



Quarterly Financial Report

Fiscal Year 2022-23 (Second Quarter)

Prepared: January 11, 2023

HIGHLIGHTS:

FY 2022-23 Budget Overview – Pages 2-4

Balance Sheet & Reserves Analysis – Pages 5-6

FY 2022-23 BUDGET OVERVIEW

This report provides a summary of the agency's budget and investment portfolio performance for the period of October 1, 2022 through December 31, 2022.¹ The Fiscal Year 2022-23 budget of approximately \$1.5 million supports the operations of the Commission and the resources needed to accomplish the work plan. During the second quarter, overall expenditures were approximately nine percent below the target level while continuing to meet the needs of the agency.

Revenues

The OC LAFCO funding apportionment collected from the County, 34 cities and 27 special districts totaling \$1,227,730 was at 100% at the end of second quarter. The agency also earns interest from its investment portfolio. At the end of the second quarter, the Commission's earnings totaled \$4,046, which is approximately 64% of the interest revenues anticipated for the fiscal year.

Another source of OC LAFCO revenue is application filing fees. These filing fees are not used for budgeting purposes as they are used to offset the costs associated with the processing of the respective applications. During the second quarter, \$12,500 in filing fees were received. These filing fees, along with application fees rolled over from other pending applications are shown in the financial overview as revenue within the Special Fund column. The Special Fund column in the chart on page 4 also includes an accounting of application expenses incurred during the second quarter of the 2022-23 fiscal year.

Expenditures

The General Fund expenditures as of December 31, 2022 are below the second quarter target level totaling \$637,399 or 41% of the total budget. The following table provides a comparison of the percentage of actual funds used and the target levels for the current fiscal year.²

| Total Funds Used | | | | |
|------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 1 st Qtr. | 2 nd Qtr. | 3 rd Qtr. | 4 th Qtr. |
| Target | 25% | 50% | 75% | 100% |
| Actual | 18% | 41% | - | - |

Most expenditures during the second quarter are within target levels with expenses attributed to key operational costs, such as, salaries, benefits and office lease, and audit and accounting services. Line items that include expenses of consultant services, travel and registration and office equipment are above the target levels of the second quarter due to expenditures of these areas being due or expended at the beginning of the fiscal year. Hence, anticipated expenses within these line items are expected to balance within budgeted levels by fiscal year-end.

¹ All financial statements contained in this report are on an accrual accounting basis.

² Actual expenditures for the quarterly reporting are unaudited and subject to change.

Balances and Investment Report

The following table illustrates the balance of OC LAFCO's bank accounts as of December 31, 2022:

| As of 09/30/22 | Balance |
|----------------------|------------------|
| 770-Payroll Account | \$333,720 |
| Wells Fargo Checking | \$171,312 |
| Wells Fargo Savings | <u>\$213,503</u> |
| Total | \$718,535 |

To maximize the interest accrued on the agency's revenues, apportionment fees are deposited in the Local Agency Investment Fund (LAIF) and OC Fund accounts. Throughout the fiscal year, funds are transferred from the investment accounts to the bank accounts to cover the agency's operational expenses. Additionally, the agency earns investment revenue through the Section 115 Public Agencies Post-Employment Benefits Trust (Trust). The current balance of the Trust account at the end of the second quarter is \$52,973. This represents an overall loss of approximately \$9,027 from the agency's initial deposit of \$62,000 in 2021. In accordance with the Commission's investment policy, deposits are made to the Trust following the annual audit and normally during the second quarter. However, as the audited financial statements for the fiscal year ending June 30, 2022 did not represent a surplus, there was no deposit to the Trust in 2022. Staff will assess the opportunity to transfer to the Section 115 account at the end of the 2022-23 fiscal year.

The following table illustrates the balance of OC LAFCO's investment portfolio as of December 31, 2022.

| As of 09/30/22 | Balance |
|----------------|--------------------|
| LAIF | \$633,300 |
| OC Fund | \$502,044 |
| PARS Trust | <u>\$ 52,973</u> |
| Total | \$1,188,317 |

APPENDIX A
OC LAFCO - Quarterly Budget Overview³
October 1, 2022 – December 31, 2022

| | 1st Qtr. General Fund | 2nd Qtr. General Fund | YTD General Fund | YTD Special Revenue Funds | TOTAL FY 22/23 Budget | General Fund % |
|---|-----------------------------|-----------------------------|------------------------|---------------------------------|-----------------------------|-------------------|
| Revenue: | | | | | | |
| Addition/(Use) of Unreserved Equity | \$ - | \$ - | \$ - | \$ - | \$ 322,090 | 0.0% |
| LAFCO Apportionment | 1,216,871 | 10,859 | 1,227,730 | - | 1,227,730 | 100.0% |
| Filing Fees | - | - | - | 44,189 | - | 0.0% |
| Misc Revenue | - | - | - | - | - | 0.0% |
| Interest & Dividends | 724 | 3,322 | 4,046 | - | 6,300 | 64.2% |
| PARS Trust Investment Gain/Loss | (2,592) | 1,533 | (1,059) | - | - | 0.0% |
| Total Revenue | \$ 1,215,003 | \$ 15,714 | \$ 1,230,717 | \$ 44,189 | \$ 1,556,120 | 79.1% |
| Expenditures: | | | | | | |
| Salaries | \$ 123,295 | \$ 105,209 | \$ 228,504 | \$ 7,449 | \$ 574,500 | 39.8% |
| Hourly Employees | - | 529 | 529 | - | 20,800 | 2.5% |
| Benefits & Insurance | | | | | | |
| Optional Benefit Plan | - | - | - | - | 18,500 | 0.0% |
| Deferred Compensation | 3,655 | 3,201 | 6,856 | - | 17,500 | 39.2% |
| Retirement Benefits | 52,462 | 46,222 | 98,684 | - | 250,300 | 39.4% |
| Health Insurance | 14,910 | 12,780 | 27,690 | - | 65,600 | 42.2% |
| Retiree Health Benefits | 4,155 | 3,673 | 7,828 | - | 19,300 | 40.6% |
| Dental Insurance | 585 | 502 | 1,087 | - | 2,700 | 40.3% |
| Life Insurance | 84 | 72 | 156 | - | 460 | 33.9% |
| Workers Compensation | - | - | - | - | 3,520 | 0.0% |
| Medicare | 1,795 | 1,566 | 3,361 | - | 8,900 | 37.8% |
| Unemployment Insurance | 17 | - | 17 | - | - | 0.0% |
| Salary Continuance | 309 | 274 | 583 | - | 1,510 | 38.6% |
| Accidental Death Insurance | 21 | 18 | 38 | - | 170 | 22.5% |
| Executive Car Allowance | 1,800 | 1,800 | 3,600 | - | 7,200 | 50.0% |
| Total - Benefits & Insurance | 79,792 | 70,107 | 149,899 | - | 395,660 | 37.9% |
| Information Technology | 2,370 | 2,473 | 4,843 | - | 12,800 | 37.8% |
| Telephone & Internet | 3,022 | 2,052 | 5,073 | - | 14,500 | 35.0% |
| County of Orange | 213 | 70 | 283 | - | 8,200 | 3.4% |
| General Liability Insurance | 1,913 | 1,913 | 3,825 | - | 7,600 | 50.3% |
| Memberships | 8,919 | 9,019 | 17,938 | - | 36,400 | 49.3% |
| Office Equipment/Supplies | 11,414 | 1,825 | 13,239 | - | 22,500 | 58.8% |
| Professional Services: | | | | | | |
| Legal | 6,341 | 6,287 | 12,629 | 15 | 60,000 | 21.0% |
| Accounting/Audit | 14,500 | 10,485 | 24,985 | - | 49,700 | 50.3% |
| Human Resources | 1,050 | 173 | 1,223 | - | 10,000 | 12.2% |
| Mapping/Archiving | 850 | 850 | 1,700 | - | 9,300 | 18.3% |
| Other Professional Services | 57,268 | 33,481 | 90,749 | - | 150,000 | 60.5% |
| Total - Professional Services | 80,009 | 51,276 | 131,285 | 15 | 279,000 | 47.1% |
| Investment Admin Fees | 320 | 67 | 386 | - | 660 | 58.5% |
| SBE | - | - | - | 12,834 | - | 0.0% |
| Public Noticing | 1,019 | - | 1,019 | 4,742 | 11,650 | 8.7% |
| Unincorporated Areas Program | - | - | - | - | 8,000 | 0.0% |
| Rents/Maintenance | 34,973 | 26,230 | 61,203 | - | 104,100 | 58.8% |
| Equipment Leases | 1,367 | 1,659 | 3,026 | - | 8,700 | 34.8% |
| Comm. & Staff Expense | 124 | 656 | 780 | - | 7,000 | 11.1% |
| Comm. Stipends & Taxes/Fees | 2,041 | 3,696 | 5,737 | - | 15,950 | 36.0% |
| Professional Development | - | 52 | 52 | - | 5,000 | 1.0% |
| Transportation/Travel | 4,457 | 3,711 | 8,168 | - | 13,600 | 60.1% |
| Commission Meeting Expense | 1,304 | 307 | 1,611 | - | 9,500 | 17.0% |
| Refund of Deposit | - | - | - | - | - | 0.0% |
| Total Expenditures | 356,550 | 280,849 | 637,399 | 25,040 | 1,556,120 | 41.0% |
| Total Net Income (Loss) | \$ 858,453 | \$ (265,135) | \$ 593,318 | \$ 19,149 | \$ - | |

*Financial data represents pre-audited amounts, which does not include all year end adjustments.

³ Financial data represents pre-audited amounts, which does not include all year-end adjustments.

Balance Sheet and Reserves Balance Analysis

This report includes the balance sheet to provide an understanding of OC LAFCO's financial status. The financial document on this page summarizes the agency's assets and liabilities as of December 31, 2022. Please note that the figures provided in this balance sheet are unaudited and subject to change. Additionally, an analysis of the agency's reserve balances is provided on page 6.

APPENDIX B OC LAFCO BALANCE SHEET As of December 31, 2022

| | <u>Dec 31, 22</u> |
|---------------------------------------|----------------------------|
| ASSETS | |
| Current Assets | |
| Cash and Investments | |
| County Acct-Payroll | \$ 333,720 |
| Wells Fargo Checking | 171,312 |
| Wells Fargo Savings | 213,503 |
| OC Fund | 502,044 |
| Investment Acct - LAIF | 633,300 |
| PARS Trust | 52,973 |
| Fair Market Value Adjustments | <u>(11,317)</u> |
| Total Cash and Investments | 1,895,535 |
| Other Current Asset | |
| Prepaid Expenses - Other | 16,886 |
| Retirement Prepaid Expense | <u>124,366</u> |
| Total Other Current Asset | <u>141,253</u> |
| Total Current Assets | 2,036,787 |
| Fixed Assets | 22,028 |
| Other Assets | |
| Right to Use Assets | 799,586 |
| Pension Deposit | 190,542 |
| Def. Outflows Pension Related | 396,140 |
| Deferred OPEB Contributions | 8,794 |
| Deferred Outflows OPEB Related | <u>34,000</u> |
| Total Other Assets | <u>1,429,062</u> |
| TOTAL ASSETS | <u><u>3,487,877</u></u> |
| LIABILITIES & EQUITY | |
| Liabilities | |
| Current Liabilities | |
| Salaries Payable | 27,369 |
| Compensated Absences | <u>46,394</u> |
| Total Current Liabilities | 73,763 |
| Long Term Liabilities | |
| Lease Liabilities | 823,326 |
| Deferred Inflows OPEB Related | 44,000 |
| Net OPEB Liability | 103,000 |
| Net Pension Liability | 912,794 |
| Def. Inflows Pension Related | <u>746,724</u> |
| Total Long Term Liabilities | <u>2,629,844</u> |
| Total Liabilities | 2,703,607 |
| Equity | <u>784,270</u> |
| TOTAL LIABILITIES & EQUITY | <u><u>\$ 3,487,877</u></u> |

*Figures are subject to change as they have been projected through December 31, 2022 and represent pre-audited amounts.

APPENDIX C
OC LAFCO RESERVE BALANCE
As of December 31, 2022

| Cash & Investments Description | Dec 31, 2022 Balance | Commission Approved Balances | Balance Excess / (Deficiency) |
|---|---------------------------------|---|--|
| County Payroll | \$ 333,720 | \$ 247,740 ¹ | \$ 85,980 |
| Checking - Wells Fargo | 171,312 | 141,290 ¹ | 30,022 |
| Savings - Wells Fargo | 213,503 | 205,000 ¹ | 8,503 |
| OC Fund Investment | 502,044 | - | 502,044 |
| LAIF Investment | 633,300 | - | 633,300 |
| PARS Trust | 52,973 | - | 52,973 |
| Total | \$ 1,906,852 | \$ 594,030 | \$ 1,312,822 ² |

Footnotes:

1 - Per the Cash and Cash Management Policy, the Commission must maintain \$594,030 during fiscal year 2022/23 in order to cover three months of payroll costs (County Payroll), 3 months of operational expenses (Checking - Wells Fargo) and a minimum of \$205,000 (Savings - Wells Fargo) to cover contingency, litigation and unfunded liabilities.

2 - Remaining Available Cash to fund Operations and Reserves.