

NOTICE AND CALL OF A SPECIAL MEETING OF THE AUDIT OVERSIGHT COMMITTEE OF ORANGE COUNTY, CALIFORNIA

March 18, 2021

A special meeting of the Audit Oversight Committee will convene at 10:00 a.m., Thursday, March 18, 2021. Pursuant to the provisions of California Governor's Executive Order N-29-20, issued on March 17, 2020, this meeting will be held via teleconference:

Zoom Meeting
Join online: https://zoom.us/j/6093687935
Join by Phone: 1 (669) 900-6833, Conference ID: 609 3687 935#

The business to be conducted at this meeting is:

(See attached agenda)

Opportunity will be provided for members of the public to directly address the Audit Oversight Committee on any item of business considered, whether before or during the consideration of that item, as determined by the Chairman.

Robert Brown

Chairman, Audit Oversight Committee

AGENDA

SPECIAL MEETING COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) REVIEW



Thursday, March 18, 2021, 10:00 a.m.

Zoom Meeting:

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Join by Phone: +1(669) 900-6833, Meeting ID: 609 3687 935#

MEETING HELD BY TELECONFERENCE

Pursuant to the provisions of California Governor's Executive Order N-29-20, issued on March 17, 2020, this meeting will be held by teleconference

ROBERT BROWN (2023)

AOC CHAIR

Private Sector Member, Fifth District

SUPERVISOR ANDREW DO

BOARD CHAIRMAN

First District Member

FRANK KIM

COUNTY EXECUTIVE OFFICER

Member

VACANT

Private Sector Member, Second District

Non-Voting Members

Auditor-Controller:
Internal Audit Director:

Treasurer-Tax Collector:

Staff

Assistant Internal Audit Director:

Deputy County Counsel:

AOC Clerk:

MARK WILLE, CPA (2022)

AOC VICE CHAIR

Private Sector Member, Third District

SUPERVISOR DOUG CHAFFEE

BOARD VICE CHAIRMAN

Fourth District

Member

DREW ATWATER (2021)

Private Sector Member, First District

STELLA ACOSTA (2023)

Private Sector Member. Fourth District

Frank Davies, CPA Aggie Alonso, CPA Shari Freidenrich, CPA

Scott Suzuki, CPA Ronnie Magsaysay

Mari Elias

All supporting documentation is available for public review 72 hours before the meeting. Documents are available online at https://ia.ocgov.com/audit-oversight-committee/agendas-and-minutes.

This agenda contains a general description of each item to be considered. If you would like to speak on a matter that does not appear on the agenda, you may do so during the Public Comments period at the end of the meeting. When addressing the AOC, please state your name for the record. Except as otherwise provided by law, no action shall be taken on any item not appearing in the agenda.

In compliance with the Americans with Disabilities Act, those requiring accommodation for this meeting should notify the Internal Audit Department 72 hours prior to the meeting at (714) 834-5475.

AGENDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) REVIEW

10:00 A.M.

	<u>Speaker</u>
1. Roll call	Robert Brown AOC Chair
2. Discuss the Comprehensive Annual Financial Report (CAFR)	Frank Davies, CPA Auditor-Controller
	Roger Alfaro, CPA Partner, Eide Bailly LLP
PUBLIC COMMENTS: At this time, members of the public may address the AOC on any matter not on the agenda but within the jurisdiction of the AOC. The AOC may limit the length of time each individual may have to address the Committee.	Robert Brown AOC Chair
AOC COMMENTS: At this time, members of the AOC may comment on agenda or non-agenda matters and ask questions of, or give directions to staff, provided that no action may be taken on off-agenda items unless authorized by law.	Robert Brown AOC Chair
ADJOURNMENT:	
NEXT MEETING:	
Regular Meeting, May 13, 2021, 10:00 a.m.	



Memorandum

March 18, 2021

AOC Special Meeting Agenda Item No. 2

TO: Audit Oversight Committee Members

Recommended Action:

Discuss the Comprehensive Annual Financial Report (CAFR)

Discuss the Comprehensive Annual Financial Report (CAFR), as stated in the recommended action.

ATTACHMENTS:

Attachment A – Audit Oversight Committee Special Meeting Agenda Attachment B – Auditor-Controller CAFR Overview Presentation

FRANK DAVIES, CPA AUDITOR-CONTROLLER

Audit Oversight Committee Special Meeting Agenda

Date: March 18, 2021

Re: Comprehensive Annual Financial Report (CAFR) Overview

1. Introduction (Auditor-Controller)

- 2. CAFR Timeline (Auditor-Controller)
- 3. Overview of the CAFR (Eide Bailly)
- 4. OC Citizen's Report (Auditor-Controller)
- 5. Questions



Auditor-Controller

Comprehensive Annual Financial Report
Overview

County of Orange



Agenda

- Introduction (Auditor-Controller)
- CAFR Timeline (Auditor-Controller)
- Overview of the CAFR (Eide Bailly)
- OC Citizen's Report (Auditor-Controller)
- Questions





Introduction

- → The Comprehensive Annual Financial Report (CAFR) is a presentation of the County's financial information and must be audited by an independent certified public accounting firm to provide reasonable assurance about whether the County's financial statements are free of material misstatement.
- → The CAFR is prepared by the Auditor-Controller Financial Reporting & Mandated Costs Unit (FRMC), with a staff of 8. Process starts as early as April and ends by the end of December.
- Information is provided by different departments within the County.





CAFR Timeline

How is the CAFR prepared?

- → FRMC analyzes county-wide financial data, records financial corrections and reclassifications, and prepares CAFR in conformity with United States generally accepted accounting principles (GAAP) prescribed for governmental entities.
- → There are three "Close" processes to prepare the CAFR.
 - ▶ **First Close:** Period between July 1, 20XX and July 31, 20XX of each fiscal year during which year-end books are "closed". First Close reports serve as the starting point for FRMC to prepare 2nd Close entries.
 - ▶ **Second Close:** The time period after First Close is completed in which the fund financial statements are prepared. Starts in early August and Ends in October.
 - ▶ **Third Close:** The time period after Second Close is completed in which the government-wide financial statements and note disclosures are prepared. Starts in mid October and ends in December.



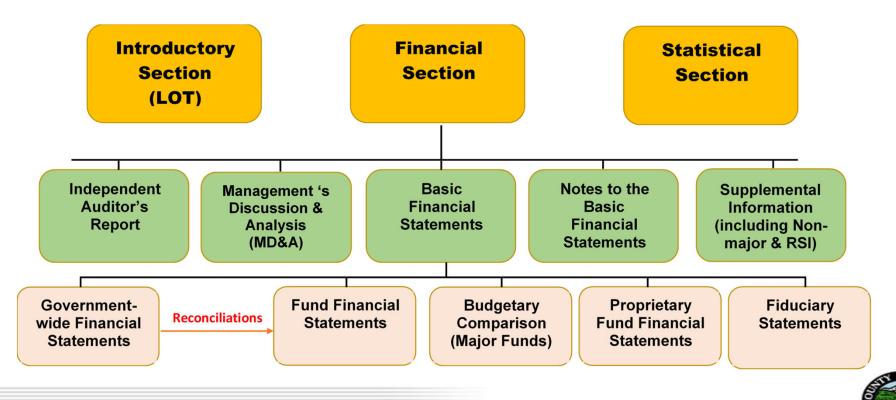
CAFR Timeline (Continued)

- → 1st Close Instructions are sent out to departments by the A-C General Accounting Unit to provide year-end deadlines.
- → 2nd & 3rd Close Instructions are sent out to departments to provide deadlines.
- Requests for CAFR Information are sent to departments.





CAFR Structure





Key Areas

- → MD&A pgs. 20-39
- → Financial Statements pgs. 40-60
- → Note 1 Summary of Significant Accounting Policies pgs. 63-85
- → Statistical Section pgs. 198-209

Pages listed above refer to the FY 2019-20 CAFR





CAFR Timeline 1st Close

7/1/19-6/30/20 (Period 1-12)

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Normal Processing of transactions of County Operations

Monthly Reports are generated at the end of the month from recorded transactions

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Revenues and expenditures are not netted to fund balance/net position in the General Ledger Reports

7/1/20-7/31/20 (Period 13)

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Non-cash entries allowed

Departments submit year-end accruals and corrections

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Year-end Closing Process:

Revenue and expendiures close to fund balance

Assets, Liabilities & Equity balaces are carried foward to 2020-21 First Close

Year-end Reports are generated

Planning for the CAFR is completed and request letters for CAFR information/notes are distributed 8/1/20

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2019-20 First Close final balances for permanent accounts are carried foward as beginning balances for new FY 2020-21

8

Normal processing of transactions of the County's operations in CAPS+





CAFR Timeline 2nd & 3rd Close

CAFR-Second Close

County 1st Close books due (8/4)

FRMC prepares draft of Budgetary Comparison Statements/Schedules

FRMC and Other departments prepare 2nd Close entries to convert 1st Close Books to GAAP basis (8/10-8/20)

County prepares fund level correction entries (8/24-8/14)

CAFR Working Trial Balances for batch 1 & 2 fund level entries are available

County provides 1st CAFR Draft to County Staff and external auditors (9/29)

External Auditors complete review of 1st CAFR Draft (10/6)

CAFR-Third Close

Period 15 begins - Governmentwide (3rd Close) entries (10/13)

County staff prepares 3rd Close entries to convert fund financial stmts to government-wide stmts (10/13-10/19)

FRMC provides complete 2nd Draft to County staff and external auditors for review (11/19)

External auditors complete review of 2nd CAFR Draft 12/2

External auditors provide Management Representation Letter to County for signature (12/8)

Final CAFR Draft delivered to external auditors for review (12/15)

Complete review 12/21

CAFR email to GFOA and posted to the OC A-C website (12/29)





Overview of the CAFR by Eide Bailly





OC Citizens' Report

- The Citizens' Report gives an overview of County's key financial information, capital assets, property taxes, and pension and retiree medical plans.
- It also provides summaries of how the County's monies were received and spent and includes significant statistical and demographic data.
- The following are some of the County's FY 2019-20 financial highlights:

County's Total Revenues \$4.8 billion

County's Total Expenses \$4.5 billion

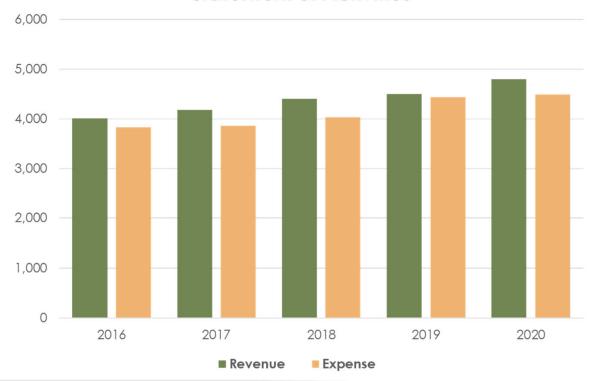
Increase in Net Position \$317 million





OC Citizens' Report (Continued)

Statement of Activities

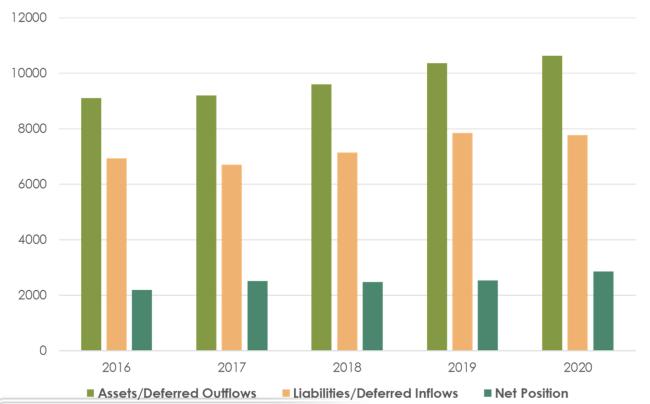






OC Citizens' Report (Continued)

Statement of Net Position







Any Questions?

County of Orange