

Orange County Council of Governments

Irvine, California

Independent Auditor's Report and Basic Financial Statements

For the Year Ended June 30, 2025



Orange County Council of Governments
Basic Financial Statements
For the Year Ended June 30, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of the 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, each major fund and aggregate remaining fund information of the Orange County Council of Governments (the "OCCOG"), as of and for the year ended June 30, 2025, 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, each major fund, and the aggregate remaining fund information of the OCCOG, as of June 30, 2025, and the respective changes in financial position thereof 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 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 the Budgeting Comparison Schedule 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 ("GASB"), 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 GAAS, 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.

To the Board of Directors
of the Orange County Council of Governments
Irvine, California
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2026 on our consideration of 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 Per Group, LLP

Santa Ana, California
September 28, 2026

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Orange County Council of Governments
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2025

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, 2025.

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 11 and 12.

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 13 to 16.

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 Assets and Liabilities and Statement of Changes in Assets and Liabilities on pages 17 and 18 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 for ensuring the assets are reported in this fund used for its intended purpose.

Orange County Council of Governments
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2025

Government-wide Financial Analysis

The total net position of OCCOG was \$83,496 at June 30, 2025. In comparison, the total net position of OCCOG at June 30, 2024, was \$97,980. OCCOG's net position at June 30, 2025, was unrestricted, meaning there are no external restrictions placed on the future use of the organization's net position.

	Governmental Activities		Percent Change
	2025	2024	
Current and other assets	\$ 155,980	\$ 317,475	-50.9%
Total assets	155,980	317,475	
Current liabilities	72,484	219,495	-67.0%
Total liabilities	72,484	219,495	
Net position:			
Unrestricted	83,496	97,980	-14.78%
Total net position	\$ 83,496	\$ 97,980	

The total net position of OCCOG decreased by \$14,484 or 14.78%, during FY 2024-25 (see Table 2). This means that expenses exceeded revenues, on a full accrual basis, by \$20,883 for the year. This compares to the decrease in net position during FY 2023-24 of \$33,605. Revenues were 48.50% lower than FY 2023-24, and expenses were 48.7% lower. The overall decrease in revenues can be attributed to Regional Action Planning (REAP) grant revenues decreased in FY 2024-25 compared to FY 2023-24. Operating grants and contributions decreased by \$773,247 in FY 2024-25 compared to FY 2023-24 primarily related to (REAP) grant billing. The decrease in expenses can be attributed to decrease spending for REAP grant in Community Development which amounted to \$762,763.

	Governmental Activities		Percent Change
	2025	2024	
Revenues			
Program revenues			
Member dues and fees	\$ 451,403	\$ 443,473	1.8%
General assembly	55,028	43,447	26.7%
Operating grants and contributions	287,794	1,062,681	-72.9%
Investment earnings (loss)	6,399	5,149	24.3%
Total revenues	800,624	1,554,750	-48.5%
Expenses			
General government	(475,455)	(485,939)	-2.2%
Community development	(339,653)	(1,102,416)	-69.2%
Total expenses	(815,108)	(1,588,355)	-48.7%
Change in net position	(14,484)	(33,605)	-56.9%
Net position, beginning of year	97,980	131,585	-25.5%
Net position, end of year	\$ 83,496	\$ 97,980	-14.78%

Orange County Council of Governments
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2025

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 2024-25 came from membership dues and fees, charges for services, and operating grants. 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 an increase in dues structure from FY 2023-24 to FY 2024-25. For FY 2024-25 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 Environmental Protection Agency (EPA) grants Partnerships.

General Fund Budgetary Highlights

Actual expenditures exceeded actual revenues for the year by \$8,060. Actual revenues for the year of \$807,048 were \$1,492,063 lower than the final budget amount, as a result primarily of revenue for REAP grant received in FY2023-24. The remaining Environmental Protection Agency (EPA) grant budget balance is carried over to FY 2025-26.

Total actual expenditures of \$815,108 were \$1,505,957 lower than expected in the final FY 2024-25 budget. Expenditures were lower than budget mainly due to EPA grant expenditures which were not fully realized for FY 24-25 budgeted. The remaining EPA budget balance is carried over to FY 2025-26.

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 or to the OCCOG Treasurer at 3972 Barranca Parkway Suite J127, Irvine, CA 92606.

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BASIC FINANCIAL STATEMENTS

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Orange County Council of Governments
Statement of Net Position
June 30, 2025

	Governmental Activities
ASSETS	
Cash and investments	\$ 18,033
Accounts receivable	137,355
Accrued interest receivable	592
Total assets	<u>155,980</u>
LIABILITIES	
Accounts payable	72,484
Total liabilities	<u>72,484</u>
NET POSITION	
Unrestricted	83,496
Total net position	<u><u>\$ 83,496</u></u>

Orange County Council of Governments
Statement of Activities
For the Year Ended June 30, 2025

Functions/Programs	Governmental Activities
Program Revenues:	
Charges for Services:	
Membership dues and fees	\$ 451,403
General assembly	55,028
Operating grants and contributions	<u>287,794</u>
Total program revenue	<u><u>794,225</u></u>
Program Expenses:	
General government	475,455
Community development	<u>339,653</u>
Total program expenses	<u>815,108</u>
Net program expense	(20,883)
General Revenue:	
Investment earnings	<u>6,399</u>
Change in net position	(14,484)
Beginning of the year	<u>97,980</u>
End of the year	<u><u>\$ 83,496</u></u>

Orange County Council of Governments
Balance Sheet
Governmental Fund
June 30, 2025

	<u>General Fund</u>
ASSETS	
Current Assets:	
Cash and investments	\$ 18,033
Accounts receivable	137,355
Accrued interest receivable	592
Total Assets	<u>\$ 155,980</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	72,484
Total Liabilities	<u>72,484</u>
Fund Balance:	
Unassigned	83,496
Total fund balance	<u>83,496</u>
Total liabilities and fund balance	<u>\$ 155,980</u>

Orange County Council of Governments
Reconciliation of the Governmental Fund Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2025

Total Governmental Fund Balance	\$ 83,496
Net position of governmental activities	<u>\$ 83,496</u>

Orange County Council of Governments
Statement of Revenues, Expenditures, and Change in Fund Balance
Governmental Fund
For the Year Ended June 30, 2025

	General Fund
REVENUES:	
Membership dues and fees	\$ 451,403
Charges for services - general assembly	55,028
Intergovernmental revenues	294,218
Investment earnings	6,399
Total revenues	807,048
EXPENDITURES:	
Current:	
General government:	
Demographic research	159,579
Administrative	197,132
Professional services	95,525
Miscellaneous	23,219
Community development:	
General assembly conference	50,237
Regional Early Action Planning	156,334
Environmental Protection Agency - Brownfields and Land Revitalization	133,082
Total expenditures	815,108
NET CHANGE IN FUND BALANCE	(8,060)
FUND BALANCE:	
Beginning of year	91,556
End of year	\$ 83,496

Orange County Council of Governments
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and Change
in Fund Balance to the Government-Wide Statement of Activities
For the Year Ended June 30, 2025

Net change in fund balance of the governmental fund	\$ (8,060)
Some revenues reported in the Statement of Activities are not considered to be available to finance current expenditures and therefore are reported as available revenues only in the statement of activities.	<u>(6,424)</u>
Change in net position of governmental activities	<u><u>\$ (14,484)</u></u>

Orange County Council of Governments
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2025

	<u>Custodial Fund</u>
ASSETS	
Current assets:	
Cash and investments	\$ 7,410
Total assets	<u>7,410</u>
NET POSITION	
Restricted for other governments	<u>7,410</u>
Total net position	<u><u>\$ 7,410</u></u>

Orange County Council of Governments
Statement of Change in Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2025

	Custodial Fund
NET POSITION:	
Beginning of year, as previously reported	\$ 4,410
Error correction (Note 5)	<u>3,000</u>
Beginning of year, as restated (Note 5)	<u>7,410</u>
End of year	<u><u>\$ 7,410</u></u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

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Orange County Council of Governments
Notes to the Basic Financial Statements
For the Year Ended June 30, 2025

Note 1 – Organization and 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, 2025 are maintained by the OCCOG at 3972 Barranca Pkwy, Suite J127, Irvine, CA 92606.

B. Measurement Focus, Basis of Accounting and Financial Statements Presentation

The basic financial statements of OCCOG have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”). The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for governmental accounting financial reporting purposes.

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

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

Government-Wide Financial Statements

OCCOG’s Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summary of governmental activities for OCCOG. Fiduciary activities of the City are not included in this statement.

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.

Orange County Council of Governments
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 1 – Organization and Summary of Significant Accounting Policies (Continued)

B. Measurement Focus, Basis of Accounting and Financial Statements Presentation (Continued)

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for major governmental fund. Accompanying schedules are presented to reconcile and explain the differences between the fund balances presented in these statements to the net position for governmental activities presented in the government-wide 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.

The OCCOG reports the following major governmental fund:

- General Fund – The General Fund is used to account for all financial resources except those required reported 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 agencies participating in the Orange County Data Acquisition Partnership (“OCDAP”). Each Agency has entered into an agreement (OCDAP Participation Agreement) with OCCOG through which OCCOG is an intermediary to collect fund from participating agencies and remit payment to the County of Orange or directly to its aerial imagery vendor as needed throughout the project.

C. Cash and investments

OCCOG’s cash is considered to be cash on hand, and demand deposits. 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.

Orange County Council of Governments
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 1 – Organization and Summary of Significant Accounting Policies (Continued)

D. Deferred Outflows and Inflows of Resources

The statement of net position reports separate sections for deferred outflows of resources and deferred inflows of resources, when applicable.

Deferred Outflows of Resources represent a consumption of net assets that applies to future periods.

Deferred Inflows of Resources represent an acquisition of net assets that applies to future periods.

E. 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:

- 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. OCCOG did not report restricted net position at June 30, 2025.
- Unrestricted – This amount represents the residual of amounts not classified in the categories and represents the net position available for OCCOG.

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

- Unassigned – This includes the excess residual amounts in the General Fund, 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.

F. Use of Estimates

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

Note 2 – Cash and Investments

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

Governmental activities	\$ 18,033
Fiduciary funds	7,410
Total cash and investments	<u>\$ 25,443</u>

Orange County Council of Governments
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 2 – Cash and Investments (Continued)

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

Deposits (Overdrawn) with financial institutions	\$ (4,374)
Investments in LAIF	29,817
Total cash and investments	<u>\$ 25,443</u>

As of June 30, the carrying amount of OCCOG deposits was \$(4,374) and the bank balance was \$72,037. The \$76,411 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 depositories.

Investment Types	* Maximum Maturity	* Maximum Percentage Of Portfolio	* Maximum Investment in One Issuer
Local Agency			
Investment Fund (State Pool)	N/A	\$75M	\$75M
Local Government Investment			
Pool	N/A	30%	None
Money Market Mutual Funds	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.

Disclosures Relating to 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

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, 2025 OCCOG was not exposed to concentration of credit risk.

Orange County Council of Governments
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 2 – Cash and Investments (Continued)

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, 2025, none of OCCOG's deposits or investments were exposed to custodial credit risk.

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.

Note 3 – Accounts Receivable

Accounts receivable as of June 30, consisted mainly of \$137,355 due from SCAG in relation to funds due for the Regional Early Action Planning (REAP) and Environmental protection agency (EPA) grants partnership.

Note 4 – Liability Insurance

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. OCCOG is composed of 126 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. OCCOG participates in OCCOG's Primary Liability Program, which does not have a self-insured retention or member deductible.

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 2024-25.

Orange County Council of Governments
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 4 – Liability Insurance (Continued)

OCCOG pays an annual contribution to OCCOG 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 OCCOG’s operating results. OCCOG’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.

Note 5 – Restatement of Beginning Net Position

An error correction is reported in Custodial fund to report receivable billed in prior year.

The restated fiduciary net position as of July 1, 2024, is as follows:

	<u>Fiduciary Fund</u>
	<u>Custodial Fund</u>
Beginning of year, as previously reported	\$ 4,410
Error correction	3,000
Beginning of year, as restated	<u>\$ 7,410</u>

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

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Orange County Council of Governments
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2025

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive/ (Negative)
REVENUES:				
Membership dues and fees	\$ 451,403	\$ 451,403	\$ 451,403	\$ -
Charges for services - general assembly	49,875	49,875	55,028	5,153
Intergovernmental revenues	1,795,833	1,795,833	294,218	(1,501,615)
Investment earnings	2,000	2,000	6,399	4,399
Total revenues	<u>2,299,111</u>	<u>2,299,111</u>	<u>807,048</u>	<u>(1,492,063)</u>
EXPENDITURES:				
Current:				
General government:				
Demographic research	159,579	159,579	159,579	-
Administrative	193,000	193,000	197,132	(4,132)
Professional services	99,500	99,500	95,525	3,975
Miscellaneous	20,388	20,388	23,219	(2,831)
Community development:				
General assembly conference	48,765	48,765	50,237	(1,472)
Regional Early Action Planning	4,000	4,000	156,334	(152,334)
Environmental Protection Agency - Brownfields and Land Revitalization	1,795,833	1,795,833	133,082	1,662,751
Total expenditures	<u>2,321,065</u>	<u>2,321,065</u>	<u>815,108</u>	<u>1,505,957</u>
NET CHANGE IN FUND BALANCE	<u>\$ (21,954)</u>	<u>\$ (21,954)</u>	<u>(8,060)</u>	<u>\$ 13,894</u>
FUND BALANCE:				
Beginning of year			91,556	
End of year			<u>\$ 83,496</u>	

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Orange County Council of Governments
Notes to Required Supplementary Information (Unaudited)
For the Year Ended June 30, 2025

Stewardship, Compliance and Accountability 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, for FY 2024-25, 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.

Expenditures for the year ended June 30, 2025, exceeded appropriations in the following General fund accounts:

<u>Accounts</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund			
General government:			
Administrative	\$ 193,000	\$ 197,132	\$ (4,132)
Miscellaneous	20,388	23,219	(2,831)
Community development:			
General Assembly conference	48,765	50,237	(1,472)
Regional Early Action Planning	4,000	156,334	(152,334)

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**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 Auditor's Report

To the Board of Directors
of the Orange County Council of Governments
Irvine, 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 (“*Government Auditing Standards*”), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Orange County Council of Governments (“OCCOG”) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise OCCOG’s basic financial statements, and have issued our report thereon dated September 28, 2026.

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 the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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. 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 have not been identified.

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

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 black ink that reads "The Per Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California
September 28, 2026