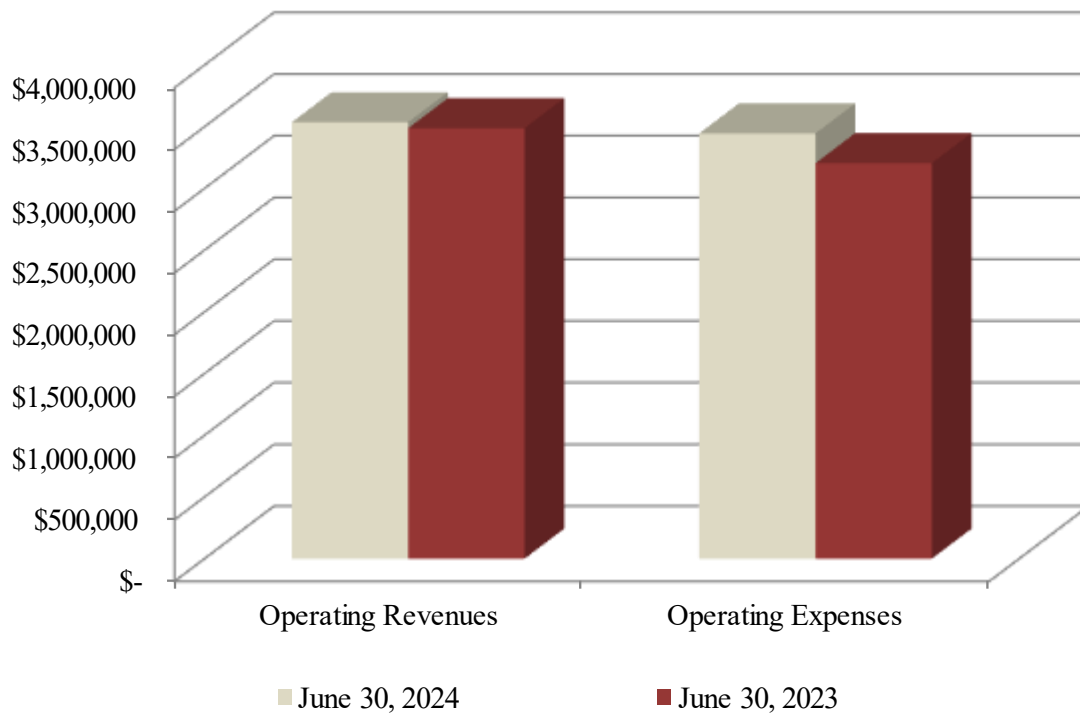
**ORANGE COUNTY FRINGE BENEFITS JOINT POWERS AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
JUNE 30, 2024**

FINANCIAL ANALYSIS (continued)

Expenses

Operating expenses, claims costs, and fully insured premiums, and administrative expenses increased by 7.51 percent in 2023-2024 from \$3,204,275 to \$3,444,964 due to an increase in claims activity despite the 2.50% rate decreases for Delta Dental and VSP beginning with each member renewal date.

Below is a graph that reflects operating income and expenses in 2023-2024 and 2022-2023.



ORANGE COUNTY FRINGE BENEFITS JOINT POWERS AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
JUNE 30, 2024

FINANCIAL ANALYSIS (continued)

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:

	Adopted Budget	Actual Results	Variance	%
Operating Revenue				
Member Contributions	\$ 3,592,677	\$ 3,535,849	\$ (56,828)	98.42%
Net increase/decrease in fair value	-	61,314	61,314	0.00%
Net investment income	104,966	184,408	79,442	175.68%
Total Operating Revenue	3,697,643	3,781,571	83,928	102.27%
Operating Expense				
Administrative expenses	358,504	314,592	(43,912)	87.75%
Other insurance	3,234,173	3,130,372	(103,801)	96.79%
Total Operating Expense	3,592,677	3,444,964	(147,713)	95.89%
Change in Net Position	104,966	336,607	231,641	320.68%
Beginning Net Position	3,834,399	3,834,399	-	100.00%
Ending Net Position	\$ 3,939,365	\$ 4,171,006	\$ 231,641	105.88%

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
STATEMENT OF NET POSITION
JUNE 30, 2024

ASSETS

Current Assets	
Cash and investments	\$ 4,470,411
Interest receivable	67
Total Current Assets	<u>4,470,478</u>
Total Assets	<u>4,470,478</u>

LIABILITIES

Current Liabilities	
Accounts payable and due to members	2,892
Unearned revenue	78,909
Administrative runoff	12,262
Unpaid claims and claim adjustment expenses	205,409
Total Current Liabilities	<u>299,472</u>
Total Liabilities	<u>299,472</u>

NET POSITION

Undesignated	3,362,463
Designated - capital target	808,543
Total Net Position	<u>4,171,006</u>
Total Liabilities and Net Position	<u>\$ 4,470,478</u>

ORANGE COUNTY FRINGE BENEFITS JOINT POWERS AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN THE NET POSITION
YEAR ENDED JUNE 30, 2024

OPERATING REVENUE	
Member contributions	\$ 3,535,849
Total Operating Revenues	<u>3,535,849</u>
OPERATING EXPENSES	
Claims paid (net of deductibles)	3,124,329
Provision for claims liability	5,494
Provision for administrative runoff	549
ASO fees	208,264
Administration expenses	34,415
Accounting and audit	27,724
Other administrative expenses	44,189
Total Operating Expense	<u>3,444,964</u>
Net Operating Income/(Loss)	<u>90,885</u>
NON-OPERATING REVENUE:	
Bank fees	(30)
Unrealized loss/gain in fair value of investments	61,344
Interest	184,408
CHANGE IN NET POSITION	<u>336,607</u>
Net Position - Beginning	<u>3,834,399</u>
Net Position - Ending	<u>\$ 4,171,006</u>

ORANGE COUNTY FRINGE BENEFITS JOINT POWERS AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2024

Cash flows from operating activities

Cash received from members and others	\$ 3,620,760
Cash payments for claims and settlements	(3,124,329)
Cash payments for suppliers for goods and services	(27,761)
Cash payments for administrative costs	(286,868)

Net cash provided by (used in) operating activities

181,802

Cash flows from investing activities

Interest income	184,408
Change in fair value of investments	61,344
Cash paid for purchase of investment securities	(30)

Net cash provided by (used in) investing activities

245,722

NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS

427,524

CASH AND INVESTMENTS

Beginning of year	4,042,887
End of year	<u>\$ 4,470,411</u>

**Reconciliation of operating income to net cash provided
by (used in) operating activities**

Operating income (loss)	\$ 90,885
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
(Increase) decrease in:	
Accounts receivable	47,323
Interest receivable	30,094
Increase (decrease) in:	
Accounts payable	(37)
Administrative runoff	549
Unearned revenue	7,494
Claims and ULAE liability	5,494
Net cash provided by (used in) operating activities	<u>\$ 181,802</u>

ORANGE COUNTY FRINGE BENEFITS JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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.

A. 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.

B. 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.

C. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. 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.

E. 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.

F. Unearned Revenue

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

G. 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.

H. Receivables

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

I. 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.

ORANGE COUNTY FRINGE BENEFITS JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 2 - DEPOSITS AND INVESTMENTS

A. Summary of Cash and Investments

Deposits and investments as of June 30, 2024, consist of the following:

	<u>2024</u>
Cash and investments	
Cash in county treasury	\$ 828
Cash deposits	75,237
California asset management program	4,388,742
Investments - state investment pool	5,604
Total cash and investments	<u>\$ 4,470,411</u>

B. 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.

C. 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. LAIF has an average weighted maturity of 217 days.

D. Investment in the California Asset Management Program

California Asset Management Program (CAMP) is a California Joint Powers Authority established in 1989 to provide California public agencies with professional investment services. Investments offered through the Cash Reserve Portfolio (CAMP Pool) are permitted for all local agencies under California Government Code Section 53601(p). The CAMP Pool investments are transacted using the net asset value (NAV) per share as of the close of business each business day by dividing the net position of the CAMP Pool by the number of outstanding shares. The CAMP Pool's objective is to maintain a NAV of \$1.00 per share, however, there is no assurance that this objective will be achieved. The exact price for share transactions will be determined based on the NAV next calculated after receipt of a properly executed order. The number of shares purchased or redeemed will be determined by the NAV. The CAMP Pool has an average weighted maturity of 26 days.

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

E. 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.

F. 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.

G. 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 deposit 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, 2024, OCFBJPA's bank balance of \$75,237 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of 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, continued
JUNE 30, 2024

NOTE 4 - CLAIMS LIABILITY

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

	2024
Unpaid claims and claim adjustment expenses, beginning of fiscal year	\$ 199,915
Incurred claims and claim adjustment expenses	
Provision for covered events of the current year	3,129,823
Total incurred claims and claim adjustment expenses	\$ 3,129,823
Payments:	
Claims and claim adjustment expenses attributable to covered events of the current year	2,918,920
Claims and claim adjustment expenses attributable to covered events of prior years	205,409
Total payments	3,124,329
Total unpaid claims and claim adjustment expenses, end of year	\$ 205,409

NOTE 5 - NET POSITION

Net position is composed of the following elements as of June 30, 2024:

	2024
Unrestricted	
Undesignated	\$ 3,362,463
Designated - capital target	808,543
Total Net Position	\$ 4,171,006

REQUIRED SUPPLEMENTARY INFORMATION

ORANGE COUNTY FRINGE BENEFITS JOINT POWERS AUTHORITY
CLAIMS DEVELOPMENT INFORMATION
JUNE 30, 2024

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, 2024

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
1 Required contribution and investment revenue										
Earned	\$ 3,903,650	\$ 3,776,772	\$ 3,969,964	\$ 4,026,708	\$ 3,079,247	\$ 3,332,682	\$ 3,132,005	\$ 3,203,422	\$ 3,562,173	\$ 3,781,571
Ceded	-	-	-	-	-	-	-	-	-	-
Net earned	3,903,650	3,776,772	3,969,964	4,026,708	3,079,247	3,332,682	3,132,005	3,203,422	3,562,173	3,781,571
2 Unallocated expenses	266,618	270,280	290,520	282,410	280,142	255,379	283,745	273,875	288,096	314,592
3 Estimated losses and expenses, end of fiscal year:										
Net incurred	3,118,427	3,162,199	3,408,234	3,356,265	2,937,355	2,416,308	2,852,721	2,702,727	2,914,784	3,129,823
4 Net paid (cumulative) as of:										
End of fiscal year	2,921,154	2,969,251	3,181,226	3,348,794	2,746,883	2,263,543	2,680,613	2,680,105	2,689,337	2,918,920
One year later	3,118,427	3,162,199	3,194,182	3,582,738	2,935,373	2,405,869	2,854,996	2,880,020	2,894,746	-
Two years later	3,118,427	3,162,199	3,194,182	3,582,738	2,935,373	2,405,869	2,854,996	2,880,020	-	-
Three years later	3,118,427	3,162,199	3,194,182	3,582,738	2,935,373	2,405,869	2,854,996	-	-	-
Four years later	3,118,427	3,162,199	3,194,182	3,582,738	2,935,373	2,405,869	-	-	-	-
Five years later	3,118,427	3,162,199	3,194,182	3,582,738	2,935,373	-	-	-	-	-
Six years later	3,118,427	3,162,199	3,194,182	3,582,738	-	-	-	-	-	-
Seven years later	3,118,427	3,162,199	3,194,182	-	-	-	-	-	-	-
Eight years later	3,118,427	3,162,199	-	-	-	-	-	-	-	-
Nine years later	3,118,427	-	-	-	-	-	-	-	-	-
5 Reestimated ceded losses and expenses	-	-	-	-	-	-	-	-	-	-
6 Reestimated net incurred losses and expenses:										
End of fiscal year	3,118,427	3,162,199	3,408,234	3,356,265	2,937,355	2,416,308	2,852,721	2,702,727	2,914,784	3,129,823
One year later	3,118,427	3,162,199	3,194,182	3,356,265	2,937,355	2,416,308	2,852,721	2,702,727	2,914,784	-
Two years later	3,118,427	3,162,199	3,194,182	4,050,626	3,123,863	2,416,308	2,852,721	2,702,727	-	-
Three years later	3,118,427	3,162,199	3,194,182	4,050,626	3,123,863	2,416,308	2,852,721	-	-	-
Four years later	3,118,427	3,162,199	3,194,182	4,050,626	3,123,863	2,416,308	-	-	-	-
Five years later	3,118,427	3,162,199	3,194,182	4,050,626	3,123,863	-	-	-	-	-
Six years later	3,118,427	3,162,199	3,194,182	4,050,626	-	-	-	-	-	-
Seven years later	3,118,427	3,162,199	3,194,182	-	-	-	-	-	-	-
Eight years later	3,118,427	3,162,199	-	-	-	-	-	-	-	-
Nine years later	3,118,427	-	-	-	-	-	-	-	-	-
7 Increase in estimated net incurred losses and expenses from end of fiscal year	\$ -	\$ -	\$ 214,052	\$ (694,361)	\$ (186,508)	\$ -	\$ -	\$ -	\$ -	\$ -

OTHER INDEPENDENT AUDITORS' REPORTS

**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**Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Orange County Fringe Benefits Joint Powers Authority ("OCFBJPA"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the OCFBJPA's basic financial statements, and have issued our report thereon dated October 11, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered OCFBJPA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OCFBJPA's internal control. Accordingly, we do not express an opinion on the effectiveness of OCFBJPA's internal control.

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

Our consideration of internal control 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

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 blue ink that reads "Christy White, Inc". The signature is fluid and cursive.

San Diego, California
October 11, 2024