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**SOUTH ORANGE COUNTY PUBLIC FINANCING AUTHORITY  
CENTRAL UTILITY FACILITY  
LEASE REVENUE BONDS, SERIES 2016**

**ANNUAL REPORT  
FOR  
FISCAL YEAR ENDED JUNE 30, 2020**

**Dated February 25, 2021**

Series 2016 CUSIP Numbers

839097AH5	839097AM4	839097AR3	839097AV4	839097AZ5
839097AJ1	839097AN2	839097AS1	839097AW2	839097BA9
839097AK8	839097AP7	839097AT9	839097AX0	839097BB7
839097AL6	839097AQ5	839097AU6	839097AY8	839097BC5

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**South Orange County Public Financing Authority  
Central Utility Facility  
Lease Revenue Bonds, Series 2016  
Annual Report  
For Fiscal Year Ended June 30, 2020**

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**EXHIBIT**

Exhibit A – County of Orange Comprehensive Annual Financial Report

Exhibit B – County of Orange Investment Policy Statement

## **INTRODUCTION**

The County of Orange, California (the "County"), hereby provides its annual report (the "Annual Report") for the Fiscal Year ended June 30, 2020 in connection with the following Bonds:

### **Bond Issue:**

South Orange County Public Financing Authority, Central Utility Facility Lease Revenue Bonds, Series 2016, dated June 2, 2016 (the "Bonds").

### **Annual Report:**

The County's Annual Report required by the Continuing Disclosure Certificate (the "Disclosure Certificate") dated June 2, 2016 with respect to the Bonds for the Fiscal Year ended June 30, 2020 is attached hereto and includes the County's audited financial statements for Fiscal Year ended June 30, 2020 in Exhibit A.

### **Other Matters:**

This Annual Report is provided solely for purposes of the Disclosure Certificate. The filing of this Annual Report does not constitute or imply any representation (i) that all of the information provided is material to investors, (ii) regarding any other financial, operating or other information about the County or the Bonds, or (iii) that no changes, circumstances or events have occurred since the end of the Fiscal Year to which this Annual Report relates (other than as contained in this Annual Report), or that no other information exists, which may have a bearing on the County's financial condition, the security for the Bonds, or an investor's decision to buy, sell, or hold the Bonds. The information contained in this report has been obtained from sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness. No statement in this Annual Report should be construed as a prediction or representation about future financial performance of the County.

## SECTION 4 – CONTENT OF ANNUAL REPORT

### A. Audited Financial Statements for Fiscal Year Ended June 30, 2020

The County's Audited Financial Statements for Fiscal Year 2019-2020 are included herein as Exhibit A.

### B. Financial and Operating Data

1. The Final Budget of the County for the current Fiscal Year in the form of Table A-6 in Appendix A to the Official Statement.

**TABLE A-6**  
**COUNTY OF ORANGE**  
**COMPARISON OF GENERAL FUND**  
**FINAL OR MODIFIED BUDGETS FOR FISCAL YEARS 2017-18 TO 2020-21**

	<b>FY 2017-18<sup>(1)</sup></b>	<b>FY 2018-19<sup>(1)</sup></b>	<b>FY 2019-20<sup>(1)</sup></b>	<b>FY 2020-21<sup>(1)</sup></b>
	<b>Final Budget</b>	<b>Final Budget</b>	<b>Final Budget</b>	<b>Modified Budget</b>
<b>REQUIREMENTS:</b>				
Public Protection	\$1,263,275,290	\$1,303,371,381	\$1,345,230,609	\$1,364,682,657
Health & Community & Social Services <sup>(2)</sup>	1,710,518,620	1,796,401,201	1,936,921,909	2,493,064,019
Infrastructure & Environmental Resources <sup>(3)</sup>	116,899,628	113,457,809	114,452,598	127,212,581
General Government & Services <sup>(4)</sup>	177,290,869	172,387,410	216,899,906	213,164,684
Capital Improvements <sup>(5)</sup>	71,724,289	88,681,673	139,642,543	33,958,893
Debt Service <sup>(6)</sup>	8,514,959	1,672,115	152,077	7,090,310
Insurance, Reserves & Miscellaneous <sup>(7)</sup>	74,518,200	77,217,661	598,981,121	63,301,033
Increases to Reserves <sup>(15)</sup>	-	9,885,637	-	-
<b>Total Requirements</b>	<b>\$3,422,741,855</b>	<b>\$3,563,074,887</b>	<b>\$4,352,280,763</b>	<b>\$4,302,474,177</b>
<b>AVAILABLE FUNDS:</b>				
Property Taxes <sup>(8)</sup>	\$693,860,000	\$739,230,000	\$780,925,000	\$808,781,000
Sales & Use Tax <sup>(9)</sup>	7,952,000	8,165,000	8,389,000	7,727,000
Licenses, Permits & Franchises	26,541,617	26,297,738	24,977,844	26,979,286
Fines, Forfeitures & Penalties	32,651,489	36,248,809	34,939,412	32,321,958
Use of Money & Property <sup>(10)</sup>	8,783,507	20,464,355	16,081,868	19,404,943
Intergovernmental Revenues <sup>(11)</sup>	1,680,118,352	1,780,271,650	2,389,102,160	2,395,272,575
Charges for Services <sup>(12)</sup>	489,839,549	512,104,454	506,688,280	517,539,503
Miscellaneous Revenues <sup>(13)</sup>	28,407,826	18,425,921	17,467,553	22,940,996
Other Financing Sources <sup>(14)</sup>	444,542,184	421,866,960	538,784,637	454,042,699
Decreases to Reserves <sup>(15)</sup>	10,045,331	-	34,925,009	17,464,217
<b>Total Available Funds</b>	<b>\$3,422,741,855</b>	<b>\$3,563,074,887</b>	<b>\$4,352,280,763</b>	<b>\$4,302,474,177</b>

- (1) Final Budgets include all budget adjustments throughout the year after budget adoption. Modified Budget was approved by the Board of Supervisors on January 26, 2021.
- (2) Fiscal Year (FY) 2019-20 and 2020-21's increase in appropriations and revenue are due to additional State and Federal funding for the COVID-19 pandemic.
- (3) FY 2020-21's budget increase is due to additional debt service payment and facilities costs for the new County Administration South (CAS) facility.
- (4) FY 2019-20's budget increase is due to one-time costs for the new Election System (\$20.8M), new Performance Budgeting System (\$1.7M) and ongoing increase for restore level of funding for various General Government Budgets. FY 2020-21 includes additional costs for presidential election (\$10M) and facilities costs for the new CAS facility.
- (5) FY 2018-19 and 2019-20's budget included one-time additional funding for planned capital projects. Effective FY 2020-21, all carryover capital projects are budgeted in non-general funds 15D (Countywide Capital Projects) and 15I (Countywide IT Projects).
- (6) FY 2017-18 and 2018-19's budget included a decrease due to reduction in waste importation revenue to pay down balances in the plan administered accounts. FY 2019-20's budget decrease is due to decrease in debt service for 2012 Juvenile Justice Center Bonds. Effective FY 2020-21, debt service payments for the new CAS facility and revenue from CAS user departments are budgeted in Budget Control 019 (Capital Acquisition Financing).
- (7) FY 2017-18 and 2018-19's budget included AB 701 Vehicle License Fee Revenue Allocation (VLFAA) settlement payment to the State, \$50M and \$55M respectively, and funding for one-time capital projects. FY 2019-20's budget included the Coronavirus Aid, Relief, and Economic Security (CARES) Act appropriations and revenue of \$554 million in Budget Control 004 (Miscellaneous).
- (8) Property tax revenue reflects the market trend and increased assessed values.
- (9) Sales and Use Taxes were budgeted as a decrease in FY 2020-21 due to COVID-19 pandemic.
- (10) Changes in Use of Money & Property are the result of changes in interest earnings from increases or decreases of cash balances.
- (11) FY 2019-20 and 2020-21's increases in appropriations and revenue are due to additional State and Federal funding for the COVID-19 pandemic.
- (12) Charges for services align with cost of services to cities which contract for Sheriff security services, correctional medical services, and charges from Health Care Agency for mental health services.
- (13) FY 2018-19's budget decreased due to decreases of \$3M in Reimbursement Revenue from 2012 Juvenile Justice Center Bonds and decreases in Court Revenue of \$4.5M. FY 2020-21's budget includes \$10M from Orange County Employees Retirement System (OCERS) investment account.
- (14) Other Financing Sources is comprised of operating transfers from other funds within the County including transfers from the Teeter Program and departmental transfers from Non-General Funds for the reimbursement of program expenditures. FY 2018-19's budget decreased due to reduction of one-time revenue included in FY 2017-18's budget of \$21M for the Teeter program, \$14M transfer of excess bond reserves and \$4M unused Central Utility Facility funding carryover in Fund 15D's Budget. FY 2019-20's budget increased due to \$57M increase in transfer from Mental Health Services Act and \$17M increase in carryover in Fund 15D's Budget. Effective FY 2020-21, all carryover capital projects are budgeted in non-general fund 15D and 15I.
- (15) Governmental Accounting Standards Board (GASB) 54 requires all year-end Fund Balance Available be reclassified and transferred to reserves. Although budgeted as a decrease, actual year-end Fund Balance reclassified and adjusted to reserves were \$35,749,795 increase for FY 2017-18, \$23,722,727 increase for FY 2018-19. While budgeted as an increase, FY 2019-20 resulted in a \$29,781,120 decrease to Fund Balance.

*Source: County of Orange, County Budget Office.*

2. Numerical and tabular information for the immediately preceding Fiscal Year of the type contained in Appendix A to the Official Statement relating to the Bonds, in the following charts and tables or under the following captions:

- a. County Financial Information – Tables A-3 through A-5, Tables A-8 through A-10 and Tables A-12 through A-20

**TABLE A-3**  
**COUNTY OF ORANGE**  
**GOVERNMENTAL FUNDS**  
**COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**Fiscal Years Ending June 30, 2017 through June 30, 2020**  
**(In Thousands)**

	2017	2018	2019	2020
<b><u>REVENUES AND OTHER FINANCING SOURCES</u></b>				
General Fund	\$3,167,897	\$3,345,890	\$3,382,454	\$3,767,361
Flood Control District	151,353	149,683	194,368	174,694
Other Public Protection	79,074	94,382	62,121	65,384
Mental Health Services Act	153,076	169,546	168,334	147,928
Other Governmental Funds	1,193,132	849,433	1,204,481	906,417
Total	\$4,744,532	\$4,608,934	\$5,011,758	\$5,061,784
<b><u>EXPENDITURES AND OTHER FINANCING USES</u></b>				
General Fund	\$3,144,843	\$3,288,004	\$3,400,499	\$3,694,792
Flood Control District	144,469	179,023	146,280	144,155
Other Public Protection	81,587	81,515	52,662	48,816
Mental Health Services Act	138,075	178,523	200,386	231,783
Other Governmental Funds	1,014,615	960,833	1,059,415	902,182
Total	\$4,523,589	\$4,687,898	\$4,859,242	\$5,021,728
<b><u>NET CHANGES IN FUND BALANCES</u></b>				
General Fund	\$23,054	\$57,886	(\$18,045)	\$72,569
Flood Control District	6,884	(29,340)	48,088	30,539
Other Public Protection	(2,513)	12,867	9,459	16,568
Mental Health Services Act	15,001	(8,977)	(32,052)	(83,855)
Other Governmental Funds	178,517	(111,400)	145,066	4,235
Total	\$220,943	(\$78,964)	\$152,516	\$40,056

Sources: County of Orange Comprehensive Annual Financial Reports.

**TABLE A-4**  
**COUNTY OF ORANGE**  
**GENERAL FUND BALANCE SHEET<sup>(1)</sup>**  
**June 30, 2017 through June 30, 2020**  
**(In Thousands)**

	2017	2018	2019	2020
<b><u>ASSETS</u></b>				
Pooled Cash/Investments	\$531,226	\$590,115	\$674,798	\$1,137,361
Imprest Cash Funds	1,834	1,835	1,838	1,838
Restricted Cash and Investments with Trustee	1	2	37	5
Investments	67,557	--	--	--
Receivables				
Accounts	9,590	9,139	9,781	12,054
Taxes	5,701	6,251	5,986	6,089
Interest/Dividends	1,794	2,727	3,527	2,688
Deposits	524	537	537	508
Advances	40	30	30	453
Allowance for Uncollectible Receivables	(4,077)	(4,421)	(3,362)	(3,415)
Due from Other Funds	104,918	136,308	105,248	138,553
Due from Component Unit	339	494	620	378
Due from Other Governmental Agencies, Net	330,367	349,949	348,176	334,646
Inventory of Materials and Supplies	838	1,417	1,995	1,488
Prepaid Costs	367,934	373,201	394,546	458,586
Advances to Other Funds	3,800	3,800	--	--
Total Assets	<u>\$1,422,386</u>	<u>\$1,471,384</u>	<u>\$1,543,757</u>	<u>\$2,091,232</u>
<b><u>LIABILITIES</u></b>				
Accounts Payable	\$47,903	\$55,263	\$53,439	\$74,192
Retainage Payable	1,750	1,892	1,068	2,724
Salaries and Employee Benefits Payable	43,688	44,875	46,603	61,471
Interest Payable	2,376	3,801	5,300	3,852
Deposits from Others	1,534	1,397	1,570	1,788
Due to Other Funds	43,725	25,465	47,619	55,937
Due to Other Governmental Agencies	14,634	11,376	21,645	32,136
Unearned Revenue	38,668	61,182	45,037	431,777
Bonds Payable	375,540	375,345	402,182	463,895
Advances from Other Funds	784	556	370	185
Total Liabilities	<u>\$570,602</u>	<u>\$581,152</u>	<u>\$624,833</u>	<u>\$1,127,957</u>
<b><u>DEFERRED INFLOWS OF RESOURCES <sup>(2)</sup></u></b>				
Unavailable Revenue- Intergovernmental Revenues	\$58,651	\$62,884	\$100,960	\$78,650
Unavailable Revenue- Senate Bill 90 Mandated Claims, Net	24,637	6,711	5,556	5,406
Unavailable Revenue- Property Taxes	8,364	7,574	7,403	7,109
Unavailable Revenue- Others	9,240	4,285	14,272	8,808
Total Deferred Inflows of Resources	<u>\$100,892</u>	<u>\$81,454</u>	<u>\$128,191</u>	<u>\$99,973</u>
<b><u>FUND BALANCES</u></b>				
Nonspendable <sup>(3)</sup>	\$372,572	\$378,418	\$396,541	\$460,074
Restricted	39,581	31,815	49,989	78,982
Assigned	265,293	179,119	147,686	106,929
Unassigned	73,446	219,426	196,517	217,317
Total Fund Balances	<u>\$750,892</u>	<u>\$808,778</u>	<u>\$790,733</u>	<u>\$863,302</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$1,422,386</u>	<u>\$1,471,384</u>	<u>\$1,543,757</u>	<u>\$2,091,232</u>

(1) The Notes to the County's Basic Financial Statements are an integral part of this table and can be found in the County's Comprehensive Annual Financial Report for Fiscal Year Ending June 30, 2020 in Exhibit A of this Annual Report.

(2) See Note 1 in the "Notes to the County's Basic Financial Statements Fiscal Year Ended June 30, 2020" in Exhibit A of this Annual Report.

(3) Includes an amount equal to pension obligation bonds sold to prepay the subsequent year's pension obligations, which are reserved as nonspendable as a "prepaid cost". Pension prepayments represent \$368 million for Fiscal Year 2017, \$373 million for Fiscal Year 2018, \$395 million for Fiscal Year 2019, and \$459 million for Fiscal Year 2020. As a result, GASB 54 presentation does not represent the County's budgetary and financial planning allocation of fund balance.

Sources: County of Orange Comprehensive Annual Financial Reports.

**TABLE A-5**  
**COUNTY OF ORANGE**  
**COMPARISON OF STATEMENT OF GENERAL FUND**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**Fiscal Years Ending June 30**  
**(In Thousands)**

	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>REVENUES</b>				
Taxes <sup>(1)</sup>	\$681,836	\$723,675	\$760,723	\$799,690
Licenses, Permits & Franchises	25,362	25,775	23,914	24,052
Fines, Forfeitures & Penalties	67,648	40,169	38,927	35,510
Use of Money and Property	6,733	10,412	29,555	22,910
Intergovernmental Revenues	1,613,969	1,680,669	1,686,306	1,969,292
Charges for Services	442,591	465,328	471,249	481,210
Other Revenues	17,790	18,808	19,458	19,653
<b>TOTAL REVENUES</b>	<b>\$2,855,929</b>	<b>\$2,964,836</b>	<b>\$3,030,132</b>	<b>\$3,352,317</b>
<b>EXPENDITURES</b>				
General Government	\$195,250	\$218,955	\$229,582	\$299,639
Public Protection	1,260,068	1,315,803	1,353,355	1,375,934
Public Ways and Facilities	30,633	33,522	35,057	34,901
Health and Sanitation	577,050	647,960	678,587	746,409
Public Assistance	891,309	903,294	942,759	987,669
Capital Outlay	23,532	45,752	38,546	54,477
Principal Retirement	5,129	5,736	6,386	7,071
Interest	8,564	10,741	12,896	11,629
<b>TOTAL EXPENDITURES</b>	<b>\$2,991,535</b>	<b>\$3,181,763</b>	<b>\$3,297,168</b>	<b>\$3,517,729</b>
Excess (Deficit) of Revenues over Expenditures	(135,606)	(216,927)	(267,036)	(165,412)
Other Financing Sources (Uses)				
Transfers In <sup>(2)</sup>	\$311,968	\$381,054	\$352,322	\$415,044
Transfers Out <sup>(2)</sup>	(\$153,308)	(\$106,241)	(\$103,331)	(\$177,063)
Total Other Financing Sources (Uses)	\$158,660	\$274,813	\$248,991	\$237,981
Net Change in Fund Balances	23,054	57,886	(18,045)	72,569
Fund Balances - Beginning of Year	727,838	750,892	808,778	790,733
Fund Balances - End of Year	\$750,892	\$808,778	\$790,733	\$863,302

<sup>(1)</sup> Primarily property taxes, as well as local sales and other taxes.

<sup>(2)</sup> Interfund transfers reflect the flow of assets between funds and component units of the County. See Note 9 in the "Notes to the County's Basic Financial Statements Fiscal Year Ended June 30, 2020" in Exhibit A of this Annual Report.

Sources: County of Orange Comprehensive Annual Financial Reports.



**TABLE A-8**  
**COUNTY OF ORANGE**  
**DETAIL OF ASSESSED VALUATION <sup>(1)</sup>**

<b>Fiscal Year</b>	<b>Secured</b>	<b>Unsecured</b>	<b>Total</b>	<b>% Change</b>
2011-12	\$405,588,977,572	\$19,180,663,956	\$424,769,641,528	0.95%
2012-13	414,121,659,108	18,780,614,687	432,902,273,795	1.91
2013-14	429,070,697,346	18,678,458,709	447,749,156,055	3.43
2014-15	455,733,167,806	20,570,122,070	476,303,289,876	6.38
2015-16	485,007,445,623	19,642,914,061	504,650,359,684	5.95
2016-17	511,774,616,621	19,277,541,199	531,052,157,820	5.23
2017-18	543,455,064,150	20,206,980,147	563,662,044,297	6.14
2018-19	578,490,557,698	20,410,457,844	598,901,015,542	6.25
2019-20	611,273,691,516	21,484,564,302	632,758,255,818	5.65
2020-21	641,723,745,805	21,517,432,885	663,241,178,690	4.82

<sup>(1)</sup> Figures in table include incremental value for redevelopment agencies. Property is assessed at taxable full cash value, pursuant to California Revenue and Taxation Code Section 135(a).

Sources: County of Orange Office of Auditor-Controller, Assessed Valuation Reports.

**TABLE A-9**  
**COUNTY OF ORANGE**  
**LARGEST 2020-21 LOCAL SECURED TAXPAYERS**

	<b>Taxpayers <sup>(1)</sup></b>	<b>Secured Tax Charge</b>	<b>% of Taxes <sup>(2)</sup></b>
1.	Irvine Company	\$76,378,600	1.01%
2.	Walt Disney Parks & Resorts US	71,053,390	0.94
3.	Southern California Edison Company (Edison International)	57,142,900	0.76
4.	Sempra Energy (SDG&E, So. Cal Gas)	17,484,041	0.23
5.	United Laguna Hills Mutual (Laguna Woods)	11,856,542	0.16
6.	BEX Portfolio, Inc.	8,775,544	0.12
7.	AES Corporation	8,668,685	0.12
8.	Five Point Holdings, LLC	7,424,750	0.10
9.	Dajia Insurance Group (Montage, Ritz Carlton) <sup>(3)</sup>	7,146,884	0.09
10.	Bella Terra Associates, LLC	6,496,532	0.09
11.	AT&T (Pacific Bell Telephone Company)	5,721,303	0.08
12.	Edwards Lifesciences	5,451,891	0.07
13.	B. Braun Medical, Inc.	5,397,457	0.07
14.	Lennar Homes of California Inc	5,102,751	0.07
15.	South Coast Plaza	4,963,321	0.07
16.	Olen Properties Corporation	4,710,546	0.06
17.	Knott's Berry Farm	4,463,849	0.06
18.	Mainplace Shoppingtown LLC	4,110,417	0.05
19.	PCH Beach Resort (Hyatt Regency Huntington Beach)	3,718,713	0.05
20.	Behringer Harvard Holdings LLC	3,676,782	0.05
	<b>TOTAL</b>	<b>\$319,744,898</b>	<b>4.25%</b>

<sup>(1)</sup> Taxpayers are grouped under a parent, if identifiable.

<sup>(2)</sup> Total Secured Taxes as of September 30, 2020 were \$7,537,668,934.

<sup>(3)</sup> Ownership in litigation.

Source: County of Orange Treasurer-Tax Collector.

**TABLE A-10**  
**COUNTY OF ORANGE**  
**TOP TEN UNSECURED TAXPAYERS**  
**FISCAL YEAR 2020-21**

Taxpayers <sup>(1)</sup>	Unsecured Tax Charge	% of Taxes <sup>(2)</sup>
1. Charter Communications, Inc. (Time Warner)	\$3,692,746	1.15%
2. Cox Communications, Inc.	3,495,054	1.09
3. Allergan, Inc.	1,883,099	0.59
4. Applied Medical Resources Corporation	1,429,495	0.45
5. Boeing Company	1,413,663	0.44
6. Luxottica of America, Inc. (Oakley Inc.)	1,393,832	0.44
7. Jazz Semiconductor, Inc.	1,369,683	0.43
8. Johnson & Johnson	1,281,208	0.40
9. Panasonic Avionics Corporation	1,173,700	0.37
10. Wells Fargo Bank	1,166,750	0.36
TOTAL	\$18,299,230	5.72%

<sup>(1)</sup> Taxpayers are grouped under a parent, if identifiable.

<sup>(2)</sup> Total Unsecured Taxes as of September 30, 2020 were \$320,383,194.

Source: County of Orange Treasurer-Tax Collector.

**TABLE A-12**  
**COUNTY OF ORANGE**  
**OUTSTANDING LONG-TERM DEBT AND LEASE OBLIGATIONS**

Description	Source of Repayment	Outstanding Principal Balance (June 30, 2020)	Final Maturity Date
County of Orange Taxable Pension Refunding, Obligation Bonds, Series 1997 A <sup>(1)</sup>	General Fund	\$ 2,968,754	2021
County of Orange Teeter Plan Obligation Notes, Series B	Series A Taxes	\$ 34,661,000	2021
South Orange County Public Financing Authority Central Utility Facility Lease Revenue Bonds, Series 2016	General Fund	\$ 48,640,000	2036
California Municipal Finance Authority Lease Revenue Bonds, Series 2017A (Orange County Civic Center Infrastructure Improvement Program - Phase I) <sup>(2)</sup>	General Fund	\$ 152,400,000	2047
<b>SUBTOTAL- GENERAL FUND OBLIGATIONS</b>		<b>\$ 238,669,754</b>	
Airport Revenue Refunding Bonds, Series 2019A	Airport Revenues	\$ 33,990,000	2029
Airport Revenue Refunding Bonds, Series 2019B	Airport Revenues	\$ 49,090,000	2030
Successor Agency to the Orange County Development Agency Tax Allocation Refunding Bonds, Series 2014 (Neighborhood Development and Preservation Project)	Redevelopment Property Tax Trust Fund	\$ 4,460,000	2022
Successor Agency to the Orange County Development Agency Santa Ana Heights Project Area Tax Allocation Refunding Bonds of 2014	Redevelopment Property Tax Trust Fund	\$ 8,610,000	2023
<b>TOTAL</b>		<b>\$ 334,819,754</b>	
California Municipal Finance Authority Lease Revenue Bonds, Series 2018A (Orange County Civic Center Infrastructure Improvement Program - Phase II) <sup>(3)</sup>	General Fund	\$ 185,705,000	2048

<sup>(1)</sup> The outstanding Taxable Refunding Pension Obligation Bonds, Series 1997A were economically defeased on June 22, 2000, through the deposit with the trustee of \$175.492 million principal amount of AAA rated debt securities issued by Fannie Mae, together with

irrevocable instructions that these securities and other cash amounts and investments held by the trustee, will be used solely to retire the remaining Pension Obligation Bonds as they mature.

(2) The lease payments for the Series 2017A Bonds became an obligation to the County on November 12, 2019 when the building's Certificate of Substantial Completion was delivered to the trustee. The County's base rental payments are scheduled to begin in FY 2020-21.

(3) The lease payments for the Series 2018A Bonds will become an obligation of the County upon substantial completion and the County has taken occupancy.

Source: County of Orange, CEO Public Finance Unit.

**TABLE A-13**  
**COUNTY OF ORANGE**  
**GENERAL FUND DEBT SERVICE**

Description	Fiscal Year 2020-21	Fiscal Year 2021-22	Fiscal Year 2022-23	Fiscal Year 2023-24	Fiscal Year 2024-25
County of Orange Teeter Plan Obligation Notes, Series B <sup>(1)</sup>	0	52,630,000	0	0	0
South Orange County Public Financing Authority, Central Utility Facility Lease Revenue Bonds, Series 2016	4,487,000	4,489,250	4,486,250	4,488,000	4,489,000
California Municipal Finance Authority Lease Revenue Bonds, Series 2017A (Orange County Civic Center Infrastructure Improvement Program - Phase I) <sup>(2)</sup>	3,095,263	3,393,370	3,392,605	3,392,775	3,393,710
<b>TOTAL GENERAL FUND DEBT SERVICE</b>	<b>\$7,582,263</b>	<b>\$60,512,620</b>	<b>\$7,878,855</b>	<b>\$7,880,775</b>	<b>\$7,882,710</b>
California Municipal Finance Authority Lease Revenue Bonds, Series 2018A (Orange County Civic Center Infrastructure Improvement Program - Phase II) <sup>(3)</sup>	\$0	\$0	\$3,676,889	\$6,330,065	\$6,329,698

(1) Historically, the County has retired portions of the Teeter Notes throughout the year using delinquent tax revenues associated with the Teeter Plan. In July of each year, the County has issued additional Teeter Notes to fund the distribution to Participating Agencies under the Teeter Plan. The Teeter Notes mature on July 30, 2021.

(2) The lease payments for the Series 2017A Bonds became an obligation to the County on November 12, 2019 when the building's Certificate of Substantial Completion was delivered to the trustee. The County's base rental payments are scheduled to begin in FY 2020-21.

(3) The lease payments for the Series 2018A Bonds will become an obligation of the County upon substantial completion and the County has taken occupancy.

Source: County of Orange, CEO Public Finance Unit.

**TABLE A-14**  
**COUNTY OF ORANGE**  
**DIRECT AND OVERLAPPING DEBT**  
**As of June 30, 2020**

2019-20 Assessed Valuation: \$632,758,255,818 (includes unitary utility valuation)

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>		
	% Applicable	Debt 6/30/20
Metropolitan Water District	20.224%	\$ 7,543,552
Coast Community College District	99.999	908,041,676
North Orange County Joint Community College District	97.717	278,267,725
Rancho Santiago Community College District & School Facilities Improvement District No. 1	100.000	386,184,038
Unified School Districts	0.153-100	1,939,869,192
Anaheim Union High School District	100.000	283,473,955
Fullerton Joint Union High School District	91.716	181,845,313
Huntington Beach Union High School District	100.000	172,819,998
School Districts	36.684-100	780,806,599
Irvine Ranch Water District Improvement Districts	100.000	541,500,000
Santa Margarita Water District Improvement Districts	100.000	46,895,000
Cities	100.000	26,270,000
Orange County Community Facilities Districts	100.000	452,145,000
Other Community Facilities Districts	100.000	1,908,724,284
City and Special District Special Assessment Bonds	100.000	804,227,441
County 1915 Act Bonds	100.000	28,874,000
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$8,747,487,773</b>
<u>OTHER DIRECT AND OVERLAPPING DEBT:</u>		
Orange County General Fund Obligations	100.000%	\$ 386,745,000
Orange County Pension Obligation Bonds	100.000	466,863,754
Orange County Office of Education Certificates of Participation	100.000	12,930,000
Coast Community College District Certificates of Participation	99.999	2,599,974
Unified School District Certificates of Participation	0.153-100	329,124,052
High School District Certificates of Participation	91.716-100	111,471,627
School District Certificates of Participation	100.000	90,607,207
City of Anaheim General Fund Obligations	100.000	524,433,745
Other City General Fund Obligations	100.000	380,093,396
Moulton-Niguel Water District Certificates of Participation	100.000	57,170,000
<b>TOTAL GROSS OTHER DIRECT AND OVERLAPPING DEBT</b>		<b>\$2,362,038,755</b>
Less: City of Anaheim supported obligations		502,782,577
<b>TOTAL NET OTHER DIRECT AND OVERLAPPING DEBT</b>		<b>\$1,859,256,178</b>
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</u>		
Anaheim Redevelopment Agency	100.000%	\$141,635,000
Brea Redevelopment Agency	100.000	115,046,668
Westminster Redevelopment Agency	100.000	111,390,000
Fullerton Redevelopment Agency	100.000	58,430,000
Buena Park Redevelopment Agency	100.000	50,555,000
Other Redevelopment Agencies	100.000	380,187,620
<b>TOTAL OVERLAPPING TAX INCREMENT DEBT</b>		<b>\$857,244,288</b>
<b>GROSS COMBINED TOTAL DEBT</b>		<b>\$11,966,770,816 <sup>(1)</sup></b>
<b>NET COMBINED TOTAL DEBT</b>		<b>\$11,463,988,239</b>
<u>Ratios to 2019-20 Assessed Valuation:</u>		
Total Direct and Overlapping Tax and Assessment Debt .....	1.38%	
<b>Combined Direct Debt (\$853,608,754) .....</b>	<b>0.13%</b>	
Gross Combined Total Debt .....	1.89%	
Net Combined Total Debt .....	1.81%	
<u>Ratios to Redevelopment Successor Agencies Incremental Valuation (\$79,802,329,669):</u>		
Total Overlapping Tax Increment Debt .....	1.07%	

<sup>(1)</sup> Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.  
Source: California Municipal Statistics, Inc.

**TABLE A-15**  
**COUNTY OF ORANGE EMPLOYEES' RETIREMENT SYSTEM**  
**INVESTMENT RETURNS**

<b>Year Ended December 31</b>	<b>Actuarial Value Investment Return</b>	<b>Market Value Investment Return</b>
2010	5.02%	10.47%
2011	3.28	0.04
2012	3.49	11.92
2013	9.11	10.73
2014	7.34	4.52
2015	5.26	(0.45)
2016	6.33	8.72
2017	7.44	14.79
2018	5.20	(2.46)
2019	6.66	14.79
5-Year Average Return	6.17%	6.82%
10-Year Average Return	5.90%	7.13%

*Source: County of Orange Employees Retirement System Actuarial Valuation and Review as of December 31, 2019.*

**TABLE A-16**  
**COUNTY OF ORANGE EMPLOYEES' RETIREMENT SYSTEM**  
**SCHEDULE OF FUNDING PROGRESS**  
**(In Thousands)**

<b>Actuarial Valuation December 31</b>	<b>Actuarial Value of Assets <sup>(1)</sup></b>	<b>Market Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Total Unfunded Actuarial Accrued Liability (UAAL) <sup>(2)</sup></b>	<b>Actuarial Funded Ratio <sup>(3)</sup></b>	<b>Market Funded Ratio <sup>(4)</sup></b>	<b>Covered Payroll <sup>(5)</sup></b>	<b>UAAL as a Percentage of Covered Payroll <sup>(6)</sup></b>
2010	\$8,672,592	\$8,564,000	\$12,425,873	\$3,753,281	69.79%	68.92%	\$1,579,239	237.66%
2011	9,064,355	8,693,000	13,522,978	4,458,623	67.03	64.28	1,619,474	275.31
2012	9,469,208	9,750,989	15,144,888	5,675,680	62.52	64.38	1,609,600	352.61
2013	10,417,125	11,011,261	15,785,042	5,367,917	65.99	69.76	1,604,496	334.55
2014	11,449,911	11,428,133	16,413,124	4,963,213	69.76	69.63	1,648,160	301.14
2015	12,228,009	11,548,529	17,050,357	4,822,348	71.72	67.73	1,633,112	295.29
2016	13,102,978	12,657,418	17,933,461	4,830,483	73.06	70.58	1,759,831	274.49
2017	14,197,125	14,652,607	19,635,427	5,438,302	72.30	74.62	1,811,877	300.15
2018	14,994,420	14,349,705	20,703,349	5,708,929	72.43	69.31	1,875,370	304.42
2019	16,036,869	16,516,024	21,916,730	5,879,861	73.17	75.36	1,952,534	301.14

<sup>(1)</sup> The Actuarial Value of Assets exclude assets held in the Investment Account and prepaid employer contributions.

<sup>(2)</sup> Actuarial Accrued Liability minus Actuarial Value of Assets.

<sup>(3)</sup> Actuarial Value of Assets divided by Actuarial Accrued Liability.

<sup>(4)</sup> Market Value of Assets divided by Actuarial Accrued Liability.

<sup>(5)</sup> Annual payroll against which UAAL is amortized.

<sup>(6)</sup> UAAL divided by Covered Payroll.

*Sources: County of Orange Employees Retirement System Comprehensive Annual Financial Reports and County of Orange Employees Retirement System Actuarial Valuation and Review as of December 31, 2019.*

**TABLE A-17**  
**COUNTY OF ORANGE EMPLOYEES' RETIREMENT SYSTEM**  
**CHANGES IN FIDUCIARY NET POSITION**  
**(In Thousands)**

	Year Ended December 31		
	2017	2018	2019
Contributions Received <sup>(1)</sup>	\$834,398	\$850,975	\$933,166
Net Investment Income (Loss)	1,938,025	(326,145)	2,182,666
Net Securities Lending Income	1,610	1,517	1,142
Participant's Benefits <sup>(2)</sup>	(750,478)	(814,345)	(887,653)
Withdrawals and Refunds	(13,866)	(13,933)	(13,249)
Administrative Expenses	(17,002)	(18,284)	(19,171)
Increases in Net Position Restricted for Pension and OPEB	\$1,992,687	(\$320,215)	\$2,196,901

<sup>(1)</sup> Includes employer and employee pension and retiree health care contributions to OCERS.

<sup>(2)</sup> Participant benefits include death benefits.

Sources: County of Orange Employees Retirement System Comprehensive Annual Financial Reports.

**TABLE A-18**  
**COUNTY OF ORANGE EMPLOYEES' RETIREMENT SYSTEM**  
**COUNTY CONTRIBUTIONS**  
**(In Thousands)**

Year Ended June 30	County Cash Contribution	Investment Account Contribution	Total Annual Required Contribution	Percentage Contributed
2011	\$296,084	\$11,000	\$307,084	100.00%
2012	310,736	11,000	321,736	100.00
2013	328,953	0	328,953	100.00
2014	348,597	10,000	358,597	100.00
2015	371,810	0	371,810	100.00
2016	384,133	0	384,133	100.00
2017	405,494	0	405,494	100.00
2018	433,098	0	433,098	100.00
2019	440,634	0	440,634	100.00
2020	475,676	0	475,676	100.00

Source: County of Orange Comprehensive Annual Financial Reports.

**TABLE A-19**  
**COUNTY OF ORANGE RETIREE MEDICAL PLAN**  
**SCHEDULE OF FUNDING PROGRESS**  
**(In Thousands)**

Actuarial Valuation as of June 30 <sup>(1)</sup>	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b - a = c)	Funded Ratio (a / b)	Annual Covered Payroll (d)	UAAL as a Percentage of Covered Payroll (c / d)
2013	\$155,702	\$573,763	\$418,061	27.1%	\$1,217,052	34.4%
2015	217,556	614,500	396,944	35.4	1,188,727	33.4
2017	273,936	680,652	406,716	40.2	1,277,714	31.8
2019	349,247	714,234	364,987	48.9	1,303,928	28.0

<sup>(1)</sup> Valuation reports are received every other year.

Sources: County of Orange Comprehensive Annual Financial Report June 30, 2020 and June 30, 2019 Actuarial Valuation.

**TABLE A-20**  
**COUNTY OF ORANGE RETIREE MEDICAL PLAN**  
**CALCULATION OF OPEB ASSET**  
**(In Thousands)**

	2016-17	2017-18	2018-19	2019-20
Annual Required Contribution	\$45,921	(1)	(1)	(1)
Interest on Net OPEB Obligation	(3,465)	(1)	(1)	(1)
Amortization of Net OPEB Obligation	3,666	(1)	(1)	(1)
Annual OPEB Cost	46,122	(1)	(1)	(1)
Contributions Made	(47,853)	(1)	(1)	(1)
Decrease/(Increase) in Net OPEB Asset	(1,731)	(1)	(1)	(1)
Net OPEB Obligation/(Asset), Beginning of year	(43,107)	(1)	(1)	(1)
Net OPEB Obligation/(Asset), End of year	(\$44,838)	(1)	(1)	(1)

<sup>(1)</sup> Due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", contributions made to the County's Retiree Medical Plan in excess of the annual cost are no longer classified as an asset as shown in prior reports. The tables on the following pages show the Retiree Medical Plan liability for both the County and the collective plan under GASB Statement No. 75. For additional information, see Notes 1, 19 and the Required Supplemental Information section of the County's Comprehensive Annual Financial Report dated June 30, 2020 included herein as Exhibit A.

Sources: County of Orange Comprehensive Annual Financial Reports.

# COUNTY OF ORANGE RETIREE MEDICAL PLAN (CONTINUED)

## Schedule of Changes in the Collective Plan Net OPEB Liability And Related Ratios

	2019	2018	2017
<b>Total OPEB Liability</b>			
Service Cost	\$16,501	\$15,982	\$15,479
Interest	50,298	48,442	46,589
Changes of benefit terms	5,508	--	--
Difference between expected and actual experience	(10,635)	--	--
Changes of assumptions	(17,535)	--	--
Benefit payments, including refunds of member contributions	(39,719)	(37,118)	(35,111)
Net change in Total OPEB Liability	4,418	27,306	26,957
Total OPEB Liability-beginning	721,904	694,598	667,641
<b>Total OPEB Liability-ending (a)</b>	<b>\$726,322</b>	<b>\$721,904</b>	<b>\$694,598</b>
<b>Plan Fiduciary Net Position</b>			
Contributions-employer	\$58,807	\$54,229	\$60,721
Contributions-employee	505	2,103	2,193
Net investment income	43,720	(5,746)	34,217
Benefit payments, including refunds of member contributions	(39,719)	(37,118)	(35,111)
Administrative expense	(20)	(21)	(22)
Net change in Plan Fiduciary Net Position	63,293	13,447	61,998
Plan Fiduciary Net Position-beginning	307,252	293,805	231,807
<b>Plan Fiduciary Net Position-ending (b)</b>	<b>\$370,545</b>	<b>\$307,252</b>	<b>\$293,805</b>
<b>Plan Net OPEB Liability-ending (a)-(b)</b>	<b>\$355,777</b>	<b>\$414,652</b>	<b>\$400,793</b>
<b>Plan Fiduciary Net Position as a percentage of the Total OPEB Liability</b>	51.02%	42.56%	42.30%
<b>Covered payroll <sup>(1)</sup></b>	\$1,368,521	\$1,346,440	\$1,313,217
<b>Plan Net OPEB Liability as a percentage of covered payroll</b>	26.00%	30.80%	30.52%

## Schedule of Investment Returns

	2019	2018	2017
Actual money-weighted rate of return, net of investment expense	14.81%	-1.31%	14.74%

<sup>(1)</sup> For the 12 month period ending on December 31 (measurement date and plan year).

The schedule is presented to show information for 10 years. However, a full 10-year trend is currently not available; the County will be adding years in the future.

Source: County of Orange Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2020.



## COUNTY OF ORANGE RETIREE MEDICAL PLAN (CONTINUED)

### Schedule of County's Proportionate Share of the Net OPEB Liability

	2019	2018	2017
County's proportion of the net OPEB Liability	92.31%	91.78%	90.84%
County's proportionate share of the net OPEB liability	\$328,412	\$380,581	\$364,071
Covered payroll <sup>(1)</sup>	\$1,254,780	\$1,234,558	\$1,203,106
County's proportionate share of the net OPEB liability as a percentage of its covered payroll	26.17%	30.83%	30.26%
Plan fiduciary net position as a percentage of the total OPEB liability	51.02%	42.56%	42.30%

### Schedule of Collective Plan Contributions

	2019	2018	2017
Actuarially determined contribution	\$50,037	\$52,554	\$47,006
Contributions in relation to the actuarially determined contribution	58,807	54,229	60,721
Contribution deficiency (excess)	(\$8,770)	(\$1,675)	(\$13,715)
Covered payroll <sup>(1)</sup>	\$1,368,521	\$1,346,440	\$1,313,217
Contributions as a percentage of covered payroll	4.30%	4.03%	4.62%

### Schedule of County Contributions

	2020	2019	2018
Actuarially determined contribution	\$45,698	\$48,101	\$42,716
Contributions in relation to the actuarially determined contribution	50,466	52,349	46,005
Contribution deficiency (excess)	(\$4,768)	(\$4,248)	(\$3,289)
Covered payroll <sup>(2)</sup>	\$1,293,186	\$1,254,706	\$1,220,638
Contributions as a percentage of covered payroll	3.90%	4.17%	3.77%

<sup>(1)</sup> For the 12 month period ending on December 31 (measurement date and plan year).

<sup>(2)</sup> For the 12 month period ending on June 30, fiscal year end.

The schedule is presented to show information for 10 years. However, a full 10-year trend is currently not available; the County will be adding years in the future.

Source: County of Orange Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2020.

### b. Investment Policy Statement

The Board of Supervisors of the County approved the 2021 Investment Policy on November 17, 2020. A copy of the County's 2021 Investment Policy is included herein as Exhibit B.

## **CERTAIN DISCLAIMERS**

The information contained in this Annual Report expresses only the views of the applicable party. An explanation of the significance of any such information may be obtained from the applicable party; provided, however, that no information provided by any party is incorporated in this Annual Report. The County and the South Orange County Public Financing Authority (“SOCPFA”) undertakes no responsibility to oppose any revision or withdrawal of such information contained in this Annual Report.

To the extent the County or the SOCPFA provides information in this Annual Report, the County and the SOCPFA are not obligated to present or update information in future Annual Reports. Investors are advised to refer to the Official Statement for the Bonds for information concerning the initial delivery of and security for the Bonds.

By providing the information in this Annual Report, the County and the SOCPFA do not imply or represent (a) that all information provided in this Annual Report is material to investors’ decisions regarding investment in the Bonds, (b) the completeness or accuracy of any financial, operational or other information not included herein or in the Official Statement, (c) that no changes, circumstances or events have occurred since the date of this Annual Report (other than as contained herein), or (d) that no other information exists which may have a bearing on the County’s financial condition, the security for the Bonds or an investor’s decision to buy, sell or hold the Bonds.

The information set forth in this Annual Report or incorporated in this Annual Report has been furnished by the County and the SOCPFA and is believed to be accurate and reliable but is not guaranteed as to accuracy or completeness. Statements contained in or incorporated by this Annual Report which involves estimates, forecasts, or other matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. Further, expressions of opinion contained in this Annual Report or incorporated in this Annual Report are subject to change without notice and the delivery of this Annual Report will not, under any circumstances, create any implication that there has been no change in the affairs of the County and the SOCPFA.

No statement contained in this Annual Report should be construed as a prediction or representation about future financial performance of the County and the SOCPFA. Historical results presented herein may not be indicative of future operating results.

**EXHIBIT A**

COUNTY OF ORANGE  
COMPREHENSIVE ANNUAL FINANCIAL REPORT

AUDITOR-CONTROLLER'S OFFICE ORANGE COUNTY, CALIFORNIA

# COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE YEAR ENDED JUNE 30, 2020





# County of Orange

State of California

## Comprehensive Annual Financial Report

For the Year Ended June 30, 2020



Frank Davies, CPA  
Auditor-Controller



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*Old Orange County Courthouse*





**AUDITOR-CONTROLLER  
COUNTY OF ORANGE**

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**COUNTY EXECUTIVE OFFICE  
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**December 22, 2020**

The Citizens of Orange County:

The Comprehensive Annual Financial Report (CAFR) of the County of Orange, State of California (County), for the year ended June 30, 2020, is hereby submitted in accordance with the provisions of Sections 25250 and 25253 of the Government Code of the State of California. The report contains financial statements that have been prepared in conformity with United States generally accepted accounting principles (GAAP) prescribed for governmental entities. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the County. A comprehensive framework of internal controls has been designed and established to provide reasonable assurance that the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and changes in financial position of County Funds. Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatements.

The CAFR has been audited by the independent certified public accounting firm of Eide Bailly LLP. The goal of the independent audit was to provide reasonable assurance about whether the basic financial statements of the County for the year ended June 30, 2020, are free of material misstatement. The independent certified public accounting firm has issued an unmodified (clean) opinion on the County's basic financial statements as of and for the year ended June 30, 2020. The independent auditor's report is located at the front of the financial section of this report.

This letter of transmittal is designed to complement and should be read in conjunction with Management's Discussion and Analysis (MD&A) that immediately follows the independent auditor's report. MD&A provides a narrative introduction, overview, and analysis of the basic financial statements.

**PROFILE OF THE GOVERNMENT**

The County, incorporated in 1889 and located in the southern part of the State of California, is one of the major metropolitan areas in the state and nation. The County occupies a land area of 799 square miles with a coastline of 42 miles serving a population of over 3 million. It represents the third most populous county in the state and ranks sixth in the nation.

The County converted to a charter county as a result of the March 5, 2002, voter approval of Measure V, which provides for an electoral process to fill mid-term vacancies on the Board of Supervisors. Before Measure V, as a general law county, mid-term vacancies would otherwise be filled by gubernatorial appointment. In November 2008, voters approved Measure J, which added Article III, Section 301 to the Charter of Orange County requiring voter approval for increases in future retirement system benefits of any employee, legislative officer, or elected official of the County in the Orange County Employees Retirement System (OCERS) or any successor retirement system, with the exception of statutorily-established cost of living adjustments, salary increases, and annual leave or compensatory time cash-outs. In June 2012, voters approved Measure B, which requires that any Orange County Supervisors elected on or after June 5, 2012 can enroll only in the minimum pension option, i.e., the least lucrative pension plan, offered to Orange County employees. At present, the minimum pension plan is a 1.62% at 65 pension





The County provides a full range of services Countywide, for the unincorporated areas, and contracted services for cities. These services are outlined in the following table:

<b>Countywide Services</b>		<b>Unincorporated Area Services</b>	
Affordable Housing (Housing Authority)	Veterans Services	Animal Care & Control	Libraries
Agricultural Commissioner	Indigent Medical Services	Flood Control	Parks
Airport	Jails & Juvenile Facilities	Land Use	Waste Disposal Collection
Child Protection & Social Services	Juvenile Justice Commission	Law Enforcement	
Child Support Services	Landfills & Solid Waste Disposal		
Clerk-Recorder	Law Enforcement		
Coroner & Forensic Services	Probationary Supervision		
District Attorney/Public Administrator	Public Assistance		
Elections & Voter Registration	Public Defender/ Alternate Defense		
Environmental/Regulatory Health	Public & Behavioral Health		
Flood Control & Transportation	Senior Services		
OC Parks	Collection & Appeals		
Disaster Preparedness	Weights & Measures		
Grand Jury	Property Tax Assessment, Apportionment & Collection		
Public Guardian			

<b>Contracted Services for Cities</b>	
Animal Care & Control	Libraries
Law Enforcement	Public Works & Engineering
Utility Billing and Check Remittance Processing	

Sources: County departments

In addition to these services, the County is also financially accountable for the reporting of component units, which can be either blended or discretely reported. Blended units, although legally separate entities, are, in substance, part of the County's operations and, therefore, data from these units are combined with data of the County. The County has two discretely presented component units, the Children and Families Commission of Orange County (CFCOC) and CalOptima, which require discrete presentation in the government-wide financial statements. The County has one fiduciary component unit, the Orange County Housing Finance Trust. The following entities are presented as blended component units in the basic financial statements for the year ended June 30, 2020: the Orange County Flood Control District, Orange County Housing Authority, Orange County Public Financing Authority, Capital Facilities Development Corporation, South Orange County Public Financing Authority, Orange County Public Facilities Corporation, County Service Areas, Special Assessment Districts, Community Facility Districts, and In-Home Supportive Services Public Authority. Additional information on these entities can be found in Note 1, Summary of Significant Accounting Policies, in the Notes to the Basic Financial Statements section.

The County maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board. Activities of the General Fund and most of the Special Revenue, Debt Service, Capital Projects and Permanent Funds are included in the annual appropriated budget. The level of budgetary control (that level which cannot be exceeded without action by the Board) is at the legal fund-budget control-unit level, which represents a department or an agency. Budget-to-actual comparisons are provided in this report for each Governmental Fund for which an appropriated annual budget has been adopted. The Budgetary Comparison Statements for the General Fund and major Special Revenue Funds are part of the Basic Financial Statements. The Budgetary Comparison Schedules for the nonmajor Governmental Funds with appropriated annual budgets are presented in the Supplemental Information section for Governmental Funds. The County also

maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered appropriations do not lapse at year-end; outstanding encumbrances are carried forward. Additional information on the budgetary process can be found in Note 1, Summary of Significant Accounting Policies, in the Notes to the Basic Financial Statements section.

The County's eGovernment website portal at [www.ocgov.com](http://www.ocgov.com) provides online services and extensive information about County government to Orange County residents, businesses, partners, and visitors. The County's website provides information and online services to the public 24/7. It includes information about the Board, County job listings, purchasing bid solicitations, assessment appeals, links to court information and local court rules, voter information, County permits and forms, public safety, health and human services programs and financial information. The site also provides several online services, including live and archived Board meeting videos, the ability to order birth, death and marriage certificates, search fictitious business names, find polling locations and election results, how to license pets, pay property taxes and subscribe to receive emergency alerts. The County continuously strives to improve a constituent's ability to conduct business online with the County.

## FACTORS AFFECTING ECONOMIC CONDITION

### Local Economy

Two indicators of the County economy are: how well the local economy performs relative to surrounding counties, the State, and the Nation and its own historical trends. This section provides data for various indicators that summarize the current and projected outlook of the County's economy.

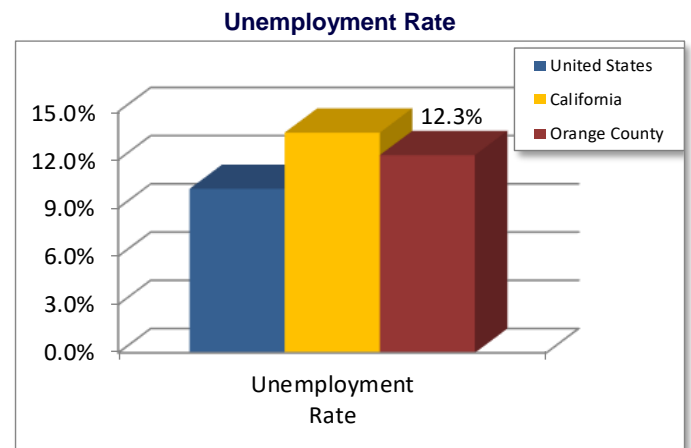
The global economy contracted severely as a result of the Coronavirus Disease 2019 (COVID-19) pandemic and the shutdown measures employed in an attempt to contain the virus. Recovery in the post-COVID-19 economy is anticipated to be sluggish and protracted. In terms of historical trends, current and projected activity suggests that economic growth at the local level will follow national and state trends.

The County's unemployment rate continues to be lower than most surrounding Southern California counties and the State, but is higher than that of the Nation (see Table 1).

According to the California Department of Finance, inflation, as measured by the Consumer Price Index (CPI), is expected to be 2.5% for Orange County, higher than both the State and U.S. at 2.3% and 1.6%, respectively, in 2020 (see Table 2).

**Table 1: Unemployment Rate Comparison**

Primary Government Entity	July 2020 Unemployment Rate
United States	10.2%
California	13.7%
Los Angeles County	18.2%
Riverside County	13.7%
San Bernardino County	13.1%
San Diego County	12.3%
<b>Orange County</b>	<b>12.3%</b>



**Table 2: 2020 – Projected Increase of the CPI**

United States	California	Orange County
1.6%	2.3%	2.5%

Sources: State of California, Employment Development Department  
California Department of Finance, April 2020  
Note: Unemployment rates are for the month of July 2020

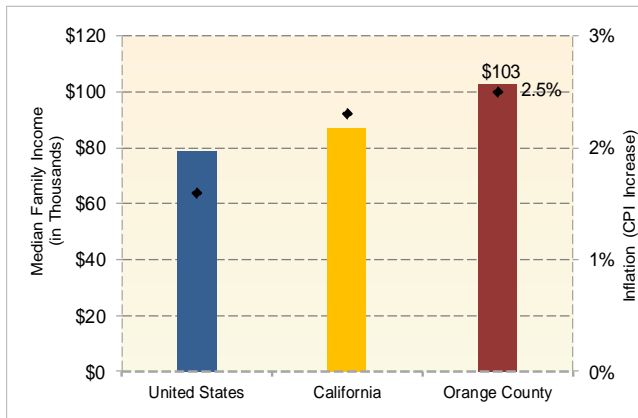
According to the Department of Housing and Urban Development, the County's median family income is expected to be \$103,000 (absolute dollars) in 2020, compared to \$97,900 (absolute dollars) in 2019. The median family income in the County continues to exceed all surrounding Southern California counties, the State, and the Nation (see Table 3).

**Table 3: Median Family Income Comparison**

Primary Government Entity	Median Family Income (absolute dollars)
United States	\$78,500
California	\$87,100
<b>Orange County</b>	<b>\$103,000</b>
San Diego County	\$92,700
Los Angeles County	\$77,300
Riverside County	\$75,300

Sources: U.S. Department of Housing and Urban Development, 2020

**Comparisons of Inflation and Median Family Income**



Sources: U.S. Department of Housing and Urban Development, 2020  
California Department of Finance, April 2020

According to the California Association of Realtors, the median home sales price for existing single-family detached homes in Orange County was \$880,000 (absolute dollars) in July 2020, representing a 4.8% increase from July 2019. The median sales price in Orange County continues to exceed all surrounding counties (see Table 4).

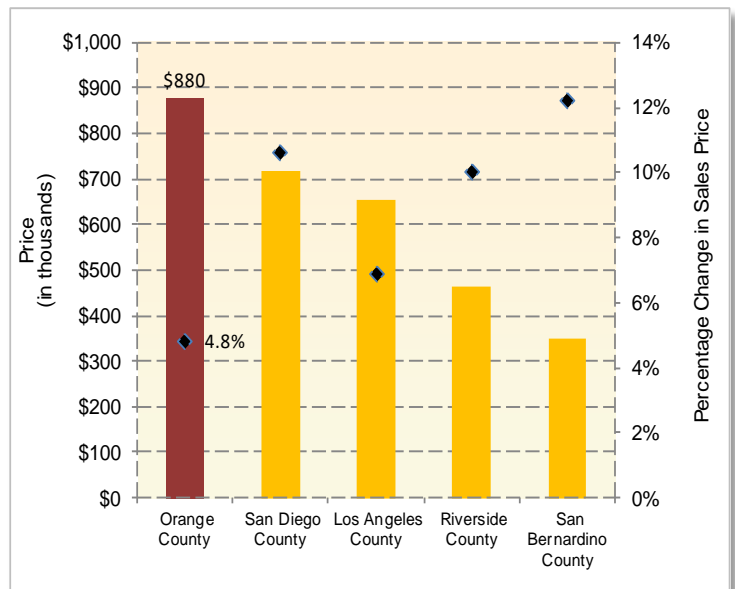
In terms of internal trends, current and projected indicators forecast a decline or minimal recovery in the Orange County economy, with job growth expected to decrease by 8.0% in 2020.

**Table 4: Median Home Sales Price Comparison-  
(existing single-family detached homes only)  
Southern California Counties – July 2020**

Primary Government Entity	Median Home Sales Price Change increase(decrease)	Median Home Sales Price (absolute dollars)
<b>Orange County</b>	<b>4.8%</b>	<b>\$880,000</b>
San Diego County	10.6%	\$719,000
Los Angeles County	6.9%	\$653,570
Riverside County	10.0%	\$462,000
San Bernardino County	12.2%	\$350,000

Source: California Association of Realtors, July 2020

**Table 4: Comparison of Median Home Sales Price and Price Changes Among Counties**



Source: California Association of Realtors, July 2020

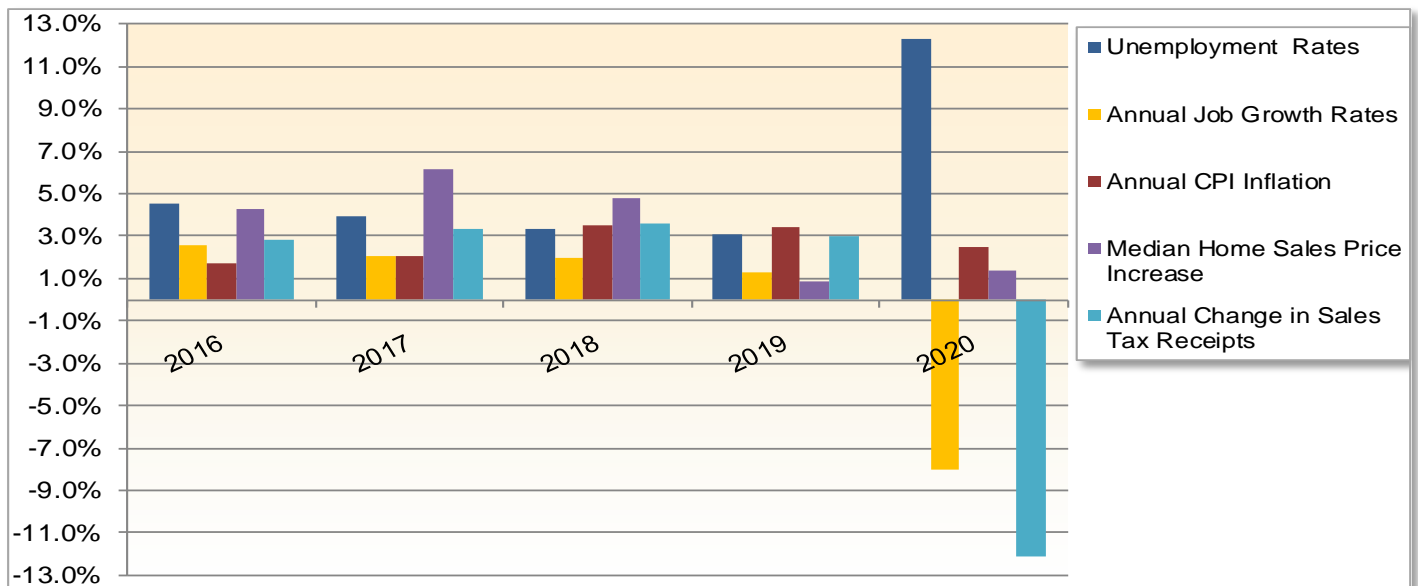
Table 5 shows various internal indicators reflecting a decline or minimal growth of the County's economy. The unemployment rate increased from 3.1% in July 2019 relative to 12.3% in July 2020. Job growth is expected to decrease by 8.0% in 2020. Median home sales price for existing single-family detached homes are forecasted to increase by 1.4% in 2020, relative to an increase of 0.9% in 2019, according to the June 2020 Chapman University Economic & Business Review. Sales tax receipts are forecasted to decrease by 12.1% in 2020.

**Table 5: Orange County Historical Data**

Historical Indicators	2016	2017	2018	2019	2020
Unemployment Rates	4.5%	3.9%	3.3%	3.1%	12.3%
Annual Job Growth Rates	2.6%	2.1%	2.0%	1.3%	(8.0%)
Annual CPI Inflation	1.7%	2.1%	3.5%	3.4%	2.5%
Median Home Sales Price Increase	4.3%	6.2%	4.8%	0.9%	1.4%
Annual Change in Sales Tax Receipts	2.8%	3.3%	3.6%	3.0%	(12.1%)

Data in Table 5 for prior years may be different from previous years CAFR due to the timing of obtaining data. Data for 2020 is based on forecasted data

**Orange County Historical Data Comparison**  
(Shown as a year-to-year percentage increase/decrease)



Sources: State of California, Employment Development Department  
Economic & Business Review, Chapman University, June 2020  
California Association of Realtors

In summary, the economy in Orange County is forecasted to slow.

### **Long-Term Financial Planning**

**Strategic Plan:** In March 1997, the Board initiated a financial planning process that is a key component of the County's commitment to fiscal responsibility, accountability, and efficiency. The plan includes projections of County general purpose revenues, departmental projections of operating costs, revenues, capital and information technology needs for current programs and services and anticipated caseload changes. New programs, services and capital projects are identified and prioritized on a Countywide basis with financial impacts identified over the plan period. The plan covers a five-year period and includes a ten-year analysis of operating costs in cases where new programs and facilities are assessed to ensure the ability to pay for long-term operational costs.

The 2020 Strategic Financial Plan (SFP) will be presented to the Board on January 26, 2021. The 2020 SFP is the foundation in planning for continued financial stability and is augmented by the monitoring and establishment of budgetary control via the budget reporting process and adoption of the Annual Budget. The five-year SFP projections indicate that General Purpose Revenue will grow, on average, about 3.0% annually. The moderate growth rate for revenue, coupled with the increasing cost of doing business, will require the County to carefully

manage programs and service levels. The County continues to believe that sustained job growth and reduced unemployment are the key indicators for economic growth.

In order to address identified budget issues and prepare for the continued uncertainty of the general and local economy, the following represent some of the actions taken or identified as options for early planning. Early action is critical to ensure baseline services are met and that the County continues to experience financial stability.

- The SFP reflects a 0% increase in Net County Cost allocations to departments for Fiscal Year (FY) 2021-22, and 0% for each of the following fiscal years, with any remaining excess funds distributed and/or set-aside to address the most critical strategic needs of the County
- Continuation of the policy to not backfill State budget reductions
- Internal financing program to support major capital and information technology projects
- Maintaining prudent levels of General Fund and Contingency Reserves

The County continues to move forward on several large projects identified below. In addition, the County is in various stages of planning and implementing several other projects. Construction started for the Behavioral Health Services campus site purchased in the city of Orange in March 2018 and the second phase of the Civic Center Facilities Master Plan. Development of the County property at the former Marine Corps Air Station El Toro in Irvine and other various County-owned properties such as the Greenspot and Prado Dam properties will require up-front financial planning and investment in order to generate revenue in future years on a long-term basis.

Santa Ana River Mainstem Project: The Santa Ana River Mainstem Project (SARMP) was initiated in 1964, in partial response to a resolution of the United States House Committee on Public Works adopted May 8, 1964. A survey report was completed by the Orange County Flood Control District in 1975. The report was reviewed and submitted to Congress in September 1978. In September 1980, the United States Corps of Engineers completed the General Design Memorandum for the SARMP. Construction for the SARMP was authorized by the Water Resources Development Act of 1986. Construction for the SARMP was initiated in 1989, and completion is scheduled for December 2023 for the major components of the project.

The SARMP is designed to provide flood protection to the growing urban communities in Orange, Riverside and San Bernardino Counties. The proposed improvements to the system cover 75 miles, from the headwater of the Santa Ana River east of the city of San Bernardino to the mouth of the river at the Pacific Ocean between the cities of Newport Beach and Huntington Beach. The project will increase levels of flood protection to more than 3.35 million people within the three county areas. The project includes seven independent features: Seven Oaks Dam, Mill Creek Levee, San Timoteo Creek, Oak Street Drain, Prado Dam, Santiago Creek and the Lower Santa Ana River. More information on the SARMP is available in Note 15, Construction and Other Significant Commitments. To learn more about the SARMP, visit the Orange County Flood Control Division's website at <http://www.ocflood.com/sarp>.

OC Dana Point Harbor Revitalization Plan: The OC Dana Point Harbor Revitalization Plan (Plan) includes revitalization of Dana Point Harbor's commercial core, marinas, and hotel. The Plan is a multi-phased and long-term public-private partnership project, where total development costs have been estimated in excess of \$320,000. The Plan is a phased and systematic long-term rehabilitation and/or replacement of the commercial core, hotel, and waterside elements. County Executive Office Real Estate staff managed the process for selection of a private partner for the project and worked with OC Parks staff to finalize the financial strategy for the complete Plan that will meet the long-term needs and expectations of the community and the County. On October 17, 2017, the County selected Dana Point Harbor Partners, LLC (DPHP) as the primary developer and Dana Point Partners, LLC as the alternate developer for the lease, development, and management of certain portions of Dana Point Harbor. On July 17, 2018, the Board approved option and ground lease agreements with DPHP to administer and manage Dana Point Harbor and initiate entitlement approvals for certain portions of Dana Point Harbor for the long-term use and enjoyment by the public.

The County's master lease with DPHP for the Harbor, including the Marina, Commercial Core and Hotel, commenced on October 29, 2018. To date, DPHP has received entitlements for two of the three Harbor components. In September 2020, the California Coastal Commission approved the Coastal Development Permit (CDP) for the Marina improvements. The Commercial Core received its substantial conformance approval for its CDP from the City of Dana Point in early 2020. Construction on the first phase of the Commercial Core is slated to begin in December 2020 with the construction of the parking structure. The third and final component, the hotels, will

require an amendment to the existing Local Coastal Plan as well as a CDP to allow for the two hotels proposed by DPHP as part of their overall revitalization program. It is anticipated that the review and permitting process will not be completed until at least 2022, with construction of the hotels commencing thereafter. Additional information on these agreements can be found in Note 5, Service Concession Arrangements, in the Notes to the Basic Financial Statements section.

James A. Musick Facility Expansion: On March 8, 2012, the County received a conditional award from the State for \$100,000 in funds for expansion of the James A. Musick Facility, Assembly Bill 900 (AB900 Phase II). On March 8, 2013, the State approved the funding to complete design and construction for the project, of which establishment allows the County to commit funding to design and construction that is reimbursed from the AB900 Phase II \$100,000 award. The County must front costs initially until the notice to proceed for construction is approved by the State. At that time, all past eligible costs incurred can be invoiced for reimbursement by the State in full, and all future costs will be invoiced for reimbursement by the State on an ongoing basis until construction completion and occupancy. It is anticipated that costs will be reimbursed beginning in FY 2020-21.

On March 13, 2014, the State approved \$80,000 in funds for the County for additional rehabilitation, treatment, and housing for the James A. Musick Facility (Senate Bill 1022). This project will be completed in parallel with the AB900 Phase II project. Because of schedule compaction during design, the State approved executing both project phases into a single construction project. The financial requirements for this second phase are consistent with those described above.

On May 5, 2020, the County awarded a construction contract to Bernards Bros., Inc. for the project in the amount of \$261,118 and also approved a five percent construction contingency amount of \$13,056. The total project cost is estimated to be \$308,000 including all design, construction, project management and contingency costs. The cost is funded by \$180,000 from AB900 and SB 1022 State funding and \$128,000 from the County's General Fund.

This project started in June 2020, with an estimated completion in August 2022.

Central Utility Facility (CUF) Infrastructure Upgrade Project: The County CUF Project (Project) in the city of Santa Ana, replaced the cooling tower, chillers and pumps, and added a boiler and related equipment at the CUF, replaced the absorption chiller and steam line, and modified the steam system to accommodate the new absorption chiller. The Project replaced the original 1968 CUF components which were beyond useful life and required upgrades and replacement to be reliable and energy efficient. The Project also included expansion of the present thermal utility distribution system to new thermal utility clients and improving the cogeneration system efficiency and performance by using the full capacity of the cogeneration components. The total Project was budgeted at \$68,000 and was funded from CUF Lease Revenue Bonds, Series 2016 issued in June 2016. As of June 30, 2019, \$67,800 of \$68,000 bond proceeds were spent. The Project is complete and notice of completion was submitted in August 2019.

Westminster Watershed Feasibility Study/East Garden Grove Wintersburg Channel: OC Public Works (OCPW) completed work with the Army Corps of Engineers (USACE) to finalize the Westminster Watershed Feasibility Study to reach the final milestone of Chief's Report issued on July 9, 2020. The Chief's Report is developed when a water resources project requires Congressional authorization and is the final step in the feasibility process. After having reached the Tentatively Selected Plan (TSP) milestone, which is the flood mitigation plan prepared by USACE, OCPW began a Design-Build contract to construct reaches covered by the study while receiving Work-In-Kind (WIK) credit towards Orange County Flood Control District's (OCFCD) portion of the expected 65% Federal and 35% Non-Federal cost share. Improvements to OCFCD facilities will benefit several cities including Huntington Beach, Fountain Valley, Westminster, Garden Grove, Santa Ana and Seal Beach. As part of the Study, USACE conducted public hearings and continues to incorporate refinements to cost analyses. The cost estimates from the Study indicate that total construction cost is approximately \$1,224,000 for the Project; however, final analyses will provide a better estimate. Authorization is required by Congress through the Water Resources Development Act of 2020. Appropriations would then be needed to establish funding for the Project.

Two projects for the East Garden Grove Wintersburg Channel are planned for construction by OCPW ahead of the formal partnership agreement with USACE for the federal project. The reach from Warner Ave. to Goldenwest St. is estimated to cost \$78,700. A construction contract was awarded in June 2020 and the Notice to Proceed



was issued in September 2020. The other reach spans from the Confluence with Oceanview Channel to Woodruff and is estimated to cost \$39,800 with construction expected to start in FY 2023-24.

Orange County Civic Center Facilities Master Plan: On April 23, 2013, the Board adopted an ordinance approving a public-private partnership to develop the Civic Center Facilities Strategic Plan. On February 24, 2016, the Board approved a Program Management and Design Agreement for Phase 1A planning and design of the Orange County Civic Center Facilities.

Included in Phase I is a six-story, approximately 254,000 square foot building located at 601 N. Ross Street. On April 25, 2017, the Board approved the Phase 1B, construction of the new Building 16, County Administration South (CAS), within the Civic Center, the lease and leaseback of Building 16 property, and establishment of a nonprofit corporation as it related to the financing of Building 16 and the Civic Center Facilities Strategic Plan. Building 16 is occupied by several County departments and includes a one-stop shop public counter where the public has access to services from multiple departments. There is also a 6,600-square-foot event/conference center, Building 18, located at 425 W. Santa Ana Boulevard, which is used by the County and the public. In the CAS Building, there are 350 underground parking spaces.

The project's financing was facilitated through a Board adopted ordinance on May 9, 2017, identifying the legal authority for the issuance of bonds, approving a Ground Lease, a Facility Lease, and forming the Capital Facilities Development Corporation (Corporation). On June 22, 2017, the California Municipal Finance Authority (CMFA) issued \$152,400 Lease Revenue Bonds, Series 2017A. Pursuant to a loan agreement, the CMFA loaned a total of \$175,340 to the Corporation for the construction. Upon filing the certificate of substantial completion, the County commenced base rental payments, under the Facility Lease, to repay the loan to the CMFA, which pays debt service to the bondholders. The CAS Project was completed, notice of completion was received and accepted by the Corporation, and the CAS Building was fully occupied by the County in November 2019.

On June 26, 2018, the Board approved a Program Management and Design Agreement for Phase 2A planning and design of a new Building 14, County Administration North (CAN), within the Civic Center, which will be a twin building of the above CAS Building, a six-story, approximately 254,000 square foot, 332 underground parking spaces and additional 196 surface parking spaces. CAN will be occupied by several County departments and includes a Board of Supervisor Board Hearing room.

The project's financing was facilitated through a Board adopted ordinance on September 25, 2018, identifying the legal authority for the issuance of bonds, approving a Ground Lease, a Facility Lease, and using the Corporation. In December 2018, the CMFA issued \$185,705 Lease Revenue Bonds, Series 2018A. The CMFA loaned a total of \$212,304 to the Corporation, pursuant to a loan agreement, for the construction. Upon filing the certificate of substantial completion, the County will commence base rental payments, under the Facility Lease, to repay the loan to the CMFA, which pays debt service to the bondholders. The CAN Project started in October 2019 with environmental assessment and demolition efforts for the existing buildings and the new building construction is estimated to be completed in July 2022.

Be Well OC Behavioral Health Services Campus-Mind OC: On December 5, 2017, the Board approved the purchase of the office building located at 265 S. Anita Dr., in the city of Orange, for use as a centralized campus for behavioral health services in the County. On January 29, 2019, the Board committed \$16,600 to establish the County's first Be Well Orange County Regional Mental Health and Wellness Campus. This was a transformative initiative that brought together public, private, academic and faith-based organizations to create a coordinated system of mental health care and support for all County residents regardless of their ability to pay. The County's share of costs are funded from the Health Care Agency's Behavioral Health programs. Additional funding was received from the CalOptima Board in the form of an \$11,400 advance payment to assist in the design and construction of the OC Regional Wellness Hub. This was included in the June 11, 2019, Board approval of the amendment to the agreement with Mind OC to increase advance funding to \$28,000 for the design and construction of the OC Regional Wellness Hub.

The project construction started in October 2019 and is estimated for completion in December 2020. The overall cost of financing the design and construction is approximately \$40,000 and is distributed among the County, CalOptima, and OC hospitals including Hoag, Providence St. Joseph Health, and Kaiser Permanente. The hospitals' commitment of \$12,000 is shared equally between the three hospitals. CalOptima's \$11,400 advance payment will

be used to offset service costs provided to CalOptima clients at the Be Well OC Behavioral Health Services Campus. The construction cost for this project will be recorded as progress is made with full cost reconciled at the completion of the project.

### **Relevant Financial Policies**

To achieve the goal of providing outstanding and cost-effective regional public services, the County applies sound management practices and policies that enhance the quality of life of its citizens. Such financial management practices have been identified by the Government Finance Officers Association (GFOA) of the United States and Canada and recognized by Fitch Ratings as best practices that promote financial soundness, efficiency in government, and solvency in public finance.

### **General Fund Reserves Policy**

The County General Fund Reserves Policy provides guidance in the creation, maintenance and use of reserves. The policy covers formal and informal reserves, and includes provisions for reserves such as appropriations for contingencies, reserve-like appropriations, and reserve-like funds held by others such as the OCERS Investment Account. The policy also recognizes whether funds are legally required or discretionary or have special restrictions. The reserves policy is maintained and updated, as needed, through the County's annual SFP process. The reserves policy targets and balances are included in the annual SFP document.

The General Fund Reserves policy is designed to provide flexibility to the County as well as the following:

- Resources to address unanticipated or cyclical economic conditions
- Resources for emergencies and/or catastrophic events
- Mitigation of the volatility of revenues and expenditures in managing temporary cash flow shortages
- Capacity to cover unexpected large one-time expenses and opportunities
- Capacity to fund capital investments
- Capacity to minimize borrowing costs
- Capacity to provide some level of protection against statutory changes to County revenues and impacts from federal and state actions

The County has a variety of reserve funds available to both the General Fund and Non-General Funds including:

- Fund Balance Assigned for Contingencies
- Fund Balance Assigned for Operations
- Fund Balance Assigned for Construction and Maintenance
- Fund Balance Assigned for Capital Projects
- Fund Balance Assigned for Teeter Loss Reserve
- Fund Balance Assigned for Reserve Target
- Reserve-Like Funds
- Reserve-Like Appropriations
- Department-Type Reserves

All of the previously mentioned are reserves normally modified at the time of budget adoption (Government Code Section 29085) or at fiscal year-end. Changes to reserve amounts at other times require a 4/5 vote of the Board. A 4/5 vote is also required to make such reserves available for appropriation to expend the funds, if needed, during the fiscal year (Government Code Section 29130).

### **Reserve Targets and Descriptions**

Under GFOA recommended practice, the County establishes an overall reserve target and allocates the calculated target among the classes of obligated fund balances as appropriate. The County may fund more or less to each reserve class for a variety of reasons, such as its current financial condition, the need to set aside for particular goals or directives, the need to bridge one-time gaps, etc. The goal is to ensure a prudent reserve balance that is maintained and replenished on a regular basis. In implementing the GFOA's best practice, the County elected to establish a funding target based upon two months of General Fund operating revenues.



## **Contingencies**

The purpose and use of this reserve is to cover unanticipated and severe economic downturns, major emergencies, or catastrophes that cannot be covered with existing appropriations. In particular, continued drought conditions with the attendant risk of wildfires, highlights the potential for catastrophic events within the County. A significant event could create the need for a higher funding level of this reserve. The target amount for this reserve is 15% of ongoing annual General Purpose Revenues (excluding fund balance unassigned and one-time amounts and transfers).

The following table summarizes the County's financial management practices:

<b>Relevant Financial Policies</b>	
<b>Multi-Year SFP</b>	The County's SFP is based on a five-year financial forecast and includes a 10-year analysis of operating costs in cases where new programs and facilities are recommended to ensure the ability to pay for long-term operational costs. Performance measures and strategies are key elements of the SFP process.
<b>Five-Year Capital Improvement Plan</b>	The County's five-year Capital Improvement Plan (CIP) is a long-term list of significant projects funded by the General Fund in the Capital Projects budget. It also includes the five-year capital program for Non-General Fund agencies. The CIP aids the County in its assessment of the best use of funds available in order to establish and prioritize its capital asset goals, while maintaining long-term financial stability.
<b>Information Technology Projects</b>	The five-year Information Technology Plan (ITP) is a compilation of significant IT projects including upgrades or replacements of existing systems, greater or equal to \$150 and less than \$1,000 in any one fiscal year of the five years in the plan. Costs for ongoing system support and maintenance are included. The ITP is a tool used by the County to assess IT projects, leverage overlap, and prioritize the use of County General Funds available to IT projects.
<b>Quarterly Budget Report</b>	The County Executive Office issues quarterly budget reports that provide the Board, County departments, members of the public, and other interested parties with an overview of the current status of budgeted revenues and expenditures, total budgeted positions and various departmental issues requiring adjustments to the County's budget.
<b>Annual Budget Policies and Guidelines</b>	The Annual Budget reflects the County's disciplined approach to fiscal management and is consistent with the County's SFP process. Department budgets are consistent with the priorities and operations plans contained in the SFP. Departments use these planning processes, along with outcome indicators, to evaluate programs and redirect existing resources as needed for greater efficiency to reduce costs and minimize the need for additional resources.
<b>Fund Balance Reserve Policy</b>	The County General Fund currently contains formal and informal reserves, appropriations for contingencies, appropriated reserve-type funds, and reserves held by others. The purpose of these reserves is to protect community programs and services from temporary revenue shortfalls and provide for unpredicted, sudden and unavoidable one-time expenditures.
<b>Contingency Planning Policy</b>	<p>The County's General Fund maintains a reserve for contingencies, which was established through the SFP process. The target amount for this reserve is 15% of ongoing annual General Purpose Revenues (excludes fund balance unassigned and one-time amounts and transfers), or \$130,830. This compares to the GFOA guidelines for funding contingencies at 15% or higher. The November 30, 2020 balance is \$35,219, approximately \$95,611 below the target.</p> <p>In addition to the reserve for contingencies, the County budgets an annual appropriation for significant unanticipated emergencies, catastrophes, one-time expenditures and opportunities of no less than \$5,000 in the General Fund.</p>

Relevant Financial Policies (Continued)	
<b>Debt Disclosure Practices</b>	The County presents a set of debt disclosures in the County's adopted Budget document and the CAFR, as well as Continuing Disclosure Annual Reports on its website and the Electronic Municipal Market Access (EMMA) repository.
<b>Pay-as-you-go Capital Funding</b>	The County's long-term practice has been to use pay-as-you-go funding for capital projects whenever possible. The use of systematic long range financial planning assists in making fiscal decisions such as debt vs. pay-as-you-go capital project financing. The SFP forecasts sources of the County's revenue and operating expenses and incorporates a list of previously identified and prioritized projects that will benefit the citizens of the County. The financial planning for capital projects considers the County's limited funding sources, the capital and operating costs, useful life of projects, and good business practices.
<b>Credit and Debt Management Policy</b>	The County's long-term practice has been to rapidly repay debt when practicable. The Policy is intended to maintain long-term financial stability by ensuring that its long-term financing commitments are affordable and do not create undue risk or burden, achieve and maintain high credit ratings, minimize debt service interest expense and issuance costs, provide accurate and timely financial disclosure and reporting, and comply with applicable State and Federal laws and financing covenants.
<b>Public Financing Advisory Committee</b>	The Public Financing Advisory Committee (PFAC) is responsible for the review, approval, and modification or denial of debt financing proposals. No County debt financing proposal is considered by the Board unless recommended in writing by the PFAC. The PFAC membership consists of the following: five public voting members, each representing a district, and three Ex-Officio County government members (the County Executive Officer, the elected Treasurer-Tax Collector, and the elected Auditor-Controller) (non-voting).
<b>Audit Oversight Committee</b>	The Audit Oversight Committee (AOC) is an advisory committee to the Board that provides oversight of the activities of the County's Internal Audit Department, and the County's external audit coverage including financial reporting and federal and state audit activities. The AOC membership includes the Chair and Vice-Chair of the Board, the County Executive Officer, the elected Treasurer-Tax Collector (non-voting), the elected Auditor-Controller (non-voting), and five private sector members appointed by the Board. The private sector members are appointed by the Board for a term of four years and may be reappointed or removed by the Board.
<b>Treasury Oversight Committee</b>	<p>The Treasury Oversight Committee (TOC) is responsible for reviewing and monitoring the annual Investment Policy Statement (IPS). In addition, the TOC causes an annual audit of the County's compliance with the IPS. The TOC shall also investigate any and all irregularities in the treasury operations, which become known to the TOC. The TOC has an approved policy to investigate and report such irregularities.</p> <p>Annually, the TOC reviews the IPS, including all proposed changes to the IPS. The elected Treasurer-Tax Collector then submits the IPS to the Board for approval, including any changes thereto. The TOC membership consists of the following: The elected Auditor-Controller, the County Executive Officer, the elected County Superintendent of Schools, or their respective designees, and four public members. The public members shall be nominated by the elected Treasurer-Tax Collector and confirmed by the Board.</p>
<b>24/7 Fraud Hotline</b>	The Fraud Hotline is part of an ongoing fraud detection and prevention effort. The Fraud Hotline is intended for use by County employees, the general public, or vendors for reporting suspected waste, fraud, violations of County policy or misuse of County resources by vendors, contractors or County employees.

## **Major Initiatives**

**Funding Equity:** The County hovers at the bottom of funding for counties statewide, receiving the lowest percentage of property taxes in California to support services-about 5 cents on the dollar; the state average is 14 cents. The formula for returning local property taxes to the counties where they were collected was set in 1978 and has not been updated since. This systematically disadvantages the County's ability to provide services to its diverse population.

The County's predicament does not have easy fixes. Shifting funding formulas could affect other counties receiving more of their share of taxes, as well as other taxing entities such as cities, special districts, and schools, which have constitutional protections for state funding. Therefore, the answer to assuring funding equity for the County lies in increasing funding, programs, and partnerships that specifically benefit County programs and services. When the state shifts or adds responsibilities at the county level, the County will seek enough funding for those programs to ensure their success. The County's robust legislative agenda seeks creative and substantive ways to assure our residents are provided with their fair share of the taxes they pay to support the programs and services they deserve.

**Labor Agreements:** Most County employees are represented by one of 21 bargaining units, which are separated into eight labor organizations. The principal organization is the Orange County Employees Association (OCEA), which represents six bargaining units totaling about 9,603 permanent filled employee positions. The next largest unions are the Association of County Deputy Sheriffs, which represents four bargaining units totaling about 2,702 members and the American Federation of State and Municipal Employees at about 1,438 members. All contracts have been successfully negotiated and County employees continue to work under their contract terms and conditions of employment.

## **AWARDS AND ACKNOWLEDGEMENTS**

**GFOA Awards:** The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its CAFR for the year ended June 30, 2019; this represents the County's 25<sup>th</sup> consecutive award. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such a CAFR must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the County issued its 17<sup>th</sup> consecutive Popular Annual Financial Report (PAFR) titled the "OC Citizens' Report" for the year ended June 30, 2019. The County received the GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting for this PAFR. The award is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports. In order to be awarded, a government must publish a PAFR that reflects the program standards of creativity, presentation, understandability, and reader appeal. The "OC Citizens' Report" is available for viewing at [www.ac.ocgov.com](http://www.ac.ocgov.com).

**Distinguished Budget Presentation Award:** The GFOA awarded a Distinguished Budget Presentation Award to the County for its FY 2019-20 Annual Budget; this is the County's fourth award. The award is the highest form of recognition in governmental budgeting. In order to receive the award, the entity had to satisfy nationally recognized guidelines for effective budget presentation. These guidelines are designed to acknowledge how well an entity's budget serves as a policy document, a financial plan, an operations guide, and a communications device.

**Counties Financial Transactions Reporting Award:** The County received the Financial Transactions Reporting Award from the State Controller's Office for its Year-End Financial Transaction Report for the fiscal year ended June 30, 2019. The award is in recognition of the professionalism demonstrated by Counties in preparing accurate and timely financial reports and for those counties that meet the review criteria of the award program.

Acknowledgments: We would like to express our sincere appreciation to County staff and the staff of the certified public accounting firm of Eide Bailly LLP. We hope this report will be of interest and use to those in county government, other governmental agencies, and the public interested in the financial activities of the County of Orange.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Frank Davies', with a stylized, wavy line.

Frank Davies, CPA  
Auditor-Controller

A handwritten signature in blue ink, appearing to read 'Michelle Aguirre', with a stylized, cursive line.

Michelle Aguirre  
Chief Financial Officer



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**County of Orange  
California**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

June 30, 2019

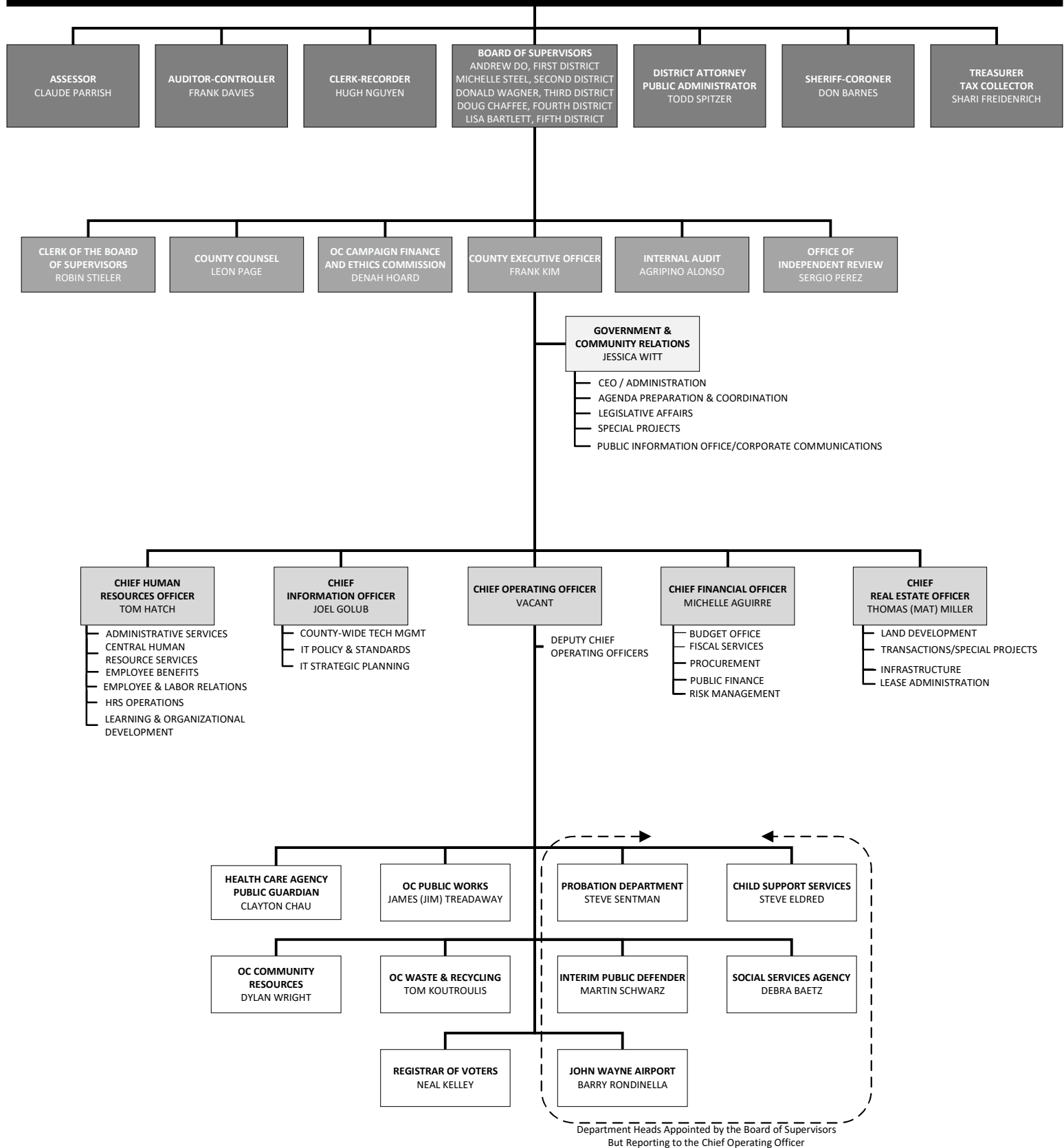
*Christopher P. Morill*

Executive Director/CEO



# County of Orange Organizational Chart

## PEOPLE OF ORANGE COUNTY









*Clerk-Recorder South County Branch Office*









## Independent Auditor's Report

To the Board of Supervisors  
County of Orange, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Orange, California (County) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Orange County Health Authority, a Public Agency/dba Orange Prevention and Treatment Integrated Medical Assistance (CalOptima) which represent 97 percent, 96 percent, and 99 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for CalOptima, is based solely on the report of the other auditors. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General fund, Flood Control District fund, Other Public Protection fund, and Mental Health Services Act fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the schedules for the Orange County Employees Retirement System (OCERS) plan, Orange County Extra-Help Defined Benefit plan, and the Orange County Retiree Medical plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 Information*

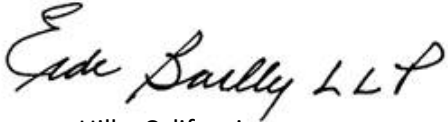
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements. The introductory section, combining and individual nonmajor fund financial statements and budgetary comparison schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements and budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2020, on our consideration of the County'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 County'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 the County's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Laguna Hills, California  
December 22, 2020



*Clerk-Recorder North County Branch Ceremony Room*







## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED)

This section of the County's CAFR provides a narrative overview and analysis of the financial activities of the County for the year ended June 30, 2020. We hope that the information presented here, in conjunction with the Letter of Transmittal, provides a clear picture of the County's overall financial status. Unless otherwise indicated, all amounts in this section are expressed in thousands of dollars.

### **FINANCIAL HIGHLIGHTS**

- Total change in net position, which is the difference between total revenues (including transfers in) and expenses (including transfers out), was \$317,280 for the fiscal year, and it increased net position by 13% from prior year.
- Long-term debt obligations decreased by \$14,240 or 2% during the current fiscal year.
- The County's governmental funds reported combined ending fund balances of \$2,692,077, an increase of \$40,056 or 2% in comparison with the prior year.
- General Fund revenues and other financing sources ended the year 16% below budget.
- General Fund expenditures and other financing uses ended the year 16% below budget.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The basic financial statements presented in the County's CAFR are divided into three different sections:

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements

<i>Basic Financial Statements</i>			
<b>Government-wide Financial Statements</b>	<b>Fund Financial Statements</b>		
	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
Statement of Net Position	Balance Sheet	Statement of Net Position	Statement of Fiduciary Net Position
	Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Revenues, Expenses, and Changes in Fund Net Position	
Statement of Activities	Budgetary Comparison Statements	Statement of Cash Flows	Statement of Changes in Fiduciary Net Position
Notes to the Basic Financial Statements			

The following table summarizes the major features of the basic financial statements:

	Government-wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Type of Financial Statement	Statement of Net Position	Balance Sheet	Statement of Net Position	Statement of Fiduciary Net Position
	Statement of Activities	Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Revenues, Expenses, and Changes in Fund Net Position	Statement of Changes in Fiduciary Net Position
		Budgetary Comparison Statements	Statement of Cash Flows	
Scope	Entire entity (except fiduciary funds)	Day-to-day operating activities for basic services	Day-to-day operating activities for business- type services	Resources on behalf of others
Accounting Basis and Measurement Focus	Accrual accounting and economic resources measurement focus	Modified accrual accounting and current financial resources measurement focus	Accrual accounting and economic resources measurement focus	Accrual accounting and economic resources measurement focus (except for agency funds)
Type of Asset, Deferred Outflows of Resources, Liability, and Deferred Inflows of Resources Information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short- term and long-term	Current assets, liabilities, and deferred inflows of resources that come due during the year or soon thereafter	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short- term and long-term	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources held in a trustee or agency capacity for others
Type of Inflows and Outflows Information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures for when goods or services have been received, and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## Government-wide Financial Statements

The government-wide financial statements consist of the following two financial statements: the Statement of Net Position and the Statement of Activities. Both of these statements were prepared using an accounting method and a measurement focus similar to those used by private-sector companies, the accrual basis of accounting and the economic resources measurement focus. The **Statement of Net Position** provides information regarding all of the County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. The **Statement of Activities**, on the other hand, provides information on how the government's net position changed during the most recent fiscal year regardless of the period when the related cash or cash equivalent is received or paid. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (for example, uncollected taxes, and earned but unused vacation leave).

The Statement of Net Position and the Statement of Activities distinguish functions of the County that are principally supported by taxes (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include (1) general government, (2) public protection, (3) public ways and facilities, (4) health and sanitation, (5) public assistance, (6) education, and (7) recreation and cultural services. The business-type activities of the County include John Wayne Airport (Airport), OC Waste & Recycling, and Compressed Natural Gas (CNG).

The government-wide financial statements also provide information regarding the County's component units, entities for which the County (the primary government) is considered to be financially accountable. Blended component units, although legally separate entities, are in substance part of the County's operations; therefore, data from these component units are combined with data of the primary government. Financial information for the CFCOC and CalOptima, discretely presented component units, are reported separately from the financial information presented for the primary government itself. Separate stand-alone annual financial reports can be obtained by accessing the County's website at the following address: [www.ocgov.com](http://www.ocgov.com). A separate stand-alone CalOptima annual financial report can be obtained by accessing the website at <http://wpsocdmhc.ca.gov/fe/search/>.

## Fund Financial Statements

- **Fund** - a separate accounting entity with a self-balancing set of accounts.
- Focus is on major funds.
- Provides information regarding the three major categories of all County funds: **governmental, proprietary, and fiduciary**.

The fund financial statements report on groupings of related funds that are used to maintain control over resources that have been segregated for specific activities or objectives. A fund is a separate accounting entity with a self-balancing set of accounts. Like other state and local governments, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of governmental and proprietary fund financial statements is on major funds as determined by the criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. All of the County funds can be divided into three major categories of funds: governmental, proprietary, and fiduciary.

**Governmental Funds** - Governmental funds include most of the County's basic services and are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements are prepared using the modified accrual basis of accounting and current financial resources measurement focus.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliations are prepared for the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances to facilitate comparisons between governmental funds and governmental activities. The primary differences between the government-wide and fund financial statements relate to noncurrent assets, such

as land and structures and improvements, and noncurrent liabilities, such as bonded debt and amounts owed for compensated absences, capital lease obligations, net pension liability and other postemployment benefits (OPEB), which are reported in the government-wide statements but not in the fund financial statements.

The County maintains several individual governmental funds organized according to their type (General Fund, Special Revenue, Debt Service, Capital Projects and Permanent funds). Information is presented separately in the governmental funds balance sheet and in the statement of revenues, expenditures, and changes in fund balances for the General Fund, which is always a major fund, and all other major funds which may change each year depending on if they meet the major funds criteria. Information for nonmajor funds is presented in the aggregate as "Other Governmental Funds" in these statements. Individual fund data for each of the nonmajor governmental funds is presented in the Supplemental Information Section of this CAFR. The County adopts an annual appropriated budget for its governmental funds. Budgetary comparison statements and schedules have been provided for these funds to demonstrate compliance with the budget and are presented in the Basic Financial Statements and Supplemental Information Section of this CAFR, respectively.

**Proprietary Funds** - The County maintains two different types of proprietary funds: Enterprise funds and Internal Service funds. **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its Airport, OC Waste & Recycling, and CNG activities. **Internal Service funds** are used to accumulate and allocate costs internally among the County's various functions such as insurance, transportation, publishing services, and information technology. Because these services predominantly benefit governmental rather than business-type functions, Internal Service funds have been included within governmental activities in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Airport and OC Waste & Recycling operations, which are both considered to be major funds of the County. Conversely, the Internal Service funds are combined into a single, aggregated presentation in the proprietary fund financial statements with the individual fund data provided in the combining statements, which can be found in the Supplemental Information Section of this CAFR.

**Fiduciary Funds** - Fiduciary funds include the **Trust** and **Agency** funds and are used to account for assets held on behalf of outside parties, including other governments. Financial information for fiduciary funds is not reported in the government-wide financial statements because the resources of these funds are not available to support the County's programs. The combining statements for fiduciary funds are included in the Supplemental Information Section of this CAFR.

### Notes to the Basic Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. To find a specific note, refer to the Table of Contents.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of the County's financial position. At June 30, 2020, the County's combined net position (governmental and business-type activities) totaled \$2,844,388, an increase of 13% from FY 2018-19.

The largest component of the County's net position, which totals \$4,175,423 was **net investment in capital assets**, which represents the County's investment in capital assets, less any related outstanding debt used to acquire those assets and debt-related deferred outflows and inflows of resources. The County's capital assets are used to provide needed services to its citizens. Since the capital assets themselves cannot be used to liquidate the associated debt, the resources needed to repay the debt must be provided from other sources.

#### COMPONENTS OF NET POSITION

- Net Investment in Capital Assets
- Restricted
- Unrestricted

County of Orange  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2020  
(Dollar Amounts in Thousands)

The County's **restricted** net position of \$1,602,769 represents resources that are subject to external restrictions on their use and are available to meet the County's ongoing obligations for programs with external restrictions. External restrictions include those imposed by grantors, contributors, laws/regulations of other governments, or restrictions imposed by law through constitutional provisions or legislation, including those passed by the County itself.

The **unrestricted** net position is the final component of net position. Unrestricted net position is resources that the County may use to meet its ongoing obligations to citizens and creditors. As of June 30, 2020, the County's unrestricted net position totals a deficit of \$2,933,804. Among governmental activities the deficit was \$3,480,608 in unrestricted net position, compared to its deficit of \$3,582,580 at June 30, 2019. The main contributor of the deficit continues to be the reporting of the County's proportionate share of net pension and OPEB liability on the financial statements.

The following table presents condensed financial information derived from the government-wide Statement of Net Position:

NET POSITION – Primary Government June 30, 2020 and 2019						
	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>ASSETS</b>						
Current and Other Assets	\$ 4,373,638	\$ 3,875,987	\$ 976,845	\$ 897,628	\$ 5,350,483	\$ 4,773,615
Capital Assets	3,426,770	3,243,628	946,913	949,383	4,373,683	4,193,011
<b>Total Assets</b>	<b>7,800,408</b>	<b>7,119,615</b>	<b>1,923,758</b>	<b>1,847,011</b>	<b>9,724,166</b>	<b>8,966,626</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>874,422</b>	<b>1,363,252</b>	<b>19,453</b>	<b>30,374</b>	<b>893,875</b>	<b>1,393,626</b>
<b>Total Assets/Deferred Outflows of Resources</b>	<b>8,674,830</b>	<b>8,482,867</b>	<b>1,943,211</b>	<b>1,877,385</b>	<b>10,618,041</b>	<b>10,360,252</b>
<b>LIABILITIES</b>						
Long-term Liabilities	5,296,601	6,143,569	392,806	410,108	5,689,407	6,553,677
Other Liabilities	1,278,107	783,794	76,679	64,616	1,354,786	848,410
<b>Total Liabilities</b>	<b>6,574,708</b>	<b>6,927,363</b>	<b>469,485</b>	<b>474,724</b>	<b>7,044,193</b>	<b>7,402,087</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>717,070</b>	<b>423,123</b>	<b>12,390</b>	<b>7,934</b>	<b>729,460</b>	<b>431,057</b>
<b>Total Liabilities/Deferred Inflows of Resources</b>	<b>7,291,778</b>	<b>7,350,486</b>	<b>481,875</b>	<b>482,658</b>	<b>7,773,653</b>	<b>7,833,144</b>
<b>NET POSITION</b>						
Net Investment in Capital Assets	3,319,173	3,127,371	856,250	858,924	4,175,423	3,986,295
Restricted	1,544,487	1,587,590	58,282	44,444	1,602,769	1,632,034
Unrestricted	(3,480,608)	(3,582,580)	546,804	491,359	(2,933,804)	(3,091,221)
<b>Total Net Position</b>	<b>\$ 1,383,052</b>	<b>\$ 1,132,381</b>	<b>\$ 1,461,336</b>	<b>\$ 1,394,727</b>	<b>\$ 2,844,388</b>	<b>\$ 2,527,108</b>

As of June 30, 2020, the County's total assets and deferred outflows of resources increased by 2% or \$257,789 during the current fiscal year. Capital assets increased by \$180,672, primarily due to construction projects related to Civic Center Facilities Master Plan, and road donations accepted to the County Road System. In addition, there was an increase of \$576,868 in current and other assets, which is primarily attributable to an overall increase in cash and cash equivalents as a result of federal assistance received from the Coronavirus Relief Fund (CRF) established to assist governments to cover expenditures related to the COVID-19 public health emergency, higher tax apportionments and interest revenue received. Deferred outflows of resources decreased by \$499,751, primarily due to a decrease in deferred outflows related to pension as a result of an investment gain, which reflects the changes in net pension liability measurements as required by GASB Statement No. 68, "Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement No. 27," (GASB Statement No. 68) and employer pension contributions made after the measurement date as required by GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—An Amendment of GASB Statement No. 68" (GASB Statement No. 71).

Total liabilities and deferred inflows of resources for FY 2019-20 decreased by 1% or \$59,491. Long-term liabilities decreased by 13% or \$864,270, mainly due to a decrease in the County's proportionate share of the net pension liability as a result of an investment gain, offset by an increase in the Taxable Pension Obligation Bonds 2020, Series A issuance. Other liabilities increased by 60% or \$506,376, primarily due to an increase in unearned revenue as a result of federal assistance received from the CRF. Deferred inflows of resources increased by 69% or \$298,403, mainly due to the changes in the net pension liability calculated as required by GASB Statement No. 68.

The following table provides summarized data of the government-wide Statement of Activities:

**CHANGES IN NET POSITION – Primary Government**  
For the Years Ended June 30, 2020 and 2019

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<b>REVENUES</b>						
Program Revenues:						
Charges for Services	\$ 605,376	\$ 627,026	\$ 314,910	\$ 329,634	\$ 920,286	\$ 956,660
Operating Grants and Contributions	2,500,368	2,289,265	5,285	193	2,505,653	2,289,458
Capital Grants and Contributions	141,118	63,429	--	1,424	141,118	64,853
General Revenues:						
Property Taxes	595,114	570,638	--	--	595,114	570,638
Property Taxes in Lieu of						
Motor Vehicle License Fees	418,370	395,809	--	--	418,370	395,809
Other Taxes	104,863	99,965	50	10	104,913	99,975
Grants and Contributions not Restricted to Specific Programs	11,673	2,720	--	--	11,673	2,720
State Allocation of Motor Vehicle License Fees	838	1,180	--	--	838	1,180
Other General Revenues	84,169	96,983	19,858	25,115	104,027	122,098
<b>Total Revenues</b>	<b>4,461,889</b>	<b>4,147,015</b>	<b>340,103</b>	<b>356,376</b>	<b>4,801,992</b>	<b>4,503,391</b>
<b>EXPENSES</b>						
General Government	313,583	221,830	--	--	313,583	221,830
Public Protection	1,571,137	1,650,165	--	--	1,571,137	1,650,165
Public Ways and Facilities	158,356	172,970	--	--	158,356	172,970
Health and Sanitation	752,996	715,343	--	--	752,996	715,343
Public Assistance	1,219,816	1,193,705	--	--	1,219,816	1,193,705
Education	48,845	52,323	--	--	48,845	52,323
Recreation and Cultural Services	122,694	139,183	--	--	122,694	139,183
Interest on Long-Term Debt	33,617	30,910	--	--	33,617	30,910
Airport	--	--	132,804	136,075	132,804	136,075
OC Waste & Recycling	--	--	130,853	128,354	130,853	128,354
Compressed Natural Gas	--	--	11	160	11	160
<b>Total Expenses</b>	<b>4,221,044</b>	<b>4,176,429</b>	<b>263,668</b>	<b>264,589</b>	<b>4,484,712</b>	<b>4,441,018</b>
Excess before Transfers	240,845	(29,414)	76,435	91,787	317,280	62,373
Transfers	9,826	8,922	(9,826)	(8,922)	--	--
<b>Change in Net Position</b>	<b>250,671</b>	<b>(20,492)</b>	<b>66,609</b>	<b>82,865</b>	<b>317,280</b>	<b>62,373</b>
Net Position-Beginning of the Year	1,132,381	1,152,873	1,394,727	1,311,862	2,527,108	2,464,735
<b>Net Position-End of the Year</b>	<b>\$ 1,383,052</b>	<b>\$ 1,132,381</b>	<b>\$ 1,461,336</b>	<b>\$ 1,394,727</b>	<b>\$ 2,844,388</b>	<b>\$ 2,527,108</b>



The County's net position increased by \$317,280 during the current fiscal year. Revenues for the year totaled \$4,801,992, an increase of \$298,601 from prior year's total revenues. Expenses totaled \$4,484,712, an increase of \$43,694 from the previous year's total expenses.

### **Governmental Activities**

The County's governmental activities rely on several sources of revenue to finance ongoing operations. Operating grants and contributions comprised the largest revenue source for the County, followed by charges for services. Operating grants and contributions are monies received from parties outside the County and are generally restricted to one or more specific programs such as State and Federal revenues for public assistance and for health care. Charges for services are revenues that arise from charges to customers or applicants who purchase, use, or directly benefit from the goods, services, or privileges provided. Examples of the types of services that fall under this category include engineering services provided to cities under contract, park and recreation fees, and law enforcement services provided to other governmental agencies under contract.

At the end of FY 2019-20, total revenues for governmental activities, including transfers from the business-type activities were \$4,471,715, an increase of \$315,778 from the previous year. Expenses totaled \$4,221,044, an increase of \$44,615 from the prior year. During the current fiscal year, net position for governmental activities increased by \$250,671 from the prior fiscal year for an ending balance of \$1,383,052. Key elements of the increase are as follows:

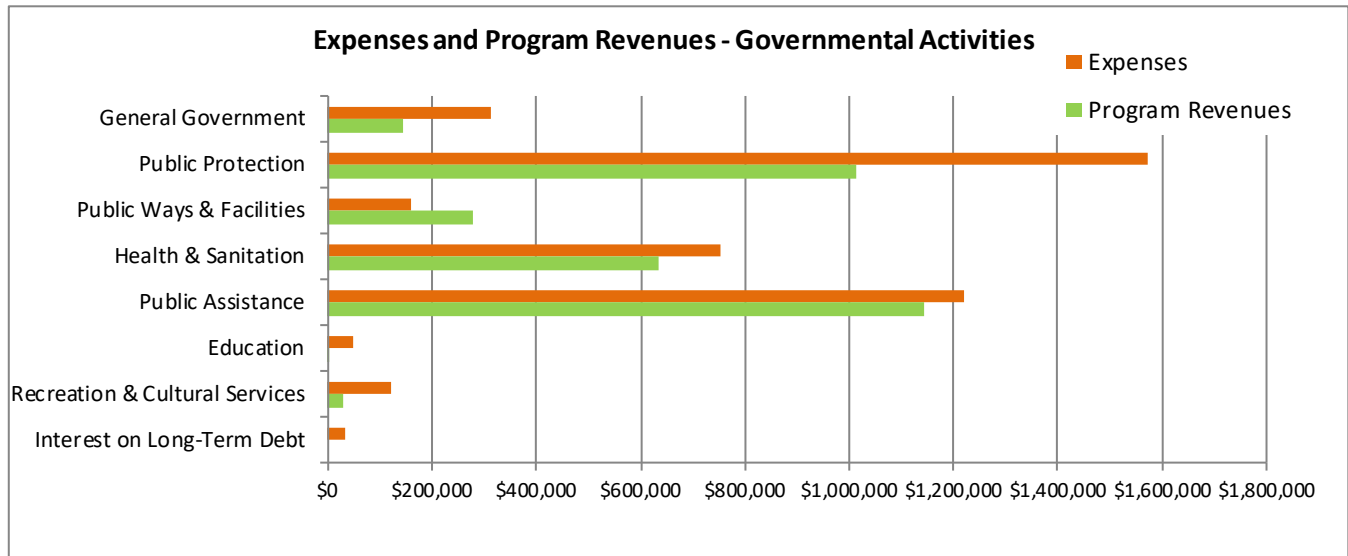
#### Revenues

- Operating grants and contributions increased by \$211,103, primarily due to federal assistance received from the CRF that covered expenditures related to the COVID-19 public health emergency. This increase was also due to higher claim payments received for the CalWorks and CalFresh programs, and timing of claiming and payments for the Child Welfare Services, Adult Protective Services, and In-Home Supportive Services programs.
- Capital grants and contributions increased by \$77,689, due to an increase in revenues related to roads donated from the construction companies to the County Road System. Offsetting this increase was a decrease in revenues related to Ortega Highway Widening Improvement Project.

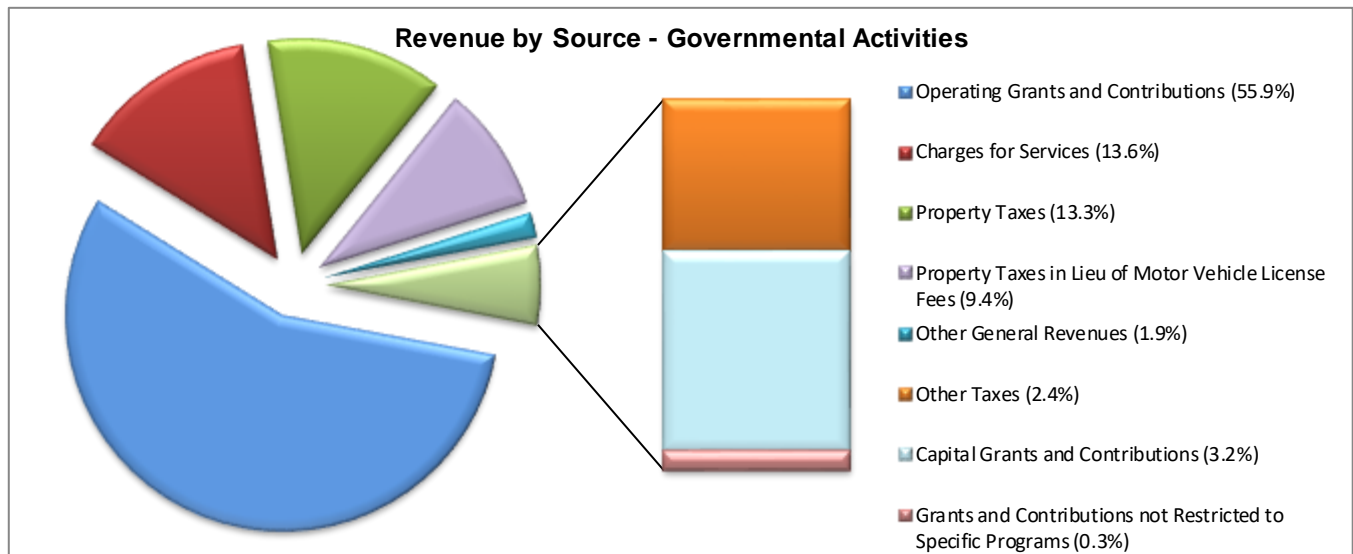
#### Expenses

- Expenses in general government increased by \$91,753, primarily due to CRF funds distributed to cities for establishing business recovery grant programs and for covering COVID-19 related costs, as well as, contributions to other entities in relation to the design and construction of the OC Regional Wellness Hub.
- Expenses in public protection decreased by \$79,028, mainly due to a decrease in salaries and employee benefits (S&EB), pension costs and a decrease in services and supplies (S&S) primarily in the Sheriff-Coroner Department.
- Expenses in health and sanitation increased by \$37,653, primarily due to increases in professional services and medical supplies related to COVID-19. Partially offsetting this increase was a decrease in pension costs.

The following chart presents a comparison of expenses by function and the associated program revenues for governmental activities:



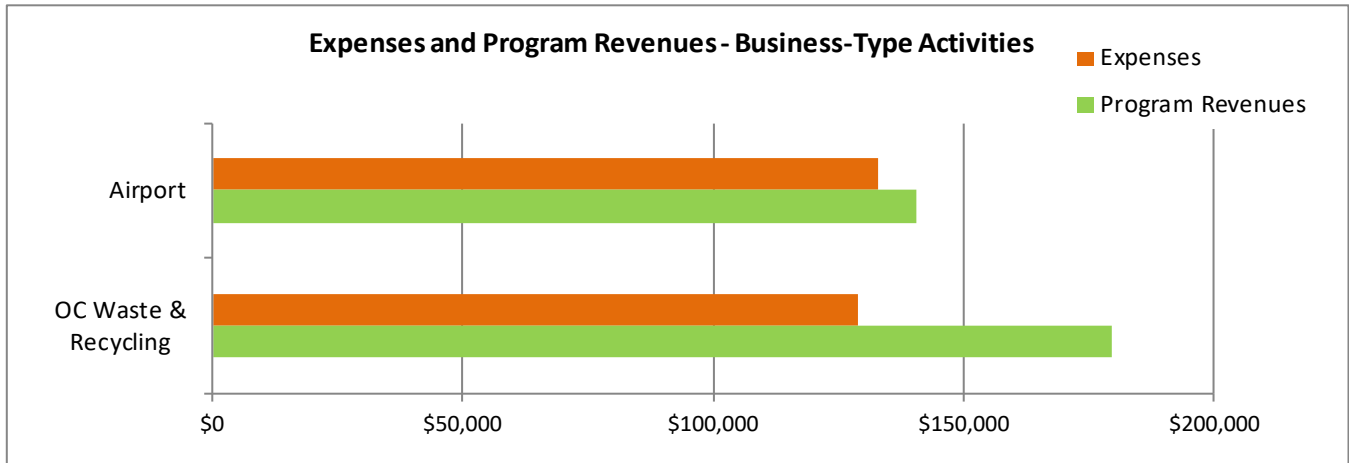
The chart below presents the percentage of total revenues by source for governmental activities:





## Business-Type Activities

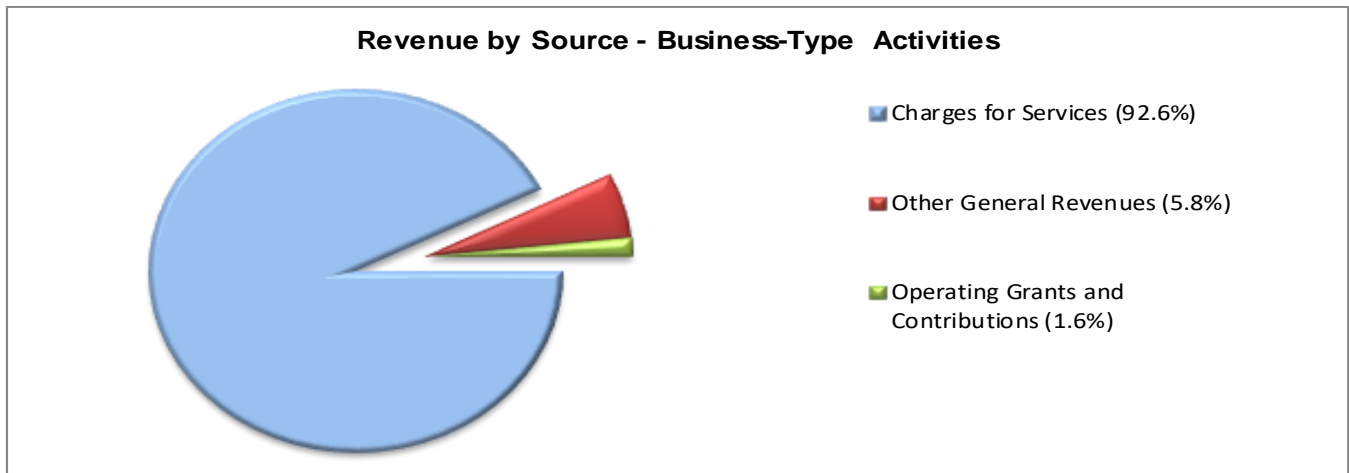
The County has three business-type activities: Airport, OC Waste & Recycling, and Compressed Natural Gas. In keeping with the intent of recovering all or a significant portion of their cost through user fees and charges, business-type activities reported charges for services as their largest source of revenues.



At the end of FY 2019-20, the business-type activities' total revenues exceeded expenses and transfers resulting in an increase of \$66,609 in net position compared to the prior year's increase in net position of \$82,865. Revenues totaled \$340,103 a decrease of \$16,273 from the previous fiscal year, which is primarily attributable to decreases in revenue from the Airport's auto parking fees, concessions, landing fees, interest income, Passenger Facility Charge (PFC) revenue, and capital grant contributions, partially offset by OC Waste & Recycling's increase in importation disposal revenue and in-county disposal revenue.

Expenses, including transfers to governmental activities, totaled \$273,494, representing a decrease of \$17 from the previous year. This decrease is primarily due to the Airport's decrease in interest expense, due to the prior year payoff of the Airport Revenue Bonds, Series 2009, as well as decreases for OC Waste and Recycling's closure and postclosure care costs, and taxes and other fees. Partially offsetting this decrease was an increase in OC Waste and Recycling's S&S and professional and specialized services. Other factors concerning the finances of the County's two major enterprise funds are discussed in the Proprietary Funds section of the "Financial Analysis of the County's Funds."

The following chart displays expenses and the associated program revenues by function for the business-type activities (major enterprise funds):



## **FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS**

The County uses fund accounting to demonstrate legal compliance and aid financial management by segregating transactions related to certain government functions or activities.

### **Governmental Funds**

Governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets, current liabilities, and deferred inflows of resources related to unavailable revenue generally are included on the balance sheet, with the difference reported as fund balance. Fund balance, excluding nonspendable and restricted fund balances, may serve as a valuable measure of the government's available financial resources for spending at the end of a fiscal year. This amount is available for spending at the discretion of the Board in order to achieve the established function of the respective funds.

At June 30, 2020, the County's governmental funds reported total fund balances of \$2,692,077, which is an increase of \$40,056 in comparison with prior year ending fund balances.

### **Comparative Analysis of Changes in Fund Balances**

The following schedule presents a summary of revenues and other financing sources, expenditures and other financing uses, and the net change in fund balances for the governmental funds for the current and previous fiscal year:

<b>GOVERNMENTAL FUNDS COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES) AND CHANGES IN FUND BALANCES For the Years Ended June 30, 2020 and 2019</b>						
	<b>Revenues and Other Financing Sources</b>		<b>Expenditures and Other Financing Uses</b>		<b>Net Change in Fund Balances</b>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
General Fund	\$ 3,767,361	\$ 3,382,454	\$ 3,694,792	\$ 3,400,499	\$ 72,569	\$ (18,045)
Flood Control District	174,694	194,368	144,155	146,280	30,539	48,088
Other Public Protection	65,384	62,121	48,816	52,662	16,568	9,459
Mental Health Services Act	147,928	168,334	231,783	200,386	(83,855)	(32,052)
Other Governmental Funds	906,417	1,204,481	902,182	1,059,415	4,235	145,066
<b>Total</b>	<b>\$ 5,061,784</b>	<b>\$ 5,011,758</b>	<b>\$ 5,021,728</b>	<b>\$ 4,859,242</b>	<b>\$ 40,056</b>	<b>\$ 152,516</b>

In addition to the effects of expenditure-driven grants, the following information provides explanations for the significant changes in fund balance:

#### **General Fund**

The General Fund is the chief operating fund of the County. At the end of FY 2019-20, revenues and other financing sources were more than the expenditures and other financing uses resulting in an increase in fund balance of \$72,569 compared to last year's decrease of \$18,045. Revenues and other financing sources increased by \$384,907 and expenditures and other financing uses increased by \$294,293. The following is a brief summary of the primary factors that contributed to the increase in the net change in fund balance for the General Fund in FY 2019-20:

#### **Revenues**

- Intergovernmental revenues increased by \$282,986, mainly due to federal assistance received from the CRF that covered expenditures related to the COVID-19 public health emergency. The increase was also due to funding received for the Whole Person Care Program, higher claim payments received for the CalWorks and CalFresh programs, and timing of claiming and payments for the Child Welfare Services, Adult Protective Services, and In-Home Supportive Services programs.
- Transfers to the General Fund increased by \$62,722 due to an increase in Prop 63 drawdowns from the Mental Health Services Act (MHSA), an increase in drawdowns from the Health Care Agency (HCA) purpose restricted revenue fund for eligible expenditures under the Homeless Emergency Aid Program, and an increase in

transfers to fund multi-year capital projects such as the Be Well OC Hub, Civic Center Facility Master Plan, and the Yale Transitional Center.

#### Expenditures

- Transfers from the General Fund increased by \$73,732 for the development of permanent supportive housing and to the Countywide Capital Projects Non-General Fund for renovation and construction related to the Be Well OC Hub, Yale Transitional Center, and OC Animal Shelter.
- Expenditures for the general government increased by \$70,057, which was primarily attributable to CRF funds distributed to cities for establishing business recovery grant programs and for covering COVID-19 related costs. Additionally, there was an increase in taxes and other fees for expenses related to the Be Well OC Hub. Partially offsetting the increase was a decrease in judgements and damages as the final Vehicle License Fee Adjustment settlement agreement payment to the State was made in June 2019.
- Expenditures for health and sanitation increased by \$67,822, primarily as a result of ongoing operational cost increases in HCA for professional services, S&EB, and S&S to address the COVID-19 public health emergency. Another factor contributing to the increase was the reallocation of homeless programs in order to allow better program coordination and efficient delivery of services to the community.
- Expenditures for public assistance increased by \$44,910, mainly due to increases in caseloads for CalWorks and Child Welfare Services programs. In addition, there was an increase in S&EB in Social Services Agency (SSA) for additional positions added to address increased State-mandated reporting requirements for the California Statewide Automated Welfare System migration planning and development. Partially offsetting this increase was a decrease in taxes and other fees for homeless services and a decrease in S&S in SSA due to decreases in expenditures for leases, household expenses and purchase of office furniture, installations and related services.

#### Flood Control District

This group of funds is used to account for the planning, construction, and operation of flood control and water conservation works, such as dams, basins, and trunk channels, and for the retardation, conservation, and controlled discharge of storm waters. At the end of FY 2019-20, there was an increase in fund balance of \$30,539 compared to last year's increase of \$48,088. Revenues and other financing sources decreased by \$19,674, mainly due to lower intergovernmental revenues received for the Santa Ana River (SAR) Subvention claims, and a decrease in other revenues due to the sale of the Honda Center parking lot in the prior year. Expenditures and other financing uses decreased by \$2,125, primarily due to decreases in payments for the SAR Mainstem Project. The decreases were offset by an increase in payments for the Santa Ana River Mainstem/Prado Dam project.

#### Other Public Protection

This group of funds accounts for revenues restricted for safety and law enforcement activities such as the child support program, automated finger print identification systems, and investigation team. At the end of FY 2019-20, there was an increase in fund balance of \$16,568 compared to last year's increase of \$9,459. Revenues and other financing sources increased by \$3,263, which was primarily attributable to more revenue received from the Department of Justice for the Regional Narcotics Suppression Program (RNSP), and an increase in State Criminal Alien Assistance Program revenue received for costs incurred from incarcerating undocumented criminal aliens with felony or misdemeanor convictions. Additionally, there was an increase in transfers from Clerk-Recorder's restricted fee revenue. Expenditures and other financing uses decreased by \$3,846, mainly due to one-time purchase of items such as radio communication, telephone, and telecommunication equipment in the prior year, and no RNSP equitable sharing was paid to the cities in FY 2019-20.

#### Mental Health Services Act (MHSA)

This fund accounts for purpose restricted MHSA revenues. At the end of FY 2019-20, fund balance decreased by \$83,855 compared to last year's decrease of \$32,052. Revenues and other financing sources decreased by \$20,406, primarily due to lower allocation from the State for approved mental health services. Expenditures increased by \$31,397, primarily due to an increase in transfers out to the General Fund for eligible reimbursement of MHSA related services.

#### Other Governmental Funds

Other governmental funds encompass nonmajor funds, which include special revenue funds, debt service funds, capital projects funds, and a permanent fund. At the end of FY 2019-20, fund balances increased by \$4,235 in comparison to prior year's increase of \$145,066. Revenues and other financing sources decreased by \$298,064,

primarily due to loan proceeds received in FY 2018-19 from the CMFA for the construction of Building 14, County Administration North (CAN). The decrease was offset by an increase in transfers in for Non-General Fund multi-year countywide capital projects, and the development of permanent supportive rental housing units for individuals diagnosed with serious mental illness and eligible for MHSA services. Expenditures and other financing uses decreased by \$157,233, primarily due to a one-time transfer out from the loan proceeds in the prior year. The decrease was offset by transfers out to fund General Fund capital projects, including the Be Well OC Hub, Yale Transitional Center, and the Sheriff's Intake/Release Center project.

The following table shows fund balances and percentage change in fund balances for governmental funds for the current and previous fiscal year:

<b>COMPARATIVE FUND BALANCE</b>				
<b>Governmental Funds</b>				
<b>June 30, 2020 and 2019</b>				
	<b>2020</b>	<b>2019</b>	<b>Increase/(Decrease) %</b>	
General Fund	\$ 863,302	\$ 790,733	9 %	
Flood Control District	487,839	457,300	7 %	
Other Public Protection	182,191	165,623	10 %	
Mental Health Services Act	132,075	215,930	(39)%	
Other Governmental Funds	1,026,670	1,022,435	--	
<b>Total</b>	<b>\$ 2,692,077</b>	<b>\$ 2,652,021</b>	<b>2 %</b>	

### Proprietary Funds

The proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the Airport and OC Waste & Recycling funds, which are considered to be major funds of the County, and the Compressed Natural Gas fund. Internal Service Funds are combined into a single, aggregated presentation in the proprietary funds financial statements.

### Comparative Analysis of Changes in Fund Net Position

The following table presents the enterprise funds' revenues, expenses, contributions, transfers, and changes in fund net position for the current and previous fiscal year:

<b>ENTERPRISE FUNDS</b>						
<b>COMPARATIVE SCHEDULE OF REVENUES, EXPENSES, CONTRIBUTIONS, TRANSFERS, AND CHANGES IN FUND NET POSITION</b>						
<b>For the Years Ended June 30, 2020 and 2019</b>						
	<b>Revenues, Contributions and Transfers</b>		<b>Expenses and Transfers</b>		<b>Change in Fund Net Position</b>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Airport	\$ 146,606	\$ 167,574	\$ 132,866	\$ 135,589	\$ 13,740	\$ 31,985
OC Waste & Recycling	194,163	189,300	141,632	137,710	52,531	51,590
Compressed Natural Gas	149	120	11	160	138	(40)
<b>Total</b>	<b>\$ 340,918</b>	<b>\$ 356,994</b>	<b>\$ 274,509</b>	<b>\$ 273,459</b>	<b>\$ 66,409</b>	<b>\$ 83,535</b>

#### Airport

This fund accounts for major construction and self-supporting aviation related activities rendered at the Airport. At the end of FY 2019-20, there was an increase of \$13,740 in fund net position compared to the prior year increase of \$31,985. Revenues, contributions and transfers decreased by \$20,968, primarily due to the lease deferral rent plan which contributed to a decrease in auto parking fees, concessions, landing fees, airport fees, passenger and terminal fees, partially offset by an increase in intergovernmental revenues as a result of monies received from the FAA Coronavirus Aid, Relief, and Economic Security (CARES) Grant 49. Expenses decreased by \$2,723, mainly due to a decrease in interest expense, partially offset by an increase in S&S.

#### OC Waste & Recycling

This fund is used to account for the operation, expansion and closing of existing landfills. Monies are collected through gate tipping fees, which users pay based primarily on tonnage. At the end of FY 2019-20, there was an increase of \$52,531 in fund net position compared to the prior year increase of \$51,590. Revenues, contributions and transfers increased by \$4,863, which was primarily due to an increase in sanitation and landfill disposal tonnage and fees collected for waste, recycling and importation. Expenses and transfers increased by \$3,922, primarily due to an increase in S&S, depreciation expense, professional and specialized services. These increases were offset by a decrease in landfill site closure and post-closure care costs, taxes and other fees, and S&EB.

#### Compressed Natural Gas (CNG)

This fund is used to account for the operation and maintenance of the CNG facility. Revenues consist primarily of compressed natural gas sales to fuel the County's growing fleet of CNG-powered heavy equipment. At the end of FY 2019-20, there was an increase of \$138 in fund net position compared to the prior year decrease of \$40. Revenues increased by \$29 due to a higher royalty payment from Clean Energy, and higher Federal Excise Tax credit received for the Alternative Fuel. Expenditures decreased by \$149 due to a decrease in utilities-purchased, monthly maintenance and repairs, and services as Clean Energy took over the operations of the CNG station.

For further comparative analysis of Changes in Fund Net Position, please see the Business-Type Activities.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

This section provides a summary of the primary factors involved in the variances between: 1) the Original Budget and the Final Budget; and 2) the Final Budget and the budgetary based Actual amounts for the General Fund. In addition to the effects of expenditure-driven grants, the following information provides explanations for significant variances. Refer to the General Fund Budgetary Comparison Statement for a full budgetary comparison.

#### **Original Revenue Budget vs. Final Revenue Budget**

The following provides a summary of the primary factors attributable to the increase or decrease in the General Fund final budget revenues and other financing sources compared to the original budget revenues and other financing sources:

#### Intergovernmental

- An increase of \$558,500 in the Miscellaneous budget due to the anticipated federal assistance related to the CARES Act funding for COVID-19 economic support, as well as an increase for anticipated grant monies from the California Office of Emergency Services to initiate a pilot program to assist in the protection of life, property, and infrastructure during a wildfire and to better protect Californians from wildfires through enhanced resource allocation, early detection and immediate response.
- An increase of \$6,280 in HCA mainly due to federal grant revenue for Whole Person Care and CalOptima, which will enable HCA to strengthen the focus on housing, provide resources for non Medi-Cal reimbursable services and fund programs to assist those living with serious mental illness.
- An increase of \$6,200 in Registrar of Voters due to State funding for the Voters Choice Act implementation and the Voting System Replacement grants.
- Partially offsetting the increases in intergovernmental revenue was a decrease of \$9,733 in OC Community Resources (OCCR) for State revenue due to the reallocation of homeless services to HCA, which will allow increased program coordination in the efficient delivery of services to the community.

#### Transfers In

- An increase of \$24,120 in HCA to support ongoing program costs, and to cover anticipated increased eligible program costs funded by the OC Tobacco Settlement.
- An increase of \$11,439 in Capital Projects mainly due to the additional funding for the Facilities Master Plan and other multi-year capital projects.
- An increase of \$4,061 in the Sheriff-Coroner Department primarily due to transfers from the Sheriff's State Criminal Assistance Program to reimburse costs related to the tracking and collection of criminal activity information and to support the costs incurred from the incarceration of undocumented criminal aliens with felony or misdemeanor convictions.

- An increase of \$3,153 in Data Systems Development Projects primarily due to the additional funding for Countywide IT projects, and unspent multi-year IT projects, which were delayed to FY 2020-21.

### **Final Revenue Budget vs. Actual Revenue Amounts**

The following information provides a summary of the primary factors that caused significant variances in the General Fund actual revenues and other financing sources compared to the final revenue and other financing sources budget:

#### Intergovernmental

- A \$535,366 less than budgeted amount was primarily comprised of the following:
  - \$498,025 less in the Miscellaneous Fund due to eligible COVID-19 expenditures not being incurred for reimbursement from CARES Act funding.
  - \$10,041 less received in HCA primarily due to a decrease in revenues for substance use disorder services, adult mental health outpatient services, and the Medical Safety Net, as well as a lower amount received for eligible expenditures associated with MHSA/Prop 63 services.
  - \$9,602 less received in Probation due to lower than expected revenues for Joplin Youth Center, Youth Leadership Academy, and Postrelease Community Supervision Division.
  - \$8,810 less received in Sheriff Court Operations due to lower than expected revenues for court services as a result of COVID-19.
  - \$7,272 less received in the Sheriff-Coroner due to lower than expected revenues for Theo Lacy Facility and James A Musick Facility as a result of lower AB109 realignment allocations.
  - Partially offsetting the overall less than budgeted amounts was an increase of \$16,810 in SSA as a result of reimbursement for COVID-19 related claims from the CARES Act Federal Funds and higher than expected revenue for Foster Care Assistance payments.

#### Transfers In

- A \$125,755 less than budgeted amount was primarily comprised of the following:
  - \$72,332 less received in HCA due to lower than expected drawdowns in the MHSA Fund and OC Tobacco Settlement Revenue.
  - \$15,916 less received in SSA mainly attributable to lower than budgeted reimbursements from Wraparound expenditures and less utility cost reimbursements for the Tustin Family Campus Program.
  - \$8,000 less received in Capital Projects from the Countywide Capital Projects Non-General Fund due to a delay in the OC Waste & Recycling - Landfill Postclosure Maintenance Project.
  - \$6,280 less received in the District Attorney Department due to lower than expected drawdowns from Prop 64 Consumer Protection and the Excess Public Safety Sales Tax.
  - \$6,000 less revenue in the General Fund due to lower than anticipated transfers of Teeter penalties and interest.
  - \$4,786 less received in Sheriff-Coroner due to lower transfers from the Countywide Capital Projects Non-General Fund due to less expenditures for the Automated Jail System. Additionally, less transfers were received from the Prop 69 DNA Identification Fund and the Sheriff Narcotics Program due to reduced spending in service contracts.

### **Original Expenditure Budget vs. Final Expenditure Budget**

The following provides a brief summary of the primary factors attributable to the increase or decrease in the General Fund final budget expenditures and other financing uses compared to the original budget expenditures and other financing uses:

#### Miscellaneous

- An increase of \$555,020, mainly due to an increase in appropriations to mitigate the COVID-19 health emergency. The COVID-19 pandemic emergency may result in some County department expenditures exceeding current appropriations.

Health Care Agency

- An increase of \$41,341 primarily due to reorganization of homeless programs to HCA to increase program coordination and efficient delivery of services to the community.

OC Community Resources

- A decrease of \$18,979 primarily due to reorganization of the Homeless Services division to HCA to increase efficiency in the delivery of services to the community.

**Final Expenditure Budget vs. Actual Expenditure Amounts**

The following provides a summary of the primary factors that caused significant variances in the General Fund actual expenditures as compared to the final budget:

Miscellaneous

- \$508,753 less than budgeted amount due to eligible COVID-19 expenditures have not been incurred or claimed against CARES Act funds.

Health Care Agency

- \$59,126 less than budgeted amount mainly due to lower than anticipated expenditures for S&EB, professional and specialized services associated with MHSA programs, as well as lower expenditures for IT professional services.

Sheriff-Coroner

- \$23,625 less than budgeted amount primarily due to lower than expected costs for professional and specialized contracted services, lower salary and performance incentive pay expenditures and the department reducing or deferring facility maintenance and equipment purchases.

Probation

- \$12,222 less than budgeted amount mainly due to lower than anticipated expenditures for S&EB, professional and specialized services associated with the Joplin Youth Center.

District Attorney

- \$11,243 less than budgeted amount mainly as a result of lower expenditures for S&EB, professional and specialized contracted services, transportation and travel, and the deferral of IT hardware purchases.

Capital Projects

- \$11,138 less than budgeted amount was primarily due to the delayed construction of the various structure and improvement projects such as El Toro Development, Civic Center Master Plan Phase II, and Yale Transitional Center.

**Capital Assets**

At June 30, 2020, the County's capital assets for both the governmental and business-type activities amounted to \$4,373,683 net of accumulated depreciation. The investment in capital assets includes land, structures and improvements, land improvements, equipment, software, infrastructure, intangible in progress, land use rights, and construction in progress. The total increase in the County's investment in capital assets for the current year was 4%.

Capital assets for the governmental and business-type activities are presented below to illustrate changes:

<b>CAPITAL ASSETS</b> <b>(Net of Accumulated Depreciation)</b> June 30, 2020 and 2019							
	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>		<b>Increase</b>
	<b>Activities</b>		<b>Activities</b>				<b>(Decrease)</b>
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>% Change</u>
Land	\$ 871,319	\$ 855,763	\$ 38,379	\$ 38,379	\$ 909,698	\$ 894,142	2 %
Structures and Improvements	819,263	649,912	534,484	550,660	1,353,747	1,200,572	13 %
Land Improvements	3,077	3,319	603	--	3,680	3,319	11 %
Equipment	187,638	174,904	43,797	38,332	231,435	213,236	9 %
Software	34,573	39,832	2,727	3,142	37,300	42,974	(13)%
Infrastructure	1,302,875	1,235,355	286,240	302,063	1,589,115	1,537,418	3 %
Intangible in Progress	18,798	13,610	749	291	19,547	13,901	41 %
Land Use Rights	6,439	6,439	--	--	6,439	6,439	--
Construction in Progress	182,788	264,494	39,934	16,516	222,722	281,010	(21)%
<b>Total</b>	<b>\$ 3,426,770</b>	<b>\$ 3,243,628</b>	<b>\$ 946,913</b>	<b>\$ 949,383</b>	<b>\$ 4,373,683</b>	<b>\$ 4,193,011</b>	<b>4 %</b>

The following lists the significant expenditures for capital assets in FY 2019-20:

#### General Fund

- \$14,677 for the purchase of the Hart Voting System for the November 3, 2020 General election
- \$12,638 for the purchase of the Yale Transitional Center to provide community services in Central Orange County
- \$2,841 for the Property Tax System Re-platforming Project
- \$1,717 for the purchase of mail extractors and mailing sorting equipment for election services
- \$1,622 for the purchase of IT hardware, software and services for District Attorney
- \$1,600 for the construction costs associated with District Attorney Osborne Building remodeling
- \$1,427 for the replacement of air handlers at the County Operations Center-Building B
- \$1,241 for the installation of Tridium Alarm Front End at various locations
- \$1,102 for the purchase of telecommunication equipment and computer equipment for the Sheriff-Coroner
- \$1,030 for the replacement of HVAC units at the Orangewood Children and Family Center

#### Flood Control District

- \$18,429 for the Fullerton Creek Channel Project
- \$9,179 for the purchase of property for the Santa Ana River Mainstem and Prado Dam Project
- \$4,977 for the Lane Channel Improvements
- \$2,386 for the East Garden Grove Wintersburg Channel Project
- \$2,134 for the purchase of construction equipment such as a crane and backhoe loader
- \$1,272 for the Huntington Beach Channel Sheet Piling Project
- \$1,066 for the maintenance of the Prima Deshecha Channel
- \$1,023 for the San Diego Sediment Removal Project

#### Other Public Protection

- \$1,258 for the purchase of 800 MHZ Countywide Coordinated Communications System

#### Other Governmental Funds

- \$24,677 for the Civic Center Facilities Master Plan, Building 16 Construction Project
- \$24,459 for the Civic Center Facilities Master Plan, Building 14 Construction Project
- \$4,659 for the Juvenile Hall-Gym and Visitation Center
- \$2,815 for OC Zoo entry plaza and restroom



- \$2,113 for the replacement of air handlers at the Central Men's Jail, the Central Women's Jail, and Headquarters
- \$2,113 for the James A. Musick Facility Master Plan, Phase I Project
- \$2,045 for the La Pata Avenue Gap Closure/Widening, Phase I & II Project
- \$1,725 for the James A. Musick Facility Master Plan, Phase II Project
- \$1,701 for Laguna Canyon Road Segment 4, Phase II Project
- \$1,582 for the Irvine Park Drainage Improvements Project
- \$1,224 for the remodel and renovation at the Central Jails Complex, and the purchase and installation of furniture at the Central Men's Jail and the Central Women's Jail
- \$1,146 for the Old Courthouse exterior repairs

#### Airport

- \$11,274 for the Airport Operations Center
- \$9,812 for the infrastructure work of the Concession Development
- \$3,798 for the replacement of Terminal A & B air handlers
- \$1,781 for the generator engines blackstart in the Central Plant
- \$1,745 for the rental car reconfiguration
- \$1,087 for the Terminals A & B HVAC ducting refurbishments

#### OC Waste & Recycling

- \$5,738 for the purchase of heavy equipment for the Prima Zone and South Regional Landfill
- \$4,039 for the purchase of heavy equipment at the Olinda Alpha Landfill and the North Regional Landfill
- \$1,348 for the purchase of heavy equipment at the Frank R. Bowerman Landfill and the Central Regional Landfill
- \$1,280 for the Prima steel materials storage structure
- \$1,111 for the Bee Canyon Greenery Composting Facility

#### Internal Service Funds

- \$5,789 for the purchase of vehicles for OC Fleet Services

Additional information on the County's capital assets can be found in Note 4, Changes in Capital Assets.

#### Commitments for Capital Expenditures

At the end of FY 2019-20, significant commitments for capital expenditures included the following:

- \$158,579 for the Civic Center Facilities Master Plan, Building 14
- \$53,445 for the East Garden Grove-Winterburg Channel U/S Warner
- \$11,062 for the purchase of various vehicles
- \$6,868 for the Orange County Zoo-Oak Woodland Exhibit
- \$4,767 for the Bee Canyon Greenery Project
- \$4,157 for the Airport Operations Center
- \$4,073 for the Capistrano Greenery Project
- \$3,565 for the James A. Musick Facility Expansion, Phase I Project
- \$2,832 for the James A. Musick Facility Expansion, Phase II Project
- \$2,787 for the Intake Release Center facility modifications-Mental Health Upgrade

Additional information on the County's commitments for capital expenditures can be found in Note 15, Construction and Other Significant Commitments.

#### **Long-Term Debt**

At June 30, 2020, the County had total debt obligations outstanding of \$593,661 excluding long-term liabilities such as compensated absences payable, pension, OPEB, and capital lease obligations payable. During the year, the County's outstanding bond obligations decreased by 2% which is primarily attributable to the redemption of \$87,837 in bond obligations and a decrease of \$12,022 in Interest Accretion on Capital Appreciation Bonds

(CABs). This was partially offset by the issuance of \$83,708 in Teeter Plan Notes and \$1,911 in Interest Accretion on CABs.

The County is limited by law in issuing general obligation bonded debt to 1.25% of the last equalized assessment property tax roll values. However, this does not affect the financing of any of the County's planned facilities or services. As of the end of the fiscal year, the County had no net general obligation bonded debt. The County's debt obligations are in the form of revenue bonds and other forms of debt not covered by the general obligation bonded debt limitation.

The following table summarizes the County's outstanding bonds at June 30, 2020 and 2019:

<b>LONG-TERM DEBT OBLIGATIONS</b>								
June 30, 2020 and 2019								
	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>		<b>Increase</b>	
	<b>Activities</b>		<b>Activities</b>				<b>(Decrease)</b>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>% Change</u>	
Revenue Bonds	\$ 386,745	\$ 388,720	\$ 83,080	\$ 85,030	\$ 469,825	\$ 473,750	(1)%	
Pension Obligation Bonds	2,967	5,445	--	--	2,967	5,445	(46)%	
Teeter Plan Notes (Direct Placement)	34,661	29,507	--	--	34,661	29,507	17 %	
Add: Premium								
on Bonds Payable	60,736	60,949	10,382	13,049	71,118	73,998	(4)%	
Add: Interest Accretion								
on CABs	15,090	25,201	--	--	15,090	25,201	(40)%	
<b>Total</b>	<b>\$ 500,199</b>	<b>\$ 509,822</b>	<b>\$ 93,462</b>	<b>\$ 98,079</b>	<b>\$ 593,661</b>	<b>\$ 607,901</b>	<b>(2)%</b>	

The following summarizes the County's long-term debt issuance during FY 2019-20:

**Teeter Plan Notes** On December 28, 2018 and June 20, 2019, the County used all of the accumulated base taxes to redeem \$22,084 and \$9,516, respectively, of the Teeter Plan Obligation Notes. As of June 30, 2019, the outstanding principal amount of the Teeter Plan Obligation Notes was \$29,507.

On July 15, 2019, additional Teeter Plan Notes were issued in the amount of \$40,269 to finance the delinquent property tax receivables associated with the Teeter Plan for a new outstanding balance of \$69,776.

On December 23, 2019, the County used all of the accumulated base taxes to redeem \$26,337 of the Teeter Plan Obligation Notes for a new outstanding balance of \$43,439.

Due to the anticipated economic impact of the COVID-19 pandemic, on April 21, 2020, the Board approved an increase in the authorized amount from \$100,000 to \$150,000. On June 24, 2020, the County used accumulated base taxes to redeem \$8,778 of the Teeter Plan Obligation Notes. As of June 30, 2020, the outstanding principal amount of the Teeter Plan Obligation Notes was \$34,661 and the authorized, unused available commitment under the First Amendment to Amended and Restated Note Purchase and Reimbursement Agreement was \$115,339.

At the time of the increase in authorized amount, the prior notes in the amount of \$43,439 were paid off, and new notes in the amount of \$43,439 were issued.

Additional information on the County's long-term debt activity can be found in Note 11, Long-Term Obligations, and Note 21, Subsequent Events.

### Bond Ratings

The County maintained its Issuer Credit Rating of Aa1 from Moody's Investors Service (Moody's), AA+ from Standard & Poor's Global Ratings (S&P), and AAA Issuer Default Rating from Fitch Ratings.

In October 2020, S&P lowered its long-term rating of the Airport Revenue Refunding Bonds to A+ from AA-. For additional information on the bond rating, refer to Note 21, Subsequent Events.

The County has the following long-term underlying debt ratings:

<b>LONG-TERM DEBT RATINGS</b> June 30, 2020			
	<b>S&amp;P</b>	<b>Moody's</b>	<b>Fitch</b>
2016 Lease Revenue Bonds	AA	NR	NR
Teeter Plan Notes	NR	NR	NR
1997A Pension Obligation Bonds	NR	Aa1	AA+
Airport 2019A Revenue Refunding Bonds	AA-	NR	NR
Airport 2019B Revenue Refunding Bonds	AA-	NR	NR

### **OTHER POTENTIALLY SIGNIFICANT MATTERS**

The County's management has determined that the following are significant matters that have a potential impact on the County's financial position or changes in financial position:

#### **State Legislation and Budget**

##### **System of Care**

The County is working together with cities to respond to regional community needs in addressing homelessness. The continuous partnership between the County and each of the 34 cities in Orange County is essential to meet the needs of people experiencing homelessness and leverages the funding available with the Building Homes and Jobs Act (SB 2) or other programs such as the State's No Place Like Home, Whole Person Care, and the Special Needs Housing Programs. In June 2018, the County issued its Housing Funding Strategy to create 2,700 permanent supportive housing units. This is in addition to funding three city-operated emergency shelters in Buena Park, Placentia, Huntington Beach, and construction and opening of the Yale Transitional Center to transition the operations of the Courtyard Transitional Center to a more suitable building. The COVID-19 pandemic required the mobilization of community partners and stakeholders to develop an emergency response to provide no-congregate shelter to individuals experiencing homelessness who are at high-risk for severe COVID-19 illness through Project Roomkey. The participants of Project Roomkey were provided an opportunity to access other resources of the System of Care including bridge housing, housing navigation to assist individuals and families experiencing homelessness in overcoming barriers as they transition to permanent housing, receive assistance to apply for disability benefits, and access other support services that promote housing stability. The County applied to the California Department of Housing and Community Development for Homekey Projects for funding to secure motel buildings and convert them into interim or/and permanent, long-term housing. The County was successful in receiving Homekey funding from the State to purchase two motels to increase the community's response to homelessness and the COVID-19 pandemic. These hotels will create 132 units of interim housing and will transition into permanent supportive housing in approximately three years. The County also supports city-led homeless service programs through field-based outreach teams that integrate with County behavioral health resources.

##### **CARES Act and FEMA Revenue for COVID-19**

In April 2020, the County received \$554,134 from the United States Treasury CRF. Use of the funds is subject to the restrictions outlined in the CARES Act. The CARES Act provided funds to state, territorial, local, and tribal governments. In addition to the \$554,134, the State allocated a portion of its CARES Act funds to counties and cities, of which the County is allocated \$73,509. As of June 30, 2020, the County used \$166,446 from the United States Treasury CRF allocation for eligible COVID-19 related expenditures. All CARES Act funds must be spent by December 30, 2020 according to the Federal guidelines issued by the United States Treasury. In addition to the allocations mentioned above, the Airport received dedicated funding of \$44,910 from the Federal Aviation Administration-CARES Act Airport Grants, which are restricted to Airport use only.

The County will also receive reimbursement for eligible COVID-19-related expenditures from the Federal Emergency Management Agency (FEMA). On March 13, 2020, the President declared the ongoing COVID-19 pandemic of sufficient severity and magnitude to warrant an emergency declaration for all states, tribes, territories, and the District of Columbia pursuant to section 501 (b) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, 42 U.S.C. 5121-5207 (the "Stafford Act"). State, territorial, tribal, local government entities and certain private non-profit organizations are eligible to apply for public assistance. In June 2020, the

County submitted FEMA claims for five eligible COVID-19 projects: Emergency Operations Center, Testing Kits, Personal Protective Equipment, Project RoomKey, and the Great Plates Program. In addition to CARES Act and FEMA funding, some county departments are receiving additional funding from the state/federal governments for other eligible program costs related to COVID-19.

## **Long-Term Financial Planning**

### Funding Progress of the County's Retirement System (System)

The funded ratio of the System is a measure of the ability of the System to make obligated payments to current retirees and future retirees. The funded ratio (valuation value of plan assets divided by actuarial accrued liability) dropped from 82.76% in 2002 to 70.85% in 2004. Since 2004, the funded ratio increased to 74.08% in 2007 before dropping to 62.52% in 2012. As of December 31, 2019, the funding ratio for the System is 73.17%, which is an increase from 72.43% in 2018. The System's Unfunded Actuarial Accrued Liability (UAAL) increased from \$5.71 billion (\$4.59 billion attributable to the County) to \$5.88 billion (\$4.75 billion attributable to the County). The increase in the UAAL is primarily attributable to unfavorable investment returns (after smoothing) and COLA increase for retirees larger than expected, which were slightly offset by salary increase less than expected.

On November 4, 2008, the voters in Orange County approved Measure J, which requires voter approval for any future pension benefit enhancements. The County carefully monitors the activities at OCERS and regularly provides input to OCERS management, as well as providing input at OCERS Board meetings as deemed appropriate.

### Reduction in OCERS Assumed Investment Rate of Return

The assumed investment rate of return is the rate of investment yield that the Plan will earn over the long-term future.

On December 5, 2012, the OCERS Board voted to reduce the assumed investment rate of return from 7.75% to 7.25%. The reduction was phased in over a two-year period beginning July 2014 at 7.5% and reducing to 7.25% effective July 2015. On October 16, 2017, the OCERS Board adopted a reduction in the assumed investment rate of return to 7.00% effective July 1, 2019. The assumed rate of return reduction had the impact of increasing contribution rates of members and plan sponsors.

### OCERS Actuarial Funding Policy (Amortization)

On November 18, 2013, the OCERS Board adopted the actuarial funding policy to reduce the amortization period for future UAAL from 30 years to 20 years, which included combining and re-amortizing the entire outstanding UAAL balance as of December 31, 2012, over a single 20-year period. This will allow for future UAAL to be paid off in a shorter period of time and will ultimately reduce retirement rates and costs over time.

### OCERS Actuarial Assumptions

The 2014 through 2016 valuations were impacted by economic assumption changes, which flowed from the 2014 Triennial Study of Actuarial Assumptions. These changes, adopted by the OCERS Board on September 23, 2014, included a decrease in the inflation assumption from 3.25% to 3.00% per annum. As a result of the 2017 Triennial Study of Actuarial Assumptions, the OCERS Board, on October 16, 2017, adopted a further decrease in the inflation assumption to 2.75%, which was effective with the 2017 valuation. On August 17, 2020, the OCERS Board adopted another decrease in the inflation rate assumption to 2.50%, while maintaining the post-retirement cost-of-living adjustment (COLA) at 2.75%. The new assumption changes will be effective with the 2020 valuation.

## **Requests for Information**

We hope that the preceding information provides a general overview of the County's overall financial status. For questions or comments concerning information contained in this report, please contact the Auditor-Controller's Office, County of Orange, 1770 N Broadway, Santa Ana, CA 92706 or you can access our website at [www.ac.ocgov.com](http://www.ac.ocgov.com).





*County Service Center Computer Terminals*







County of Orange  
Comprehensive Annual Financial Report  
June 30, 2020  
(Dollar Amounts in Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Governmental CFCOC	Proprietary CalOptima
<b><u>ASSETS</u></b>					
Cash and Cash Equivalents	\$ 3,178,927	\$ 723,231	\$ 3,902,158	\$ 45,748	\$ 438,777
Restricted Cash and Cash Equivalents	231,029	142,820	373,849	--	300
Investments	--	45,511	45,511	--	1,306,289
Deposits In-Lieu of Cash	367	24,753	25,120	--	--
Internal Balances	4,389	(4,389)	--	--	--
Due from Component Unit	380	--	380	--	--
Due from Primary Government	--	--	--	295	--
Prepaid Costs	379,762	5,582	385,344	31	49,769
Inventory of Materials and Supplies	2,316	--	2,316	--	--
Receivables, Net of Allowances					
Accounts	12,431	29,657	42,088	--	403,300
Taxes	34,963	--	34,963	2,974	--
Interest/Dividends	7,043	1,995	9,038	153	--
Deposits	12,541	--	12,541	3,924	--
Advances	453	--	453	--	--
Leases	88,989	--	88,989	--	--
Due from Other Governmental Agencies, Net	393,951	7,685	401,636	6,539	--
Notes Receivable, Net	26,097	--	26,097	--	--
Net Pension Asset	--	--	--	646	--
Capital Assets					
Not Depreciable/Amortizable	1,079,344	79,062	1,158,406	--	9,255
Depreciable/Amortizable, Net	2,347,426	867,851	3,215,277	--	37,400
Total Capital Assets	3,426,770	946,913	4,373,683	--	46,655
Total Assets	7,800,408	1,923,758	9,724,166	60,310	2,245,090
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>					
Deferred Charge on Refunding	--	2,130	2,130	--	--
Deferred Outflows of Resources Related to Pension	847,180	16,803	863,983	18	10,388
Deferred Outflows of Resources Related to OPEB	27,242	520	27,762	24	1,273
Total Deferred Outflows of Resources	874,422	19,453	893,875	42	11,661

The notes to the basic financial statements are an integral part of this statement.

Basic Financial Statements  
Statement of Net Position  
(Dollar Amounts in Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Governmental CFCOC	Proprietary CalOptima
<b>LIABILITIES</b>					
Accounts Payable	\$ 138,938	\$ 27,802	\$ 166,740	\$ 4,531	\$ 8,300
Salaries and Employee Benefits Payable	66,177	1,505	67,682	46	13,622
Retainage Payable	5,834	1,188	7,022	1,363	--
Interest Payable	4,511	2,077	6,588	--	--
Deposits from Others	94,139	29,142	123,281	--	--
Due to Primary Government	--	--	--	380	--
Due to Other Governmental Agencies	41,906	12,797	54,703	4,926	677,498
Unearned Revenue	462,707	2,168	464,875	--	22,693
Short-Term Bonds Payable	463,895	--	463,895	--	--
Long-Term Liabilities					
Due Within One Year					
Civic Center Facilities Master Plan Loan	3,211	--	3,211	--	--
Interest Accretion on Capital Appreciation Bonds Payable	13,049	--	13,049	--	--
Insurance Claims Payable	57,917	--	57,917	--	--
Medical Claims Payable	--	--	--	--	306,902
Capitation and Withholds	--	--	--	--	142,981
Compensated Employee Absences Payable	107,023	2,504	109,527	65	--
Capital Lease Obligations Payable	6,610	--	6,610	--	--
Bonds Payable	4,868	13,552	18,420	--	--
Pollution Remediation Obligation	--	698	698	--	--
Intangible Assets Obligations Payable	721	72	793	--	--
Landfill Site Closure/Postclosure Liability	--	3,680	3,680	--	--
Due in More than One Year					
Civic Center Facilities Master Plan Loan	384,433	--	384,433	--	--
Interest Accretion on Capital Appreciation Bonds Payable	2,041	--	2,041	--	--
Insurance Claims Payable	165,758	--	165,758	--	--
Compensated Employee Absences Payable	72,781	1,742	74,523	21	--
Capital Lease Obligations Payable	25,092	--	25,092	--	--
Notes Payable	34,661	--	34,661	--	--
Bonds Payable	57,936	79,910	137,846	--	--
Pollution Remediation Obligation	--	15,487	15,487	--	--
Intangible Assets Obligations Payable	1,174	2	1,176	--	--
Landfill Site Closure/Postclosure Liability	--	180,701	180,701	--	--
Net Pension Liability	4,037,059	88,313	4,125,372	--	27,123
Net OPEB Liability	322,267	6,145	328,412	245	25,824
Total Liabilities	6,574,708	469,485	7,044,193	11,577	1,224,943
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Inflows of Resources Related to Pension	616,912	11,823	628,735	1,620	4,235
Deferred Inflows of Resources Related to OPEB	29,740	567	30,307	26	2,442
Deferred Inflows for Service Concession Arrangements	70,418	--	70,418	--	--
Total Deferred Inflows of Resources	717,070	12,390	729,460	1,646	6,677
<b>NET POSITION</b>					
Net Investment in Capital Assets	3,319,173	856,250	4,175,423	--	46,494
Restricted for:					
Expendable					
Pension Benefits	135,342	--	135,342	--	--
Capital Projects	162,614	--	162,614	--	--
Debt Service	33,179	11,591	44,770	--	--
Legally Segregated for Grants and Other Purposes	1,212,985	--	1,212,985	--	--
Regional Park Endowment	167	--	167	--	--
CalOptima	--	--	--	--	100,574
Passenger Facility Charges Approved Capital Projects	--	8,158	8,158	--	--
Capital Projects-Replacements and Renewals	--	1,000	1,000	--	--
Landfill Closure/Postclosure	--	27,730	27,730	--	--
Landfill Corrective Action	--	8,820	8,820	--	--
Wetland	--	879	879	--	--
Prima Deshecha/La Pata Closure	--	104	104	--	--
Nonexpendable					
Regional Park Endowment	200	--	200	--	--
Unrestricted (Deficit)	(3,480,608)	546,804	(2,933,804)	47,129	878,063
Total Net Position	\$ 1,383,052	\$ 1,461,336	\$ 2,844,388	\$ 47,129	\$ 1,025,131

County of Orange  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2020  
(Dollar Amounts in Thousands)

Functions/Programs	Expenses		Program Revenues		
	Direct Expenses	Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>					
Governmental Activities					
General Government	\$ 361,582	\$ (47,999)	\$ 45,713	\$ 87,876	\$ 10,759
Public Protection	1,539,583	31,554	299,121	709,037	7,155
Public Ways and Facilities	162,586	(4,230)	54,762	106,745	116,218
Health and Sanitation	746,443	6,553	140,631	485,875	6,939
Public Assistance	1,210,469	9,347	38,431	1,104,754	47
Education	47,919	926	575	1,826	--
Recreation and Cultural Services	120,296	2,398	26,143	4,255	--
Interest on Long-Term Debt	33,617	--	--	--	--
Total Governmental Activities	<u>4,222,495</u>	<u>(1,451)</u>	<u>605,376</u>	<u>2,500,368</u>	<u>141,118</u>
Business-Type Activities					
Airport	132,196	608	135,273	5,281	--
OC Waste & Recycling	130,012	841	179,542	3	--
Compressed Natural Gas	9	2	95	1	--
Total Business-Type Activities	<u>262,217</u>	<u>1,451</u>	<u>314,910</u>	<u>5,285</u>	<u>--</u>
Total Primary Government	<u>\$ 4,484,712</u>	<u>\$ --</u>	<u>\$ 920,286</u>	<u>\$ 2,505,653</u>	<u>\$ 141,118</u>
<b>Component Units</b>					
Children and Families					
Commission of Orange County	\$ 30,681	\$ --	\$ --	\$ 29,505	\$ --
CalOptima	3,786,560	--	3,833,145	--	--
Total Component Units	<u>\$ 3,817,241</u>	<u>\$ --</u>	<u>\$ 3,833,145</u>	<u>\$ 29,505</u>	<u>\$ --</u>

General Revenues
Taxes
Property Taxes, Levied for General Fund
Property Taxes, Levied for Flood Control District
Property Taxes, Levied for OC Parks
Property Taxes, Levied for OC Public Libraries
Property Taxes in-Lieu of Motor Vehicle License Fees
Other Taxes
Grants and Contributions Not Restricted to Specific Programs
State Allocation of Motor Vehicle License Fees
Unrestricted Investment Earnings
Miscellaneous
Transfers
Total General Revenues and Transfers
Change in Net Position
Net Position-Beginning of Year
Net Position-End of Year

Basic Financial Statements  
Statement of Activities  
(Dollar Amounts in Thousands)

**Net (Expense) Revenue and Change in Net Position**

Primary Government			Component Units		Functions/Programs	
Governmental Activities	Business-Type Activities	Total	Governmental CFCOC	Proprietary CalOptima		
Primary Government						
Governmental Activities						
\$	(169,235)	\$	--	\$	--	General Government
	(555,824)		--		--	Public Protection
	119,369		--		--	Public Ways and Facilities
	(119,551)		--		--	Health and Sanitation
	(76,584)		--		--	Public Assistance
	(46,444)		--		--	Education
	(92,296)		--		--	Recreation and Cultural Services
	(33,617)		--		--	Interest on Long-Term Debt
	(974,182)		--		--	Total Governmental Activities
Business-Type Activities						
	--	7,750	--	--	--	Airport
	--	48,692	--	--	--	OC Waste & Recycling
	--	85	--	--	--	Compressed Natural Gas
	--	56,527	--	--	--	Total Business-Type Activities
	(974,182)	56,527	--	--	--	Total Primary Government
Component Units						
Children and Families						
			(1,176)	--	--	Commission of Orange County
			--	46,585	--	CalOptima
			(1,176)	46,585	--	Total Component Units
General Revenues						
Taxes						
332,635	--	332,635	--	--	--	Property Taxes, Levied for General Fund
115,908	--	115,908	--	--	--	Property Taxes, Levied for Flood Control District
89,804	--	89,804	--	--	--	Property Taxes, Levied for OC Parks
56,767	--	56,767	--	--	--	Property Taxes, Levied for OC Public Libraries
418,370	--	418,370	--	--	--	Property Taxes in-Lieu of Motor Vehicle License Fees
104,863	50	104,913	--	--	--	Other Taxes
11,673	--	11,673	--	--	--	Grants and Contributions Not Restricted to Specific Programs
838	--	838	--	--	--	State Allocation of Motor Vehicle License Fees
30,538	19,771	50,309	1,021	43,004	--	Unrestricted Investment Earnings
53,631	87	53,718	6,600	--	--	Miscellaneous
9,826	(9,826)	--	--	--	--	Transfers
1,224,853	10,082	1,234,935	7,621	43,004	--	Total General Revenues and Transfers
250,671	66,609	317,280	6,445	89,589	--	Change in Net Position
1,132,381	1,394,727	2,527,108	40,684	935,542	--	Net Position-Beginning of Year
\$ 1,383,052	\$ 1,461,336	\$ 2,844,388	\$ 47,129	\$ 1,025,131	--	Net Position-End of Year

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	General Fund	Flood Control District	Other Public Protection
<b><u>ASSETS</u></b>			
Pooled Cash/Investments	\$ 1,137,361	\$ 502,094	\$ 191,808
Cash/Cash Equivalents	--	--	12,798
Imprest Cash Funds	1,838	--	--
Restricted Cash and Investments with Trustee	5	--	--
Deposits In-Lieu of Cash	--	--	--
Receivables			
Accounts	12,054	776	126
Taxes	6,089	1,654	--
Interest/Dividends	2,688	1,129	484
Deposits	508	11,974	--
Advances	453	--	--
Allowance for Uncollectible Receivables	(3,415)	(68)	--
Due from Other Funds	138,553	1,661	3,311
Due from Component Unit	378	--	--
Due from Other Governmental Agencies, Net	334,646	11,291	3,568
Inventory of Materials and Supplies	1,488	364	282
Prepaid Costs	458,586	6,027	1,396
Notes Receivable, Net	--	--	--
Total Assets	<u>\$ 2,091,232</u>	<u>\$ 536,902</u>	<u>\$ 213,773</u>
<b><u>LIABILITIES</u></b>			
Accounts Payable	\$ 74,192	\$ 8,716	\$ 855
Retainage Payable	2,724	2,067	--
Salaries and Employee Benefits Payable	61,471	905	195
Interest Payable	3,852	--	--
Deposits from Others	1,788	16,807	18,202
Due to Other Funds	55,937	9,533	6,708
Due to Other Governmental Agencies	32,136	--	4,512
Unearned Revenue	431,777	1,382	--
Bonds Payable	463,895	--	--
Advances from Other Funds	185	--	--
Total Liabilities	<u>1,127,957</u>	<u>39,410</u>	<u>30,472</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Unavailable Revenue-Intergovernmental Revenues	78,650	8,585	1,110
Unavailable Revenue-Senate Bill 90 Mandated Claims, Net	5,406	--	--
Unavailable Revenue-Property Taxes	7,109	993	--
Unavailable Revenue-Other	8,808	75	--
Total Deferred Inflows of Resources	<u>99,973</u>	<u>9,653</u>	<u>1,110</u>
<b><u>FUND BALANCES</u></b>			
Nonspendable	460,074	6,391	1,678
Restricted	78,982	481,448	180,513
Assigned	106,929	--	--
Unassigned	217,317	--	--
Total Fund Balances	<u>863,302</u>	<u>487,839</u>	<u>182,191</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,091,232</u>	<u>\$ 536,902</u>	<u>\$ 213,773</u>

The notes to the basic financial statements are an integral part of this statement.

Basic Financial Statements  
Balance Sheet  
Governmental Funds  
(Dollar Amounts in Thousands)

Mental Health Services Act	Other Governmental Funds	Total Governmental Funds
\$ 177,150	\$ 845,035	\$ 2,853,448
--	--	12,798
--	45	1,883
--	231,024	231,029
--	367	367
--	2,183	15,139
--	27,220	34,963
461	1,654	6,416
--	59	12,541
--	--	453
--	(289)	(3,772)
6	60,068	203,599
--	--	378
14,942	29,082	393,529
--	--	2,134
--	17,597	483,606
--	26,097	26,097
<u>\$ 192,559</u>	<u>\$ 1,240,142</u>	<u>\$ 4,274,608</u>

**ASSETS**

Pooled Cash/Investments  
Cash/Cash Equivalents  
Imprest Cash Funds  
Restricted Cash and Investments with Trustee  
Deposits In-Lieu of Cash  
Receivables  
    Accounts  
    Taxes  
    Interest/Dividends  
    Deposits  
    Advances  
    Allowance for Uncollectible Receivables  
Due from Other Funds  
Due from Component Unit  
Due from Other Governmental Agencies, Net  
Inventory of Materials and Supplies  
Prepaid Costs  
Notes Receivable, Net  
Total Assets

\$ --	\$ 25,089	\$ 108,852
--	1,020	5,811
--	2,820	65,391
--	51	3,903
--	57,342	94,139
60,484	49,836	182,498
--	5,258	41,906
--	29,548	462,707
--	--	463,895
--	29,867	30,052
<u>60,484</u>	<u>200,831</u>	<u>1,459,154</u>

**LIABILITIES**

Accounts Payable  
Retainage Payable  
Salaries and Employee Benefits Payable  
Interest Payable  
Deposits from Others  
Due to Other Funds  
Due to Other Governmental Agencies  
Unearned Revenue  
Bonds Payable  
Advances from Other Funds  
Total Liabilities

--	11,516	99,861
--	--	5,406
--	1,098	9,200
--	27	8,910
<u>--</u>	<u>12,641</u>	<u>123,377</u>

**DEFERRED INFLOWS OF RESOURCES**

Unavailable Revenue-Intergovernmental Revenues  
Unavailable Revenue-Senate Bill 90 Mandated Claims, Net  
Unavailable Revenue-Property Taxes  
Unavailable Revenue-Other  
Total Deferred Inflows of Resources

--	17,797	485,940
132,075	794,729	1,667,747
--	214,144	321,073
--	--	217,317
<u>132,075</u>	<u>1,026,670</u>	<u>2,692,077</u>
<u>\$ 192,559</u>	<u>\$ 1,240,142</u>	<u>\$ 4,274,608</u>

**FUND BALANCES**

Nonspendable  
Restricted  
Assigned  
Unassigned  
Total Fund Balances  
  
Total Liabilities, Deferred Inflows of Resources,  
and Fund Balances

The governmental funds balance sheet includes a reconciliation between fund balances-total governmental funds and net position-governmental activities as reported in the government-wide Statement of Net Position. The difference in fund balances of (\$1,309,025) is due to the long-term economic focus of the Statement of Net Position versus the short-term economic focus of the governmental funds. The components of the difference are described below.

Total Fund Balances-Governmental Funds	\$ 2,692,077
--	--------------

Capital assets used in the operations of the County are not reported in the governmental funds financial statements:

Land	871,319	
Structures and Improvements	1,577,775	
Equipment	371,276	
Software	142,759	
Infrastructure	2,015,577	
Land Use Rights (Permanent)	6,439	
Land Improvements	4,256	
Construction in Progress	181,289	
Intangible in Progress	18,798	
Accumulated Depreciation/Amortization	<u>(1,820,772)</u>	3,368,716

Other assets used in governmental activities do not consume current financial resources, and therefore, are not reported in the governmental funds:

Prepaid Pension Investment with OCERS	135,342
Installment Receivables from Service Concession Arrangement	88,989

The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the internal service funds are included in governmental activities in the Statement of Net Position.

105,746

Deferred outflows of resources are similar to assets, but they do not meet the definition of an asset at June 30, 2020. When all the recognition criteria are met, the deferred outflows of resources will become an expense. The counterpart to deferred outflows of resources are deferred inflows of resources, which do not meet the definition of a liability at June 30, 2020. When all recognition criteria are met, the deferred inflows of resources will become revenue, except for pension and OPEB related deferred inflows of resources which will be recognized as a credit to expense. The County reports the different types of deferred outflows and inflows of resources in the Statement of Net Position as follows:

Deferred Outflows of Resources:

Employer retirement contribution subsequent to measurement date	596,154
Employer retirement contribution subsequent to measurement date for the net OPEB liability	26,889

Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Position  
(Dollar Amounts in Thousands)

Reclassification of prepaid pension contribution from prepaid costs to deferred outflows of resources for the portion to be recognized in the next measurement period. Refer to Note 18, Retirement Plans for further information.

Prepaid Pension Contribution	(241,789)
Deferred Outflows of Resources	241,789

Liabilities for Service Concession Arrangements	(18,574)
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Deferred Inflows of Resources:

Deferred Inflows of Resources that have been earned but not available to finance expenditures in the current period	123,377
Deferred Inflows of Resources Related to Pension	(610,541)
Deferred Inflows of Resources Related to OPEB	(29,347)
Deferred Inflows from Service Concession Arrangements	(70,418)

Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds:

Bonds and COPs Payable, Net	(62,804)	
Civic Center Facilities Master Plan Financing	(387,644)	
Teeter Plan Notes Payable	(34,661)	
Compensated Employee Absences Payable	(177,374)	
Capital Lease Obligations Payable	(29,593)	
Intangible Assets Obligations Payable	(1,895)	
Interest Payable on Bonds	(608)	
Interest Accretion on Capital Appreciation Bonds	(15,090)	
County's Net Pension Liability	(3,997,475)	
County's Net OPEB Liability	(318,214)	(5,025,358)

Net Position of Governmental Activities	<u>\$ 1,383,052</u>
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	General Fund	Flood Control District	Other Public Protection
Revenues			
Taxes	\$ 799,690	\$ 128,172	\$ --
Licenses, Permits, and Franchises	24,052	948	350
Fines, Forfeitures, and Penalties	35,510	20	4,409
Use of Money and Property	22,910	12,788	7,635
Intergovernmental	1,969,292	16,235	29,361
Charges for Services	481,210	14,978	11,923
Other	19,653	392	6,077
Total Revenues	<u>3,352,317</u>	<u>173,533</u>	<u>59,755</u>
Expenditures			
Current			
General Government	299,639	--	--
Public Protection	1,375,934	96,429	19,960
Public Ways and Facilities	34,901	--	--
Health and Sanitation	746,409	--	--
Public Assistance	987,669	--	--
Education	--	--	--
Recreation and Cultural Services	--	--	--
Capital Outlay	54,477	42,055	3,667
Debt Service			
Principal Retirement	7,071	--	--
Interest	11,629	--	--
Total Expenditures	<u>3,517,729</u>	<u>138,484</u>	<u>23,627</u>
Excess (Deficit) of Revenues Over Expenditures	(165,412)	35,049	36,128
Other Financing Sources (Uses)			
Transfers In	415,044	1,161	5,629
Transfers Out	(177,063)	(5,671)	(25,189)
Debt Issued	--	--	--
Total Other Financing Sources (Uses)	<u>237,981</u>	<u>(4,510)</u>	<u>(19,560)</u>
Net Change in Fund Balances	72,569	30,539	16,568
Fund Balances-Beginning of Year	790,733	457,300	165,623
Fund Balances-End of Year	<u>\$ 863,302</u>	<u>\$ 487,839</u>	<u>\$ 182,191</u>

The notes to the basic financial statements are an integral part of this statement.

Statement of Revenues, Expenditures, and  
Changes in Fund Balances  
Governmental Funds  
(Dollar Amounts in Thousands)

Mental Health Services Act	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 159,298	\$ 1,087,160
--	843	26,193
--	14,792	54,731
4,593	51,693	99,619
143,335	347,795	2,506,018
--	45,533	553,644
--	34,267	60,389
<u>147,928</u>	<u>654,221</u>	<u>4,387,754</u>
--	47,062	346,701
--	216	1,492,539
--	103,859	138,760
125	644	747,178
--	223,317	1,210,986
--	47,702	47,702
--	119,379	119,379
--	94,255	194,454
--	83,022	90,093
--	32,258	43,887
<u>125</u>	<u>751,714</u>	<u>4,431,679</u>
147,803	(97,493)	(43,925)
--	168,488	590,322
(231,658)	(150,468)	(590,049)
--	83,708	83,708
<u>(231,658)</u>	<u>101,728</u>	<u>83,981</u>
(83,855)	4,235	40,056
215,930	1,022,435	2,652,021
<u>\$ 132,075</u>	<u>\$ 1,026,670</u>	<u>\$ 2,692,077</u>

Revenues
Taxes
Licenses, Permits, and Franchises
Fines, Forfeitures, and Penalties
Use of Money and Property
Intergovernmental
Charges for Services
Other
Total Revenues
Expenditures
Current
General Government
Public Protection
Public Ways and Facilities
Health and Sanitation
Public Assistance
Education
Recreation and Cultural Services
Capital Outlay
Debt Service
Principal Retirement
Interest
Total Expenditures
Excess (Deficit) of Revenues
Over Expenditures
Other Financing Sources (Uses)
Transfers In
Transfers Out
Debt Issued
Total Other Financing Sources (Uses)
Net Change in Fund Balances
Fund Balances-Beginning of Year
Fund Balances-End of Year

County of Orange  
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The Net Change in Fund Balances for governmental funds of \$40,056 in the Statement of Revenues, Expenditures, and Changes in Fund Balances differs from the Change in Net Position for governmental activities of \$250,671 reported in the government-wide Statement of Activities. The differences arise primarily from the long-term economic focus of the Statement of Activities versus the current financial resources focus of the governmental funds. The main components of the difference are described below.

Net Change in Fund Balances-Total Governmental Funds	\$	40,056
--	----	--------

When capital assets used in governmental activities are purchased or constructed in the current fiscal year, the resources expended for those assets are reported as expenditures in the governmental funds. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation or amortization expense. In addition, donations, transfers, gains or losses from sales and other disposals/acquisitions of capital assets are not reported in governmental funds. These assets, and their associated depreciation/amortization expense, must be reported or removed in the government-wide financial statements. The details of the expenditures for capital outlay, capital contributions, depreciation/amortization and other disposals/acquisitions of capital assets are as follows:

Expenditures for Capital Outlay:		
Land	10,077	
Construction in Progress	137,233	
Equipment	34,578	
Software	9,007	
Net of Gains/(Losses) on Capital Assets Dispositions	(1,007)	
Depreciation/Amortization Expense	(109,095)	
Capital Contributions	<u>109,636</u>	190,429

The issuance of long-term debt (e.g. bonds) is recorded as an other financing source in the governmental funds because it provides current financial resources. Similarly, the repayment of principal on long-term debt or the payment of other long-term liabilities is reported as an expenditure in the governmental funds because current financial resources have been consumed. Bond proceeds, net of payments to escrow agents and principal payments, are reported as financing sources in governmental funds and thus contribute to the change in fund balance. These transactions do not have any effect on net position in the government-wide financial statements. The details of the principal and other long-term liability payments and other financing sources are as follows:

Teeter Plan Notes Proceeds	(83,708)	
Principal and Other Long-Term Liability Payments:		
Bonds Payable	4,453	
Teeter Plan Notes Payable	78,554	
Capital Lease Obligations Payable	<u>7,085</u>	6,384

Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures, and Changes in Fund Balances to the Statement of Activities  
(Dollar Amounts in Thousands)

Revenues related to prior years that are available in the current fiscal year are reported as revenue in the governmental funds. In contrast, revenues that are earned, but unavailable in the current year are deferred in the governmental funds. For government-wide reporting, revenue is recognized when earned, regardless of availability. The following amounts reflect the net effect of the timing differences for revenue recognition:

Government Mandated and Voluntary Nonexchange	(38,546)	
Property Tax Revenues	<u>(352)</u>	(38,898)

Some expenses reported in the Statement of Activities do not require the use of current financial resources; and therefore, are not reported as expenditures in the governmental funds until paid. The following amounts represent the net effect of these differences in the treatment of long-term liabilities:

Accrued Interest Expense on Bonds Payable	20	
Amortization of Deferred Charges	12,235	
Change in Compensated Employee Absences	716	
Pension Costs and Investment of the County's		
Investment Account with OCERS	(8,305)	
Interest Accretion on Capital Appreciation Bonds	<u>(1,911)</u>	2,755

Internal service funds (ISF) are used by management to charge the costs of certain activities, such as insurance, transportation, and telephone services to individual governmental funds. The operating gain of internal service funds is eliminated in the Statement of Activities as an adjustment to the various functions to arrive at a break-even basis. Also, general or non-program revenues and expenses of the internal service funds are recorded in governmental activities.

Allocation of ISF's Operating Gain to Governmental		
Activities, net of Business-Type Activities	12,564	
Consolidation of Nonoperating Revenues, Expenses		
and Transfers to Governmental Activities	<u>23,819</u>	36,383

GASB Statement No. 75 requires an employer to record OPEB expense and employer contribution that affects the County's proportionate share of the net OPEB liability.

OPEB Expense	(40,163)	
OPEB Employer Contribution	<u>48,868</u>	8,705

GASB Statement No. 68 requires an employer to record pension expense and employer contribution that affects the County's proportionate share of the net pension liability.

Pension Expense	(440,711)	
Pension Employer Contribution	<u>445,568</u>	4,857

Change in Net Position of Governmental Activities	<u>\$</u>	<u>250,671</u>
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**BUDGETARY COMPARISON STATEMENT  
MAJOR GOVERNMENTAL FUNDS-GENERAL FUND**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
<b>Revenues and Other Financing Sources</b>				
Taxes	\$ 789,314	\$ 789,314	\$ 799,735	\$ 10,421
Licenses, Permits, and Franchises	24,978	24,978	24,254	(724)
Fines, Forfeitures, and Penalties	34,939	34,939	35,585	646
Use of Money and Property	15,977	16,082	17,904	1,822
Intergovernmental	1,807,400	2,389,102	1,853,736	(535,366)
Charges for Services	499,699	506,688	482,775	(23,913)
Other	15,577	17,495	19,519	2,024
Transfers In	490,629	538,657	412,902	(125,755)
Bond Issuance Proceeds	--	100	--	(100)
Total Revenues and Other Financing Sources	<u>3,678,513</u>	<u>4,317,355</u>	<u>3,646,410</u>	<u>(670,945)</u>
<b>Expenditures and Other Financing Uses</b>				
General Government:				
Assessor	43,551	43,541	39,194	4,347
Auditor-Controller	19,371	20,321	16,684	3,637
Board of Supervisors-1st District	1,399	1,399	1,375	24
Board of Supervisors-2nd District	1,313	1,313	1,144	169
Board of Supervisors-3rd District	1,649	1,649	1,563	86
Board of Supervisors-4th District	1,309	1,309	1,131	178
Board of Supervisors-5th District	1,341	1,341	1,222	119
Capital Acquisition Financing	51	53	9	44
Capital Projects	128,811	140,250	129,112	11,138
CAPS Program	14,097	15,247	11,231	4,016
Clerk of the Board	5,565	5,565	5,221	344
County Counsel	10,503	11,054	10,556	498
CEO Real Estate	20,416	22,081	19,744	2,337
County Executive Office	7,779	8,415	7,735	680
Data Systems Development Project	9,057	13,419	11,641	1,778
Employee Benefits	2,249	2,249	1,772	477
Human Resources	7,236	7,873	6,893	980
Internal Audit	2,576	2,576	2,367	209
IBM Mainframe	2,396	2,396	2,396	--
Miscellaneous	36,184	591,204	82,451	508,753
OC Campaign Finance and Ethics Commission	452	452	432	20
OCIT Shared Services	2,928	3,192	3,190	2
Performance Audit	1,107	1,107	162	945
Prepaid Pension Obligation	--	100	26	74
Property Tax System Centralized O & M Support	6,042	8,048	5,722	2,326
Registrar of Voters	36,930	44,538	42,822	1,716
Treasurer-Tax Collector	14,108	14,108	11,676	2,432
Utilities	29,285	29,985	25,321	4,664
Public Protection:				
Alternate Defense	6,169	5,819	4,729	1,090
Building & Safety	14,088	14,088	12,944	1,144
Child Support Services	59,803	59,803	56,075	3,728
Clerk-Recorder	14,487	16,136	16,076	60
Detention Release	1,715	2,065	1,957	108
District Attorney	169,374	171,649	160,406	11,243
District Attorney-Public Administrator	3,890	4,166	3,589	577
Emergency Management Division	3,660	3,722	3,579	143
Grand Jury	591	591	570	21
HCA Public Guardian	5,649	5,649	5,114	535
Juvenile Justice Commission	230	230	119	111
Office of Independent Review	456	456	92	364
Probation	196,768	196,768	184,546	12,222
Public Defender	78,557	82,958	82,394	564
Sheriff-Coroner	755,461	763,004	739,379	23,625
Sheriff Court Operations	59,478	61,065	60,982	83
Trial Courts	67,830	68,445	66,595	1,850
Public Ways and Facilities:				
OC Public Works	60,235	60,235	50,771	9,464
Health and Sanitation:				
Health Care Agency	813,037	854,378	795,252	59,126
OC Watersheds	17,446	17,626	13,984	3,642
Public Assistance:				
OC Community Resources	90,776	71,797	69,799	1,998
Social Services Agency	933,972	946,971	935,127	11,844
Total Expenditures and Other Financing Uses	<u>3,761,377</u>	<u>4,402,406</u>	<u>3,706,871</u>	<u>695,535</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(82,864)	(85,051)	(60,461)	\$ <u>24,590</u>
Fund Balances-Beginning of Year	806,400	806,400	806,400	
Fund Balances-End of Year	<u>\$ 723,536</u>	<u>\$ 721,349</u>	<u>\$ 745,939</u>	

The notes to the basic financial statements are an integral part of this statement.

Budgetary Comparison Statement  
(Dollar Amounts in Thousands)

**BUDGETARY COMPARISON STATEMENT  
MAJOR GOVERNMENTAL FUNDS-FLOOD CONTROL DISTRICT**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
<b>Revenues and Other Financing Sources</b>				
Taxes	\$ 126,533	\$ 126,533	\$ 128,196	\$ 1,663
Fines, Forfeitures, and Penalties	15	15	20	5
Use of Money and Property	7,186	7,185	10,775	3,590
Intergovernmental	13,363	13,363	12,215	(1,148)
Charges for Services	19,505	19,505	15,359	(4,146)
Other	110	110	2,553	2,443
Transfers In	215	1,161	1,161	--
Total Revenues and Other Financing Sources	<u>166,927</u>	<u>167,872</u>	<u>170,279</u>	<u>2,407</u>
<b>Expenditures and Other Financing Uses</b>				
Public Protection:				
OC Flood	227,812	247,229	132,847	114,382
OC Santa Ana River	93	--	--	--
OC Flood-Capital	68,977	68,977	13,456	55,521
Total Expenditures and Other Financing Uses	<u>296,882</u>	<u>316,206</u>	<u>146,303</u>	<u>169,903</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(129,955)	(148,334)	23,976	<u>\$ 172,310</u>
Fund Balances-Beginning of Year	459,863	459,863	459,863	
Fund Balances-End of Year	<u>\$ 329,908</u>	<u>\$ 311,529</u>	<u>\$ 483,839</u>	

The notes to the basic financial statements are an integral part of this statement.

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**BUDGETARY COMPARISON STATEMENT**  
**MAJOR GOVERNMENTAL FUNDS-OTHER PUBLIC PROTECTION**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
<b>Revenues and Other Financing Sources</b>				
Licenses, Permits, and Franchises	\$ 350	\$ 350	\$ 350	\$ --
Fines, Forfeitures, and Penalties	4,956	4,956	2,115	(2,841)
Use of Money and Property	5,167	5,167	6,551	1,384
Intergovernmental	19,207	23,316	29,511	6,195
Charges for Services	8,633	9,124	11,923	2,799
Other	7,582	7,582	6,077	(1,505)
Transfers In	4,977	9,288	7,208	(2,080)
Total Revenues and Other Financing Sources	<u>50,872</u>	<u>59,783</u>	<u>63,735</u>	<u>3,952</u>
<b>Expenditures and Other Financing Uses</b>				
Public Protection:				
County Automated Fingerprint Identification	1,950	1,795	1,490	305
Building and Safety-Operating Reserve	576	887	803	84
Narcotic Forfeiture and Seizure	491	491	225	266
Sheriff-Regional Narcotics Suppression Program	904	650	32	618
Motor Vehicle Theft Task Force	3,810	3,810	3,218	592
Regional Narcotic Suppression Program-Dept of Treasury	8	7	--	7
Regional Narcotic Suppression Program-Other	2,865	3,162	1,166	1,996
Clerk Recorder Special Revenue	7,434	7,434	5,456	1,978
Clerk Recorder Operating Reserve	1,005	3,284	12	3,272
Real Estate Prosecution	855	1,416	1,415	1
Proposition 64-Consumer Protection	5,593	6,383	1,371	5,012
Proposition 69-DNA Identification	1,494	2,382	771	1,611
Traffic Violator	1,032	1,058	131	927
Sheriff Narcotics Program-Dept of Justice	7,110	10,281	1,710	8,571
Sheriff Narcotics Program-Other	1,254	2,455	78	2,377
Orange County Jail	351	412	175	237
Sheriff Narcotics Program-CALMMET-Treasury	1,077	2,070	847	1,223
Sheriff's State Criminal Alien Assistance Program	2,644	5,142	4,977	165
California Automated Fingerprint Identification Operational Costs	1,957	2,184	1,582	602
California Automated Fingerprint Identification Systems Costs	38,490	38,766	918	37,848
Sheriff's Supplemental Law Enforcement Services	1,836	1,801	1,801	--
District Attorney's Supplemental Law Enforcement Services	1,437	1,437	1,032	405
Excess Public Safety Sales Tax	15	1,128	2	1,126
Sheriff-Coroner Replacement and Maintenance	20,281	20,471	758	19,713
Ward Welfare	150	150	110	40
Sheriff's Substations Fee Program	1,072	1,079	99	980
Sheriff Court OPS-Special Collections	4,401	4,381	1,567	2,814
Jail Commissary	11,582	12,405	6,847	5,558
Inmate Welfare	16,400	16,292	3,592	12,700
Child Support Program Development	4,298	4,298	3,805	493
800 MHz Countywide Coordinated Communications System	7,319	8,206	4,207	3,999
Delta Special Revenue	30	30	6	24
Total Expenditures and Other Financing Uses	<u>149,721</u>	<u>165,747</u>	<u>50,203</u>	<u>115,544</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(98,849)	(105,964)	13,532	<u>\$ 119,496</u>
Fund Balances-Beginning of Year	147,148	147,148	147,148	
Fund Balances-End of Year	<u>\$ 48,299</u>	<u>\$ 41,184</u>	<u>\$ 160,680</u>	

The notes to the basic financial statements are an integral part of this statement.

Budgetary Comparison Statement  
(Dollar Amounts in Thousands)

**BUDGETARY COMPARISON STATEMENT  
MAJOR GOVERNMENTAL FUNDS-MENTAL HEALTH SERVICES ACT**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
<b>Revenues and Other Financing Sources</b>				
Use of Money and Property	\$ 3,600	\$ 3,600	\$ 4,171	\$ 571
Intergovernmental	163,200	163,200	143,332	(19,868)
Total Revenues and Other Financing Sources	<u>166,800</u>	<u>166,800</u>	<u>147,503</u>	<u>(19,297)</u>
<b>Expenditures and Other Financing Uses</b>				
Health & Sanitation:				
Mental Health Services Act	269,195	269,195	231,783	37,412
Total Expenditures and Other Financing Uses	<u>269,195</u>	<u>269,195</u>	<u>231,783</u>	<u>37,412</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(102,395)	(102,395)	(84,280)	<u>\$ 18,115</u>
Fund Balances-Beginning of Year	214,847	214,847	214,847	
Fund Balances-End of Year	<u>\$ 112,452</u>	<u>\$ 112,452</u>	<u>\$ 130,567</u>	

The notes to the basic financial statements are an integral part of this statement.



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	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Airport	OC Waste & Recycling	Compressed Natural Gas (Nonmajor)	Total	
<b>ASSETS</b>					
Current Assets					
Pooled Cash/Investments	\$ 181,694	\$ 524,049	\$ 86	\$ 705,829	\$ 310,387
Cash Equivalents/Specific Investments	7,754	--	--	7,754	--
Cash/Cash Equivalents	9,599	--	--	9,599	403
Imprest Cash Funds	14	35	--	49	8
Restricted Cash and Investments with Trustee	13,668	--	--	13,668	--
Restricted Pooled Cash and Investments	12,174	852	--	13,026	--
Deposits In-Lieu of Cash	7,085	17,668	--	24,753	--
Receivables:					
Accounts	13,252	15,795	64	29,111	1,171
Passenger Facility Charges	291	--	--	291	--
Interest/Dividends	589	1,406	--	1,995	627
Pollution Remediation Obligation Recoveries	256	--	--	256	--
Allowance for Uncollectible Receivables	--	(1)	--	(1)	(107)
Due from Other Funds	8	927	--	935	3,023
Due from Component Unit	--	--	--	--	2
Due from Other Governmental Agencies	5,603	2,082	--	7,685	422
Inventory of Materials and Supplies	--	--	--	--	182
Prepaid Costs	2,802	2,780	--	5,582	2,603
Total Current Assets	254,789	565,593	150	820,532	318,721
Noncurrent Assets					
Restricted Cash and Investments with Trustee	9,437	--	--	9,437	--
Restricted Pooled Cash and Investments	--	9,930	--	9,930	--
Restricted Pooled Cash and Investments-Closure and Postclosure Care Costs	--	96,759	--	96,759	--
Specific Investments	45,511	--	--	45,511	--
Advances to Other Funds	--	30,052	--	30,052	--
Capital Assets:					
Land	15,678	22,701	--	38,379	--
Construction in Progress	32,126	7,808	--	39,934	1,499
Intangible Assets in Progress	443	306	--	749	--
Intangible Assets-Amortizable	3,693	1,942	--	5,635	118
Accumulated Amortization	(2,279)	(629)	--	(2,908)	(63)
Land Improvements	--	611	--	611	--
Accumulated Depreciation	--	(8)	--	(8)	--
Structures and Improvements	891,517	29,640	--	921,157	18,494
Accumulated Depreciation	(371,554)	(15,119)	--	(386,673)	(7,575)
Equipment	13,477	87,596	--	101,073	150,003
Accumulated Depreciation	(10,193)	(47,083)	--	(57,276)	(104,422)
Infrastructure	240,224	472,259	--	712,483	--
Accumulated Depreciation	(196,277)	(229,966)	--	(426,243)	--
Total Capital Assets	616,855	330,058	--	946,913	58,054
Total Noncurrent Assets	671,803	466,799	--	1,138,602	58,054
Total Assets	926,592	1,032,392	150	1,959,134	376,775
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred Charge on Refunding	2,130	--	--	2,130	--
Deferred Outflows of Resources Related to Pension	7,533	9,270	--	16,803	9,237
Deferred Outflows of Resources Related to OPEB	230	290	--	520	353
Total Deferred Outflows of Resources	9,893	9,560	--	19,453	9,590

The notes to the basic financial statements are an integral part of this statement.

Basic Financial Statements  
Statement of Net Position  
Proprietary Funds  
(Dollar Amounts in Thousands)

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Airport	OC Waste & Recycling	Compressed Natural Gas (Nonmajor)	Total	
<b><u>LIABILITIES</u></b>					
Current Liabilities					
Accounts Payable	\$ 13,530	\$ 14,272	\$ --	\$ 27,802	\$ 11,512
Retainage Payable	958	230	--	1,188	23
Salaries and Employee Benefits Payable	678	827	--	1,505	786
Unearned Revenue	2,104	64	--	2,168	--
Due to Other Funds	2,309	19,247	--	21,556	3,503
Due to Other Governmental Agencies	157	12,640	--	12,797	--
Insurance Claims Payable	--	--	--	--	57,917
Compensated Employee Absences Payable	1,112	1,392	--	2,504	1,339
Pollution Remediation Obligation	--	698	--	698	--
Intangible Assets Obligations Payable	72	--	--	72	--
Landfill Site Closure/Postclosure Liability	--	3,680	--	3,680	--
Bonds Payable	13,552	--	--	13,552	--
Capital Lease Obligations Payable	--	--	--	--	627
Interest Payable	2,077	--	--	2,077	--
Deposits from Others	10,392	18,750	--	29,142	--
Total Current Liabilities	46,941	71,800	--	118,741	75,707
Noncurrent Liabilities					
Insurance Claims Payable	--	--	--	--	165,758
Compensated Employee Absences Payable	729	1,013	--	1,742	1,091
Pollution Remediation Obligation	994	14,493	--	15,487	--
Intangible Assets Obligations Payable	--	2	--	2	--
Landfill Site Closure/Postclosure Liability	--	180,701	--	180,701	--
Bonds Payable	79,910	--	--	79,910	--
Capital Lease Obligations Payable	--	--	--	--	1,482
Net Pension Liability	39,263	49,050	--	88,313	39,584
Net OPEB Liability	2,697	3,448	--	6,145	4,053
Total Noncurrent Liabilities	123,593	248,707	--	372,300	211,968
Total Liabilities	170,534	320,507	--	491,041	287,675
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>					
Deferred Inflows of Resources Related to Pension	5,140	6,683	--	11,823	6,371
Deferred Inflows of Resources Related to OPEB	255	312	--	567	393
Total Deferred Inflows of Resources	5,395	6,995	--	12,390	6,764
<b><u>NET POSITION</u></b>					
Net Investment in Capital Assets	526,303	329,947	--	856,250	55,933
Restricted for:					
Debt Service	11,591	--	--	11,591	--
Passenger Facility Charges Approved Capital Projects	8,158	--	--	8,158	--
Capital Projects-Replacements and Renewals	1,000	--	--	1,000	--
Landfill Closure/Postclosure	--	27,730	--	27,730	--
Landfill Corrective Action	--	8,820	--	8,820	--
Wetland	--	879	--	879	--
Prima Deshecha/La Pata Closure	--	104	--	104	--
Unrestricted	213,504	346,970	150	560,624	35,993
Total Net Position	\$ 760,556	\$ 714,450	\$ 150	1,475,156	\$ 91,926
Adjustment to Reflect the Consolidation of Internal Service Funds' Activities Related to Enterprise Funds				200	
Cumulative Effect of Prior Years' Internal Service Funds Allocation				(14,020)	
Net Position of Business-Type Activities				\$ 1,461,336	

County of Orange  
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**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS**

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Airport	OC Waste & Recycling	Compressed Natural Gas (Nonmajor)	Total	
Operating Revenues					
Use of Money and Property	\$ 100,845	\$ 4,565	\$ 95	\$ 105,505	\$ 1,525
Licenses, Permits, and Franchises	--	120	--	120	--
Charges for Services	20,132	174,805	--	194,937	120,249
Insurance Premiums	--	--	--	--	340,288
Total Operating Revenues	<u>120,977</u>	<u>179,490</u>	<u>95</u>	<u>300,562</u>	<u>462,062</u>
Operating Expenses					
Salaries and Employee Benefits	22,426	28,427	--	50,853	26,473
Services and Supplies	29,384	28,761	9	58,154	28,478
Professional Services	45,176	17,844	2	63,022	59,402
Operating Leases	481	607	--	1,088	3,737
Insurance Claims and Premiums	--	--	--	--	312,971
Pollution Remediation Expense	--	(799)	--	(799)	--
Taxes and Other Fees	160	23,850	--	24,010	4
Landfill Site Closure/Postclosure Costs	--	10,272	--	10,272	--
Depreciation/Amortization	33,241	21,616	--	54,857	18,233
Total Operating Expenses	<u>130,868</u>	<u>130,578</u>	<u>11</u>	<u>261,457</u>	<u>449,298</u>
Operating Income (Loss)	<u>(9,891)</u>	<u>48,912</u>	<u>84</u>	<u>39,105</u>	<u>12,764</u>
Nonoperating Revenues (Expenses)					
Fines, Forfeitures, and Penalties	427	52	--	479	--
Intergovernmental Revenues	5,281	3	1	5,285	2,001
Interest and Investment Income	5,876	13,894	1	19,771	6,327
Interest Expense	(1,998)	--	--	(1,998)	(75)
Gain (Loss) on Disposition of Capital Assets	2	(518)	--	(516)	(109)
Passenger Facility Charges Revenue	13,869	--	--	13,869	--
Other Taxes	--	--	50	50	9
Other Revenue	174	14	2	190	5,893
Total Nonoperating Revenues	<u>23,631</u>	<u>13,445</u>	<u>54</u>	<u>37,130</u>	<u>14,046</u>
Income Before Contributions and Transfers	<u>13,740</u>	<u>62,357</u>	<u>138</u>	<u>76,235</u>	<u>26,810</u>
Capital Contributions	--	--	--	--	220
Transfers In	--	710	--	710	10,261
Transfers Out	--	(10,536)	--	(10,536)	(708)
Change in Net Position	<u>13,740</u>	<u>52,531</u>	<u>138</u>	<u>66,409</u>	<u>36,583</u>
Net Position-Beginning of Year	<u>746,816</u>	<u>661,919</u>	<u>12</u>		<u>55,343</u>
Net Position-End of Year	<u>\$ 760,556</u>	<u>\$ 714,450</u>	<u>\$ 150</u>		<u>\$ 91,926</u>
Adjustment to Reflect the Consolidation of Internal Service Funds' Activities Related to Enterprise Funds				<u>200</u>	
Increase in Net Position of Business-Type Activities				<u>\$ 66,609</u>	

The notes to the basic financial statements are an integral part of this statement.



County of Orange  
Comprehensive Annual Financial Report  
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	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Airport	OC Waste & Recycling	Compressed Natural Gas (Nonmajor)	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from Customers	\$ 112,898	\$ 178,974	\$ 37	\$ 291,909	\$ 36,156
Cash Received for Premiums within the County's Entity	--	--	--	--	340,288
Payments to Suppliers for Goods and Services	(73,673)	(45,427)	(11)	(119,111)	(399,960)
Payments to Employees for Services	(22,973)	(28,110)	--	(51,083)	(27,616)
Payments for Interfund Services	(8)	(446)	(7)	(461)	(229)
Receipts for Interfund Services Used	82	10,819	--	10,901	87,234
Landfill Site Closure/Postclosure Care Costs	--	(5,649)	--	(5,649)	--
Payment for Taxes and Other Fees	(160)	(23,850)	--	(24,010)	(4)
Other Operating Receipts	601	865	2	1,468	5,897
Other Operating Payments	(269)	(2,857)	--	(3,126)	(3,751)
Net Cash Provided by Operating Activities	<u>16,498</u>	<u>84,319</u>	<u>21</u>	<u>100,838</u>	<u>38,015</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers In	--	710	--	710	10,261
Transfers Out	--	(10,536)	--	(10,536)	(708)
Intergovernmental Revenues	152	3	1	156	2,001
Other Taxes	--	--	50	50	9
Advances Received from Other Funds	--	5,030	--	5,030	--
Net Cash Provided (Used) by Noncapital Financing Activities	<u>152</u>	<u>(4,793)</u>	<u>51</u>	<u>(4,590)</u>	<u>11,563</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition of Capital Assets	(26,816)	(19,818)	--	(46,634)	(11,071)
Principal Paid on Bonds	(1,950)	--	--	(1,950)	--
Interest Paid on Long-Term Debt	(2,632)	--	--	(2,632)	--
Capital Grant Contributions	1,839	--	--	1,839	--
Passenger Facility Charges Received	16,555	--	--	16,555	--
Principal Paid on Capital Lease Obligations	--	--	--	--	(609)
Interest Paid on Capital Lease Obligations	--	--	--	--	(75)
Proceeds (Loss) from Sale of Capital Assets	2	(518)	--	(516)	(109)
Net Cash Used by Capital and Related Financing Activities	<u>(13,002)</u>	<u>(20,336)</u>	<u>--</u>	<u>(33,338)</u>	<u>(11,864)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest on Investments	6,351	14,551	1	20,903	6,600
Purchase of Investments	(1,818)	--	--	(1,818)	--
Net Cash Provided by Investing Activities	<u>4,533</u>	<u>14,551</u>	<u>1</u>	<u>19,085</u>	<u>6,600</u>
Net Increase in Cash and Cash Equivalents	8,181	73,741	73	81,995	44,314
Cash and Cash Equivalents-Beginning of Year	216,722	557,884	13	774,619	266,484
Cash and Cash Equivalents-End of Year	<u>\$ 224,903</u>	<u>\$ 631,625</u>	<u>\$ 86</u>	<u>\$ 856,614</u>	<u>\$ 310,798</u>

The notes to the basic financial statements are an integral part of this statement.

Basic Financial Statements  
Statement of Cash Flows  
Proprietary Funds  
(Dollar Amounts in Thousands)

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Airport	OC Waste & Recycling	Compressed Natural Gas (Nonmajor)	Total	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	\$ (9,891)	\$ 48,912	\$ 84	\$ 39,105	\$ 12,764
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation/Amortization	33,241	21,616	--	54,857	18,233
Fines, Forfeitures and Penalties	427	52	--	479	--
Other Revenue	174	14	2	190	5,893
(Increases) Decreases In:					
Deposits In-Lieu of Cash	(1,697)	(429)	--	(2,126)	--
Accounts Receivable, Net of Allowances	(7,694)	(1,310)	(58)	(9,062)	(675)
Due from Other Funds	(8)	(446)	--	(454)	(781)
Due from Component Unit	--	--	--	--	(2)
Due from Other Governmental Agencies	(79)	733	--	654	136
Inventory of Materials and Supplies	--	--	--	--	209
Prepaid Costs	(438)	(230)	--	(668)	(491)
Deferred Outflows of Resources Related to Pension	4,752	5,418	--	10,170	5,949
Deferred Outflows of Resources Related to OPEB	112	128	--	240	166
Increases (Decreases) In:					
Accounts Payable	1,572	819	--	2,391	(2,427)
Retainage Payable	(21)	--	--	(21)	--
Salaries and Employee Benefits Payable	195	231	--	426	234
Unearned Revenue	(862)	(175)	--	(1,037)	--
Due to Other Funds	82	10,819	(7)	10,894	2,699
Due to Other Governmental Agencies	21	359	--	380	(3)
Insurance Claims Payable	--	--	--	--	3,603
Capital Lease Obligations Payable	--	--	--	--	(610)
Compensated Employee Absences Payable	(42)	86	--	44	200
Pollution Remediation Obligation	--	(1,296)	--	(1,296)	--
Deposits from Others	2,066	490	--	2,556	--
Arbitrage Rebate Payable	(103)	--	--	(103)	--
Net Pension Liability	(6,765)	(8,119)	--	(14,884)	(10,288)
Net OPEB Liability	(444)	(532)	--	(976)	(674)
Landfill Site Closure/ Postclosure Liability	--	4,623	--	4,623	--
Deferred Inflows of Resources Related to Pension	1,645	2,244	--	3,889	3,487
Deferred Inflows of Resources Related to OPEB	255	312	--	567	393
Total Adjustments	26,389	35,407	(63)	61,733	25,251
Net Cash Provided by Operating Activities	<u>\$ 16,498</u>	<u>\$ 84,319</u>	<u>\$ 21</u>	<u>\$ 100,838</u>	<u>\$ 38,015</u>
Reconciliation of Cash and Cash Equivalents to Statement of Net Position Accounts					
Pooled Cash/Investments	\$ 181,694	\$ 524,049	\$ 86	\$ 705,829	\$ 310,387
Cash Equivalents/Specific Investments	7,754	--	--	7,754	--
Cash/Cash Equivalents	9,599	--	--	9,599	403
Imprest Cash Funds	14	35	--	49	8
Restricted Cash and Investments with Trustee	13,668 (1)	--	--	13,668	--
Restricted Pooled Cash/Investments	12,174	10,782	--	22,956	--
Restricted Pooled Cash/Investments-Closure and Postclosure Care Costs	--	96,759	--	96,759	--
Total Cash and Cash Equivalents	<u>\$ 224,903</u>	<u>\$ 631,625</u>	<u>\$ 86</u>	<u>\$ 856,614</u>	<u>\$ 310,798</u>

Schedule of Noncash Investing, Capital, and Financing Activities

- The Internal Service Funds' loss of \$109 on disposition of capital assets.
- The Internal Service Funds received \$220 of capital contributions.
- The Internal Service Funds' acquisition of capital assets with accounts payable is \$6,445.
- The Internal Service Funds' acquisition of capital assets with retainage payable is \$12.
- Airport's gain of \$2 on disposition of capital assets.
- Airport's acquisition of capital assets with retainage payable is \$948.
- Airport's acquisition of capital assets with accounts payable is \$7,638.
- Airport's change in fair value of investments not considered cash or cash equivalents is \$86.
- Airport's amortization of bond premium is \$2,667.
- Airport's amortization of deferred charge on refunding is \$511.
- OC Waste & Recycling's loss of \$518 on disposition of capital assets.
- OC Waste & Recycling's acquisition of capital assets with retainage payable is \$109.
- OC Waste & Recycling's acquisition of capital assets with accounts payable is \$1,424.

(1) Does not include \$9,437 from Airport's nonliquid Restricted Cash and Investments with Trustee.

**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**

	Private- Purpose Trust Funds	Investment Trust Funds	Pension and Other Post- Employment Benefit Trust Funds	Agency Funds
<b><u>ASSETS</u></b>				
Pooled Cash/Investments	\$ 75,504	\$ 5,693,793	\$ 3,009	\$ 324,952
Cash/Cash Equivalents	--	--	--	260
Restricted Cash and Investments				
Restricted Investments with Trustee				
Money Market Mutual Funds	4,673	--	--	30,082
Non-Bond Funds	--	--	156,810	--
Mutual Bond Funds	--	--	16,785	--
Stable Value Fund	--	--	17,150	--
Pooled with OCERS	--	--	370,228	--
Total Restricted Cash and Investments	4,673	--	560,973	30,082
Deposits In-Lieu of Cash	--	--	--	50,761
Receivables				
Accounts	--	--	109	39
Taxes	--	--	--	381,992
Interest/Dividends	180	22,527	23	18,888
Allowance for Uncollectible Receivables	--	--	--	(215,627)
Due from Other Governmental Agencies	9	--	1,808	6,064
Notes Receivable	--	--	--	29,285
Total Assets	80,366	5,716,320	565,922	626,696
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>				
Deferred Charge on Refunding	151	--	--	--
Total Deferred Outflows of Resources	151	--	--	--
<b><u>LIABILITIES</u></b>				
Salaries and Employee Benefits Payable	--	--	3,908	--
Bonds Payable	13,783	--	--	--
Interest Payable	184	--	--	14,189
Deposits from Others	--	--	--	10,810
Monies Held for Others	--	--	--	173,757
Due to Other Governmental Agencies	7	304	--	52,051
Unapportioned Taxes	--	--	--	375,889
Total Liabilities	13,974	304	3,908	626,696
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Deferred Charge on Refunding	61	--	--	--
Total Deferred Inflows of Resources	61	--	--	--
<b><u>NET POSITION</u></b>				
Restricted for Pension/OPEB Benefits & Other Purposes	66,482	5,716,016	562,014	--
Total Net Position	\$ 66,482	\$ 5,716,016	\$ 562,014	\$ --

The notes to the basic financial statements are an integral part of this statement.

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Private- Purpose Trust Funds	Investment Trust Funds	Pension and Other Post- Employment Benefit Trust Funds
Additions:			
Contributions to Pension and Other Postemployment Benefit Trust Funds:			
Employer	\$ --	\$ --	\$ 75,257
Employee	--	--	2,313
Contributions to Pooled Investments	--	9,031,954	--
Contributions to Private-Purpose Trust	90,769	--	--
Intergovernmental Revenues	4,173	--	--
Other Revenues	--	--	1
Interest and Investment Income	2,171	138,113	51,581
Less: Investment Expense	(39)	(3,358)	(321)
Total Additions	<u>97,074</u>	<u>9,166,709</u>	<u>128,831</u>
Deductions:			
Benefits Paid to Participants	--	--	46,292
Distributions from Pooled Investments	--	9,521,610	--
Distributions from Private-Purpose Trust	77,696	--	--
Professional Services	142	--	15
Tax Pass-Throughs	250	--	--
Interest Expense	412	--	--
Total Deductions	<u>78,500</u>	<u>9,521,610</u>	<u>46,307</u>
Change in Net Position:			
Private-Purpose Trust	18,574	--	--
External Investment Pool	--	(354,901)	--
Employees' Pension and Other Post- Employment Benefits	--	--	82,524
Net Position-Beginning of Year	<u>47,908</u>	<u>6,070,917</u>	<u>479,490</u>
Net Position-End of Year	<u>\$ 66,482</u>	<u>\$ 5,716,016</u>	<u>\$ 562,014</u>

The notes to the basic financial statements are an integral part of this statement.







*Courthouse Ceremony Room*





## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the more significant accounting policies of the County of Orange:

### A. Reporting Entity

The County is a legal subdivision of the State of California charged with general governmental powers. The County's powers are exercised through an elected five-member Board of Supervisors (Board), which, as the governing body, is responsible for the legislative and executive control of the County. The County provides a full range of general government services, including police protection, detention and correction, public assistance, health and sanitation, recreation, library, flood control, public ways and facilities, waste management, airport management, and general financial and administrative support.

As required by GAAP, these financial statements present financial information for both the County (the primary government) and its component units, entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities, are in substance part of the County's operations and the Board is typically their governing body. Therefore, data from these component units are combined with data of the primary government. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County. Management applied the criteria of Governmental Accounting Standards Board (GASB) Statement No. 14, "*The Financial Reporting Entity*," Statement No. 39, "*Determining Whether Certain Organizations are Component Units-An Amendment of GASB Statement No. 14*," Statement No. 61, "*The Financial Reporting Entity: Omnibus-An Amendment of GASB Statements No. 14 and No. 34*," and Statement No. 80, "*Blending Requirements for Certain Component Units-An Amendment of GASB Statement No. 14*," to determine whether the component units should be reported as blended or discretely presented component units. The criteria included whether the County appoints the voting majority, there is a financial benefit/burden relationship, the County is able to impose its will, the component unit is fiscally dependent on the County, the component unit's governing body is substantially the same as the County, and management of the County have operational responsibility for the activities of the component unit. These criteria were used to determine the following:

#### Blended Component Units

Orange County Flood Control District The governing body of the District is the County's governing body. Among its duties, it approves the District's budget, determines the District's tax rates, approves contracts, and appoints the management. The District is reported in governmental fund types.

Orange County Housing Authority The governing body of the Authority is the County's governing body. Among its duties, it approves the Authority's budget and policies that govern the administration of the housing assistance programs and appoints the management. The Authority is reported in governmental fund types.

Orange County Public Financing Authority The Authority is a joint powers authority of the County and the Orange County Development Agency (OCDA), formed to provide financial assistance to the County by financing the acquisition, construction and improvement of public facilities in the County. The governing body of the Authority is the County's governing body. The Authority is reported in governmental fund types. With the passage of ABX1 26 dissolving redevelopment agencies statewide effective February 1, 2012, the Authority will not issue any new debt.

South Orange County Public Financing Authority The Authority is a joint powers authority of the County and Community Facilities District 88-2 of the County of Orange (Lomas Laguna), formed to provide for the financing of public capital improvements. The governing body of the Authority is the County's governing body. The Authority is reported in governmental fund types.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### A. Reporting Entity (Continued)

#### Blended Component Units (Continued)

Capital Facilities Development Corporation The Corporation has its own three-member governing body appointed by the County's governing body. The purpose of the Corporation is to facilitate financings, acquisitions of property, and other financial and property related transactions, by or for the benefit of the County, including but not limited to purchasing property from or for the benefit of, borrowing or loaning money and selling or leasing property to, and otherwise participating in financial and leasing transactions with the County. The Corporation is reported in governmental fund types.

Orange County Public Facilities Corporation The Corporation has its own five-member governing body appointed by the County's governing body and provides services entirely to the primary government, the County, through the purchases, construction or leasing of land and/or facilities, which are then leased back to the County. The Corporation is reported in governmental fund types.

County Service Areas, Special Assessment Districts, and Community Facilities Districts The governing body of County Service Areas, Special Assessment Districts, and Community Facilities Districts (special districts) is the County's governing body. Among its duties, it approves the special districts' budgets, and approves parcel fees, special assessments and special taxes. The special districts are reported in governmental fund types.

In-Home Supportive Services (IHSS) Public Authority The governing body of the Authority is the County's governing body. The Authority was established by the Board to act as the employer of record for the individual providers for the IHSS program. The duties of the Authority include collective bargaining for the individual providers, establishing a registry of providers, investigating the background of providers and providing training to both IHSS providers and consumers. The Authority is reported in governmental fund types.

#### Fiduciary Component Unit

##### Orange County Housing Finance Trust

The Orange County Housing Finance Trust (OCHFT) was formed in 2019 as a joint powers authority between the County and the cities throughout the county. OCHFT was created for the purpose of funding housing, specifically assisting the homeless population and persons and families of extremely low, very low, and low income within the County. The County became a member of the Trust on March 12, 2019. The Trust is reported as a Private-Purpose Trust Fund.

#### Discretely Presented Component Units

Children and Families Commission of Orange County (CFCOC) The CFCOC is administered by a governing board of nine members, who are appointed by the Board. Its purpose is to develop, adopt, promote and implement early childhood development programs in the County. It is funded by additional State taxes on tobacco products and approved by California voters via Proposition 10 in November 1998. The CFCOC is presented as a discretely presented component unit of the County because, although the County Board has no control over the revenues, budgets, staff, or funding decisions made by the CFCOC, the appointed CFCOC members serve at the will of the Board members who appoint them. A separate stand-alone annual financial report can be obtained by writing to the Children and Families Commission of Orange County, 1505 E. 17th Street, Suite 230, Santa Ana, CA 92705, or by accessing Orange County's website: [www.ac.ocgov.com](http://www.ac.ocgov.com).

Orange County Health Authority, a Public Agency/dba Orange Prevention and Treatment Integrated Medical Assistance (CalOptima) The Board established CalOptima in 1993. The governing board of CalOptima is comprised of nine voting members and includes two County Board members and one

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **A. Reporting Entity (Continued)**

#### Discretely Presented Component Units (Continued)

#### Orange County Health Authority, a Public Agency/dba Orange Prevention and Treatment Integrated Medical Assistance (CalOptima) (Continued)

County Board member alternate; all other members are appointed by the Board. This is a County organized health system whose purpose is to administer health insurance programs for low-income families, children, seniors, and persons with disabilities throughout the County. These programs include Medi-Cal, OneCare (HMO SNP), OneCare Connect Cal MediConnect Plan, and Program of All-Inclusive Care for the Elderly (PACE). CalOptima is presented as a discretely presented component unit of the County because, although the County Board has no control over the revenues, budgets, staff, or funding decisions made by CalOptima, the appointed CalOptima members serve at the will of the Board members who appoint them. CalOptima will continue until such time as the Board takes action to terminate CalOptima. A separate stand-alone annual financial report can be obtained by writing to CalOptima, 505 City Parkway West, Orange, CA 92868 or can be accessed via the website <http://wpso.dmhc.ca.gov/fe/search/>.

### **B. Government-Wide and Fund Financial Statements**

The basic financial statements include both the government-wide and fund financial statements. The government-wide financial statements are prepared using the accrual basis of accounting and the economic resources measurement focus. The government-wide financial statements report long-term liabilities and capital assets. Depreciation/amortization expense and accumulated depreciation/amortization are displayed on the government-wide financial statements. The capital assets and related depreciation include the costs and depreciation of infrastructure assets.

The fund financial statements for the governmental funds are prepared under the modified accrual basis of accounting and the current financial resources measurement focus. Fund financial statements are shown separately for specific major governmental funds and in total for all other governmental funds. Fund financial statements for proprietary funds are reported under the accrual basis of accounting and the economic resources measurement focus. Major enterprise funds are shown separately, with internal service funds shown in total. Financial data for the internal service funds is included with the governmental funds for presentation in the government-wide financial statements. Fiduciary funds are displayed by category in the fund financial statements, but are not reported in the government-wide financial statements, because the assets of these funds are not available to the County.

#### Government-Wide Financial Statements

GASB Statement No. 34, *"Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments"* (GASB Statement No. 34), as amended by GASB Statement No. 63, *"Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position"* (GASB Statement No. 63), mandates the presentation of two basic government-wide financial statements:

- *Statement of Net Position*
- *Statement of Activities*

The scope of the government-wide financial statements is to report information on all of the non-fiduciary activities of the primary government and its component units.

Governmental activities, which are normally supported by taxes, intergovernmental revenues, other nonexchange revenues, and business-type activities, which are financed by fees charged to external parties for goods or services, are reported in separate columns with a combined total column presented for the

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### B. Government-Wide and Fund Financial Statements (Continued)

#### Government-Wide Financial Statements (Continued)

primary government. Likewise, the primary government is reported separately from the legally separate component units, CFCOC and CalOptima, for which the primary government is financially accountable. The government-wide Statement of Net Position displays the financial position of the primary government, in this case, the County and its discretely presented component units. The Statement of Net Position reports the County's financial and capital resources, including infrastructure, as well as the County's long-term obligations. The difference between the County's assets plus deferred outflows of resources, and liabilities plus deferred inflows of resources is its net position. Net position represents the resources that the County has available for use in providing services after its debt or other obligations are settled.

These resources may not be readily available or spendable and consequently are classified into the following categories of net position in the government-wide financial statements:

- Net Investment in Capital Assets This amount is derived by subtracting the outstanding liabilities incurred by the County, including debt-related deferred outflows and inflows of resources, to buy or construct capital assets shown in the Statement of Net Position, net of depreciation.
- Restricted Net Position This category represents restrictions imposed on the use of the County's resources by parties outside of the government or by law through constitutional provisions or enabling legislation. All of the County's net position restrictions are externally imposed by outside parties, constitutional provisions or enabling legislation. Examples of restricted net position include federal and state grants that are restricted by grant agreements for specific purposes and restricted cash set aside for debt service payments. At June 30, 2020, the County's governmental activities reported restricted net position of \$1,544,487 and is restricted for pension benefits related to the OCERS Investment Account, capital projects, debt service, legally segregated funds restricted for grants and other purposes, and regional park endowment. Restricted Net Position for business-type activities amounted to \$58,282 and is restricted for the use of Airport and OC Waste & Recycling activities, including debt service, passenger facility charges (PFC), capital projects replacements and renewals, landfill closure/postclosure, and landfill corrective action. At June 30, 2020, the County reported \$8,158 of net position restricted by enabling legislation related to the Airport's PFC.
- Unrestricted Net Position These assets are resources of the County that can be used for any purpose, though they may not necessarily be liquid. In addition, assets in a fund that exceed the amounts required to be restricted by external parties or enabling legislation are reported as unrestricted net position. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, and then unrestricted resources as they are needed.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues and the extent to which the function or segment is supported by general government revenues, such as property taxes, local unrestricted sales taxes, and investment earnings. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are allocated to match the reimbursement of indirect costs recorded as program revenues to the same function where the related expense is recorded. Program revenues include:

- *Charges and fees to customers or applicants for goods, services, or privileges provided, including fines, forfeitures, and penalties related to the program*
- *Operating grants and contributions*
- *Capital grants and contributions, including special assessments*

Taxes and other items such as unrestricted investment earnings not properly included among program revenues are reported instead as general revenues.



## 1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### B. Government-Wide and Fund Financial Statements (Continued)

#### Fund Financial Statements

Separate fund financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The focus of governmental and proprietary fund financial statements is on major funds. The financial information of each major fund is shown in a separate column in the fund financial statements, with the data for all nonmajor governmental funds aggregated into a single column and all nonmajor proprietary funds aggregated into a single column. GASB Statement No. 34, as amended by GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*" (GASB Statement No. 65), sets forth minimum criteria (specified minimum percentages of the assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues or expenditures/expenses of a fund category and of the governmental and enterprise funds combined) for the determination of major funds. In addition to funds that meet the minimum criteria, any other governmental or enterprise fund that the government believes is of particular importance to financial statement users may be reported as a major fund.

The County reports the following major governmental funds:

General Fund This fund accounts for resources traditionally associated with government and all other resources, which are not required legally, or by sound financial management, to be accounted for in another fund. Revenues are primarily derived from taxes; licenses, permits and franchises; fines, forfeitures and penalties; use of money and property; intergovernmental revenues; charges for services; and other revenues. Expenditures are primarily expended for functions of general government, public protection, public ways and facilities, health and sanitation, public assistance, capital outlay, and debt service.

Flood Control District This fund accounts for the planning, construction, operation, and maintenance of regional flood protection and water conservation works, such as dams, control channels, retarding basins, and other flood control infrastructure, charges for services revenue, along with property taxes restricted for flood control activities, provide most of this fund's revenues.

Other Public Protection This fund accounts for revenues restricted for safety and law enforcement activities such as the child support program, automated fingerprint identification systems, and investigation team. Revenues consist primarily of federal grants, state grants, fines, use of money and property, and charges for services.

Mental Health Services Act This fund accounts for the County's mental health programs for children, transition age youth, adults, older adults and families pursuant to the State of California Mental Health Services Act. Revenues consist primarily from a 1% income tax on personal income in excess of one million dollars.

The County reports the following proprietary enterprise funds:

Airport This major fund accounts for major construction and for self-supporting aviation-related activities rendered at John Wayne Airport, Orange County. The airport's staff coordinates and administers general business activities related to the Airport, including concessions, commercial and general aviation operations, leased property, auto parking, and aircraft tie-down facilities.

OC Waste & Recycling This major fund accounts for the operation, expansion, and closing of existing landfills. Monies are collected through landfill disposal fees, which users pay based primarily on tonnage.

Compressed Natural Gas (CNG) This nonmajor fund accounts for the operation and maintenance of the CNG facility. Revenues consist primarily of CNG sales to both the County and the public.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Government-Wide and Fund Financial Statements (Continued)**

Fund Financial Statements (Continued)

Additionally, the County reports the following fund types:

Internal Service Funds The County reports nine Internal Service Fund types. These proprietary funds are used to report activities that provide goods or services to other funds of the County. These funds account for fleet services, publishing services, and other services (including claims for workers' compensation, property damage, information & technology, insurance and various health programs) provided to other County departments or agencies. The Internal Service Funds receive revenues on a cost-reimbursement basis.

Fiduciary Fund Types The County has a total of 384 individual trust and agency funds for FY 2019-20. These trust and agency funds are used to account for assets held on behalf of outside parties or employees, including other governments. When these assets are held under the terms of a formal trust agreement, a private-purpose trust, pension trust or other postemployment benefits (OPEB) trust fund is used. An investment trust fund is used for the portion of the County investment pool representing external pool participants. Agency funds are used to account for assets that the County holds on behalf of others as their agent.

The County reports the following trust and agency funds:

Private-Purpose Trust These funds are used to account for trust arrangements where the principal and income benefit individuals, private organizations, or other governments. Examples of private-purpose trusts include unidentified funds, unclaimed prisoner funds, and decedents' property held for escheatment. Also included are the County accounts for the former redevelopment agency.

Investment Trust

Orange County Investment Pool

These funds are used to account for assets, consisting primarily of cash and investments, of separate legal entities, other than school and community college districts, which participate in the County Treasurer's Investment Pool, and includes debt reserves for school and community college districts.

Orange County Educational Investment Pool

These funds are used to account for assets, consisting primarily of cash and investments, of school and community college districts that participate in the County Treasurer's External Educational Investment Pool.

Pension and Other Employee Benefits Trust The County reports six Pension and OPEB Trust funds. These trust funds are used to account for resources that are required to be held in trust for the members and beneficiaries of defined benefit and defined contribution pension and post-employment benefit plans.

Agency Funds These funds are custodial in nature and do not report operating results. These funds are used to account for assets held by the County as an agent for various local governments and individuals, such as unapportioned taxes for other local government agencies, monies collected for the Redevelopment Property Tax Trust funds, civil filing fees, and special assessment districts debt service funds. Accordingly, assets reported in the statements are offset by a liability for resources held on behalf of others.

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **C. Measurement Focus and Basis of Accounting**

#### **Government-Wide Financial Statements**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets, deferred outflows of resources and all liabilities, and deferred inflows of resources associated with the operation of these funds are included on the Statement of Net Position. Receivables are reported net of allowances for uncollectible receivables in the Statement of Net Position. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

For purposes of not overstating the true costs and program revenues reported for the various functions, interfund activities (e.g. interfund transfers and interfund reimbursements) have been eliminated from the government-wide Statement of Activities. Exceptions to the general rule are interfund services provided and used between functions, such as charges for auditing and accounting fees between the general government function and various other functions of the primary government. Elimination of these interfund activities would distort the direct costs and program revenues reported for the various functions concerned. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, and then unrestricted resources as they are needed. Additionally, only the interfund transfers between governmental and business-type activities are reported in the Statement of Activities.

#### **Governmental Fund Financial Statements**

Governmental funds are used to report all governmental activities that are not primarily self-funded by fees or charges to external users or other funds and are not fiduciary activities. These activities include the County's basic services to its citizenry and to other agencies, including general government, public protection, public ways and facilities, health and sanitation, public assistance, education, and recreation and cultural services. There are five types of governmental funds:

- *General Fund*
- *Special Revenue Funds*
- *Capital Projects Funds*
- *Debt Service Funds*
- *Permanent Fund*

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method of accounting, revenues and other governmental fund type financial resources (e.g., bond issuance proceeds) are recognized in the accounting period in which they become susceptible to accrual—that is, when they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after the end of the current fiscal period.

Revenues that are accrued include real and personal property taxes, sales taxes, property taxes in-lieu of motor vehicle license fees, fines, forfeitures and penalties, interest, federal and state grants and subventions, charges for current services, and the portion of long-term sales contracts and leases receivable that are measurable and available and where collectability is assured. Revenues that are not considered susceptible to accrual include penalties on delinquent property taxes and minor licenses and permits. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met, provided that the revenues are also available. If intergovernmental revenues are expected to be received later than 60 days following the end of the fiscal year, then a receivable is recorded along with deferred inflows of resources. Once the intergovernmental revenue is received, revenue

## 1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### C. Measurement Focus and Basis of Accounting (Continued)

#### Governmental Fund Financial Statements (Continued)

and cash are recorded, and the receivable and deferred inflows of resources are eliminated. Receipts that have not met all of the earning requirements are reported as unearned revenue received. As of June 30, 2020, the County reported \$123,377 of deferred inflows of resources and \$462,707 of unearned revenue received in the governmental funds' balance sheet.

Most expenditures are recorded when the related fund liabilities are incurred. However, inventory type items are considered expenditures at the time of use and principal and interest expenditures on bonded debt and capital leases are recorded in the year they become due for payment. Costs of claims, judgments, compensated employee absences and employer pension contributions are recorded as expenditures at fiscal year-end if they are due and payable. The related long-term obligation is recorded in the government-wide financial statements. Commitments such as purchase orders and contracts for materials and services are recorded as encumbrances.

Because the fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, a reconciliation is presented to explain the adjustments necessary to reconcile fund financial statements to the government-wide financial statements.

#### Proprietary Fund Financial Statements

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Proprietary funds are used to account for business-type activities, which are financed mainly by fees and charges to users of the services provided by the funds' operations. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

There are two types of proprietary funds:

- *Enterprise Funds*
- *Internal Service Funds*

The County has three enterprise funds: Airport, OC Waste & Recycling, and CNG. The principal operating revenues of the Airport, OC Waste & Recycling, and CNG enterprise funds are charges to customers for (1) landing fees, terminal space rental, auto parking, concessions, revenue from use of property, revenue from services, and aircraft tie-down fees, (2) disposal fees charged to users of the waste disposal sites, and (3) natural gas sales, respectively.

Internal Service Funds are used to report activities that provide goods or services to other funds of the County. The internal service funds receive revenues through cost-reimbursements of the goods and services provided to other County departments and agencies. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

#### Fiduciary Fund Financial Statements

Fiduciary funds are used to account for assets held in a trustee or agency capacity and cannot be used to support the County's own programs. Trust funds are accounted for using the economic resources measurement focus and accrual basis of accounting. Agency funds report only assets and liabilities and therefore do not have a measurement focus; however, agency funds use the accrual basis of accounting to recognize receivables and payables.

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **D. Budget Adoption and Revision**

No later than October 2nd of each year, after conducting public hearings concerning the recommended budget, the Board adopts a budget in accordance with Government Code Sections 29000-29144 and 30200. The County publishes the results of this initial budgeting process in a separate report, the "Adopted Budget," which specifies all accounts established within each fund/department/budget control (a collection of account numbers necessary to fund a certain division or set of goal related activities) and will not include the carried forward prior year encumbrances. However, the original and final budget amounts presented in the financial statements may differ due to the inclusion of the carried forward prior year encumbrances.

Throughout the year, the original budget is adjusted to reflect increases or decreases in revenues and changes in fund balance, offset by an equal amount of adjustments to appropriations. Department heads are authorized to approve appropriation transfers within a fund/department/budget control. However, appropriation transfers between funds/departments/budget controls require approval of the Board. Accordingly, the lowest level of budgetary control exercised by the County's governing body is the fund/department/budget control level.

Annual budgets are adopted on a basis consistent with GAAP except for the general fund and major special revenue funds as detailed in the Budgetary Comparison Statement reconciliation between the budgetary basis and GAAP basis. Budgeted governmental funds consist of the general fund, major funds, and other nonmajor governmental funds. Budgetary comparison statements are prepared only for the general fund and major special revenue funds (listed below) for which the County legally adopts annual budgets, and are presented as part of the basic financial statements. The County did not legally adopt annual budgets for the Capital Facilities Development Corporation, South OC Public Financing Authority Fund, and Capital Facilities Construction Fund. The budgetary comparison statements provide three separate types of information: (1) the original budget, which is the first complete appropriated budget; (2) the final amended budget, which includes all legally authorized changes regardless of when they occurred; and (3) the actual revenues and expenditures during the year for budget-to-actual comparisons.

The major special revenue fund Budgetary Comparison Statements reported by the County in the Basic Financial Statements are:

- *Flood Control District*
- *Other Public Protection*
- *Mental Health Services Act*

The intent of preparing the Budgetary Comparison Statement reconciliation is to provide the reader with a more complete understanding and appreciation for the difference between budgetary revenues and other financing sources and expenditures and other financing uses presented in the Budgetary Comparison Statements and the revenues, expenditures, and other financing sources (uses) reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, which is prepared in accordance with GAAP. The major areas of difference are as follows:

- Under the budgetary basis, investment income is recognized on an amortized cost basis. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" (GASB Statement No. 31), all investment income, including changes in fair value (gains/losses) of investments, are recognized as investment income.
- Under the budgetary basis, revenues are normally recorded when earned. For GAAP basis, in accordance with GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" (GASB Statement No. 33), and GASB Statement No. 65, all nonexchange transactions, such as government-mandated nonexchange transactions and voluntary nonexchange transactions, can be accrued only if they are measurable and "available." "Available" has been defined by GASB Statement No. 33 as "collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period." The County has established the

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Budget Adoption and Revision (Continued)**

availability period as 60 days after the end of the fiscal year. In order to ensure all transactions for the current fiscal year meet this criterion, the County analyzes revenue receipts through August 31 and records adjustments to deferred inflows of resources for transactions that are not collected.

- GASB Statement No. 34 states, "Fiduciary funds should be used to report assets held in a trustee or agency capacity for others and therefore, cannot be used to support the government's own programs." For the GAAP financial statements, an adjustment to record public-purpose trust monies as revenue in the benefitting funds is recorded for funds which continue to be accounted for as fiduciary funds on a budgetary basis, but do not meet the definition of a fiduciary fund.
- Under the budgetary basis, intrafund transfers are recognized as other financing sources (uses). For the GAAP financial statements, intrafund transfers are eliminated to minimize the "grossing-up" of intrafund transfers.
- For budgetary purposes, the loan from OC Waste & Recycling to the General Fund was recognized as other financing sources (uses). In accordance with GASB Statement No. 34, an adjustment to record the interfund loan as an interfund receivable in the lender fund and interfund payable in the borrower fund was recorded for the GAAP financial statements.
- Under the budgetary basis, interfund reimbursements or repayments from funds responsible for particular expenditures or expenses to the funds that initially paid for them are recorded as revenues in the payer fund. In accordance with GASB Statement No. 34, an adjustment to eliminate interfund reimbursements is recorded for the GAAP financial statements.
- In accordance with GAAP, the County has established guidelines for recording expenditure accruals. In order to reasonably ensure that accruals for current fiscal year transactions are materially accurate, the County performs an analysis to identify expenditure accruals for the GAAP financial statements.
- The OC Animal Care Center used cash basis to record money it received from invoicing due to the low collection rate. Per GAAP, the receivables and the amount of the allowance for the doubtful accounts should be recorded.
- Under the budgetary basis, the lease rental payments were recorded in the Information Technology ISF. Per GAAP, the lease payments were reclassified to the fund where the lease liability is recorded.

# 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## D. Budget Adoption and Revision (Continued)

The following schedule shows the Budgetary Comparison Statement reconciliation between the budgetary basis and GAAP basis for the General Fund and major special revenue funds:

	General Fund	Flood Control District	Other Public Protection	Mental Health Services Act
<b>Actual Revenues and Other Financing Sources from the Budgetary Comparison Statements</b>	\$ 3,646,410	\$ 170,279	\$ 63,735	\$ 147,503
Differences-budget to GAAP:				
Change in unrealized gain on investment	7,042	2,975	692	422
Adjustment to report redirected investment income as transfers	--	--	31	--
Adjustment of revenue accruals for 60 day recognition period	129,450	2,500	(154)	3
Adjustment to record Public-Purpose Trust Fund monies as revenue in benefitting fund	52	(917)	--	--
Adjustment to eliminate intrafund transfers	--	--	(1,580)	--
Reclassification of direct billing reimbursements paid by fund for the benefit of other funds	(15,495)	(143)	--	--
Revenues and Other Financing Sources for non-budgeted funds are excluded in the Budgetary Comparison Statements	--	--	2,660	--
Recognition of outstanding invoices for OC Animal Care Center	(282)	--	--	--
Reclass ISF lease rental to General Fund	184	--	--	--
<b>Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances</b>	<u>\$ 3,767,361</u>	<u>\$ 174,694</u>	<u>\$ 65,384</u>	<u>\$ 147,928</u>
<b>Actual Expenditures and Other Financing Uses from the Budgetary Comparison Statements</b>	\$ 3,706,871	\$ 146,303	\$ 50,203	\$ 231,783
Differences-budget to GAAP:				
Adjustment to report redirected investment income as transfers	--	--	31	--
Adjustment of expenditure accruals for timing differences	3,417	(2,005)	151	--
Adjustment to eliminate intrafund transfers	--	--	(1,580)	--
Reclassification of direct billing reimbursements paid by fund for the benefit of other funds	(15,495)	(143)	--	--
Expenditures and Other Financing Uses for non-budgeted funds are excluded in the Budgetary Comparison Statements	--	--	11	--
Reclassification of loan repayment from General Fund to OC Waste & Recycling	(185)	--	--	--
Reclass ISF lease rental to General Fund	184	--	--	--
<b>Total Expenditures and Other Financing Uses as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances</b>	<u>\$ 3,694,792</u>	<u>\$ 144,155</u>	<u>\$ 48,816</u>	<u>\$ 231,783</u>

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Fund Balance**

The County applies GASB Statement No. 54 for financial statement purposes. The intent of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

The balance sheet reports the following five different classifications of fund balance:

Nonspendable Fund Balance Amounts that are not in a spendable form, such as long-term receivables, inventory or prepaid costs, or that are required to be maintained intact, such as the corpus of an endowment fund. The County's Regional Park Endowment Permanent Fund reports the original donation as nonspendable in accordance with donor requirements.

Restricted Fund Balance Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed Fund Balance Amounts constrained to specific purposes by a formal action of the highest level of decision-making authority. The constraint remains binding unless the government takes the same highest-level action to remove or change the constraint. The Board is the County's highest level of decision-making authority. The highest level of formal action to commit resources is an ordinance.

Assigned Fund Balance Amounts a government intends to use for a specific purpose that are neither restricted nor committed; intent can be expressed by the governing body (Board) or by an official or body to which the governing body delegates authority (CEO, County Department Heads, and County Purchasing Agent). The County's budget development guidelines provide the policy that is used by all County departments to determine the designation of assigned fund balance. Assigned fund balance includes the aggregation of resources for capital projects, which are expected to develop in future periods and fund balance reserved for outstanding contractual obligations for which goods and services have not yet been received or approved by the Board for appropriation in FY 2019-20, through the County's budget process.

Unassigned Fund Balance Residual amounts within the General Fund in excess of what can be properly classified in one of the four other fund balance classifications. Within all other governmental funds, unassigned fund balance is comprised of the negative residual in excess of what can be properly classified as nonspendable, restricted, or committed.

With regards to the hierarchy for spending, when expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the County's policy is to spend restricted fund balance before unrestricted fund balance. When committed, assigned, and unassigned fund balance is available for the same specific purpose, the County's policy is to expend fund balance according to the following priority: committed, assigned, and then unassigned.

Following are detailed descriptions within each fund balance classification reported in the balance sheet:



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(Dollar Amounts in Thousands)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Fund Balance (Continued)**

	General Fund	Flood Control District	Other Public Protection	Mental Health Services Act	Other Governmental Funds	Total Governmental Funds
<b>Nonspendable:</b>						
Inventory	\$ 1,488	\$ 364	\$ 282	\$ --	\$ --	\$ 2,134
Prepaid costs	458,586	6,027	1,396	--	17,597	483,606
Endowment	--	--	--	--	200	200
Total Nonspendable Fund Balance	460,074	6,391	1,678	--	17,797	485,940
<b>Restricted for:</b>						
Court Operations	64	--	--	--	--	64
Tobacco and CHIP Programs	1,514	--	--	--	--	1,514
Public Safety Realignment	77,404	--	--	--	--	77,404
Flood Control District	--	120,825	--	--	--	120,825
Flood Control District-Construction & Maintenance	--	157,178	--	--	--	157,178
Flood Control District-Project Management	--	37,532	--	--	--	37,532
OC Flood Santa Ana River Mainstem/Prado Dam Capital Project	--	165,913	--	--	--	165,913
Building & Safety Operating Reserve	--	--	4,473	--	--	4,473
Child Support Program Development	--	--	11,889	--	--	11,889
Clerk Recorder Special Revenue	--	--	37,333	--	--	37,333
Clerk Recorder Operating Reserve	--	--	4,339	--	--	4,339
Sheriff-Coroner Replacement & Maintenance	--	--	19,322	--	--	19,322
Sheriff-Coroner Substations Fee Program	--	--	1,425	--	--	1,425
CAL-ID System Costs	--	--	37,938	--	--	37,938
Jail Commissary	--	--	5,058	--	--	5,058
Inmate Welfare	--	--	11,522	--	--	11,522
800 MHz Countywide Coordinated Communications System	--	--	5,336	--	--	5,336
Prop 64-Consumer Protection	--	--	8,009	--	--	8,009
Regional Narcotics Suppression Program	--	--	18,740	--	--	18,740
Other Public Safety Programs	--	--	15,129	--	--	15,129
Mental Health Services Adults/Children	--	--	--	35,789	--	35,789
Mental Health Services Prevention and Early Intervention	--	--	--	11,343	--	11,343
Mental Health Services General	--	--	--	84,943	--	84,943
OC Dana Point Harbor Projects	--	--	--	--	70,247	70,247
Community and Welfare Services	--	--	--	--	70,774	70,774
Low and Moderate Income Housing Program	--	--	--	--	30,650	30,650
Health Care Programs	--	--	--	--	34,475	34,475
Parking Facilities	--	--	--	--	7,286	7,286
Roads	--	--	--	--	92,127	92,127
OC Road-Capital Improvement	--	--	--	--	18,800	18,800
Public Libraries	--	--	--	--	75,499	75,499
OC Parks	--	--	--	--	81,898	81,898
OC Parks-Capital Projects	--	--	--	--	20,049	20,049
County Tidelands-New port Bay	--	--	--	--	3,636	3,636
Service Areas, Lighting, Maintenance and Assessment Districts	--	--	--	--	20,841	20,841
Other Environmental Management	--	--	--	--	4,567	4,567
Tobacco Settlement Programs	--	--	--	--	17,609	17,609
Housing Programs	--	--	--	--	13,286	13,286
Technological and Capital Acquisitions/Improvements	--	--	--	--	1,938	1,938
Endowment	--	--	--	--	167	167
Pension Obligation Bonds	--	--	--	--	18,749	18,749
South OC Public Financing Authority	--	--	--	--	149	149
Teeter Plan Notes	--	--	--	--	25,124	25,124
Capital Projects:						
Criminal Justice Facilities Improvement	--	--	--	--	6,836	6,836
Capital Facilities Development Corporation Construction	--	--	--	--	155,259	155,259
Capital Facilities Development Corporation	--	--	--	--	24,763	24,763
Total Restricted Fund Balance	\$ 78,982	\$ 481,448	\$ 180,513	\$ 132,075	\$ 794,729	\$ 1,667,747

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Fund Balance (Continued)**

	General Fund	Flood Control District	Other Public Protection	Mental Health Services Act	Other Governmental Funds	Total Governmental Funds
<b>Assigned to:</b>						
General Services:						
General Services-Operations	\$ 23,018	\$ --	\$ --	\$ --	\$ --	\$ 23,018
Maintenance and Construction	9,439	--	--	--	--	9,439
Imprest Cash	1,838	--	--	--	45	1,883
Public Safety	15,847	--	--	--	--	15,847
Public Works	2,712	--	--	--	--	2,712
Watershed Programs	2,503	--	--	--	--	2,503
Social Services Programs	590	--	--	--	--	590
Health Care Programs	76	--	--	--	13,588	13,664
Teeter Plan Notes	--	--	--	--	69,449	69,449
Capital Projects:						
Property Tax Software Development	5,076	--	--	--	--	5,076
Criminal Justice Facilities	1,412	--	--	--	--	1,412
Employee Timekeeping System	5,153	--	--	--	--	5,153
Sheriff-Coroner Closed Circuit TV	3,307	--	--	--	--	3,307
Sheriff-Coroner Katella Range and Jails Renovation	20,911	--	--	--	--	20,911
Sheriff-Coroner Maintenance Repair	1,059	--	--	--	--	1,059
Various IT/CAPS+ Upgrade projects	13,988	--	--	--	--	13,988
Countywide Projects	--	--	--	--	75,435	75,435
Parking Facilities	--	--	--	--	1,591	1,591
OC Parks	--	--	--	--	12,575	12,575
Real Estate Development	--	--	--	--	9,038	9,038
Community and Welfare Services	--	--	--	--	32,423	32,423
Total Assigned Fund Balance	106,929	--	--	--	214,144	321,073
<b>Unassigned</b>	217,317	--	--	--	--	217,317
Total Unassigned Fund Balance	217,317	--	--	--	--	217,317
<b>Total Fund Balances</b>	<b>\$ 863,302</b>	<b>\$ 487,839</b>	<b>\$ 182,191</b>	<b>\$ 132,075</b>	<b>\$ 1,026,670</b>	<b>\$ 2,692,077</b>

Annually, the Board adopts a five-year Strategic Financial Plan (SFP). The County of Orange SFP includes a policy for Fund Balance Unassigned (FBU) that eliminates FBU as a funding source for the next year's budget as a significant step toward reducing structural reliance on one-time funds. Positive variances in estimated FBU are to be added to strategic reserves, consistent with the Board policy.

The County prepays its pension contribution and reports the prepaid amount as Nonspendable Fund Balance rather than Unassigned Fund Balance as required by GASB Statement No. 54. For FY 2019-20, the proceeds of \$463,895 was for short-term Taxable Pension Obligation Bonds to prepay its FY 2020-21 pension contribution at a discount. Of this amount \$458,558 is the prepaid costs for General Fund and is Nonspendable. Refer to Note 10, Short-Term Obligations, and Note 18, Retirement Plans for additional information.

**F. Deposits and Investments**

The County's deposits and investments are called the Orange County Investment Fund (OCIF), which includes all cash and investment balances entrusted to the Treasurer. For reporting purposes, OCIF is further divided into the Orange County Investment Pool (OCIP) and the Orange County Educational Investment Pool (OCEIP), the latter of which is utilized exclusively by the County's public school and community college districts. The OCIF is maintained for the County and other Non-County entities for the purpose of benefiting from economies of scale through pooled investment activities. In addition, the OCIF includes other non-pooled specific investment accounts, such as John Wayne Airport Investment Fund (JWA Fund).

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **F. Deposits and Investments (Continued)**

The County has reported investment values at fair value in the accompanying financial statements, using the fair value measurement within the fair value hierarchy established by GASB Statement No. 72 "*Fair Value Measurement and Application*" (GASB Statement No. 72).

Other than proceeds held by the County in the OCIP, proceeds from County-issued bonds are held by trustees and are invested in instruments authorized by the respective trust agreements including money market mutual funds, investment agreements, repurchase agreements, and U.S. Government securities. All investments are measured at fair value. The trustee uses an independent service to value those securities.

The pools value participants' shares using an amortized cost basis. Specifically, the pools distribute income to participants based on their relative participation during the period. Income is calculated based on (1) realized investment gains and losses calculated on an amortized cost basis, (2) interest income based on stated rates (both paid and accrued), (3) amortization of discounts and premiums on a straight-line basis, and reduced by (4) actual investment administrative cost of such investing, depositing or handling of funds. This method differs from the fair value method used to value investments in this statement because the amortized cost method is not designed to distribute to participants all unrealized gains and losses in the fair values of the pools' investments. Refer to Note 3, Deposits and Investments for additional information.

The investments in the Retiree Medical Defined Benefit Trust are managed by OCERS and are reported at fair value. Refer to Note 19, Postemployment Health Care Benefits, to obtain OCERS stand-alone annual financial statements.

### **G. Inventory of Materials and Supplies**

Inventories consist of expendable materials and supplies held for consumption. Inventories are valued at cost, which is determined on a moving weighted-average basis. Applicable fund balances are non-spendable for amounts equal to the inventories on hand at the end of the fiscal year, as these amounts are not available for appropriation and expenditure. The costs of inventory items are recorded as expenditures/expenses when issued to user departments/agencies.

### **H. Prepaid Costs**

The County pays for certain types of services in advance, such as pension costs and rents, and recognizes these expenditures/expenses when consumed. Prepaid costs in the governmental funds balance sheet include \$483,606, which primarily consist of \$483,578 for the County's FY 2020-21 pension contribution at a discount.

Prepaid costs in the government-wide financial statements include the prepaid costs reported in the fund financial statements, reduced for 50% of the prepaid asset related to the pension contribution after the measurement date in accordance with GASB Statement No. 68 and GASB Statement No. 71. Refer to Note 18, Retirement Plans for additional information.

### **I. Capital Assets**

Capital assets are defined as assets of a long-term character that are intended to be held or used in operations, such as land, land improvements, structures and improvements, equipment, intangible, and infrastructure. Infrastructure assets are grouped by networks consisting of flood channels, roads, bridges, trails, traffic signals, and harbors.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### I. Capital Assets (Continued)

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of the donation. Capital assets with an original unit cost equal to or greater than the County's capitalization threshold shown in the table below are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Asset Type	Capitalization Threshold
Land	\$ 0
Land Improvements	\$150
Structures and Improvements	\$150
Equipment	\$ 5
Intangible:	
Software (Commercially Acquired)	\$ 5
All Other	\$150
Infrastructure	\$150

Depreciation and amortization are calculated on a straight-line basis over the estimated useful lives of the related assets. No depreciation or amortization is provided on construction in progress or intangible assets in progress, respectively, until the project is completed and the asset is placed into service. Estimated useful lives of structures and improvements, equipment, intangibles, and infrastructure are as follows:

Land Improvements	10 to 20 years
Structures and Improvements	5 to 60 years
Equipment	2 to 20 years
Intangibles:	
Computer Software	2 to 15 years
Infrastructure:	
Flood Channels	20 to 100 years
Roads	10 to 20 years
Bridges	50 to 75 years
Trails	20 years
Traffic Signals	15 to 20 years
Harbors	20 to 50 years
Airport-Runways, Taxiways, and Aprons	15 to 60 years
OC Waste & Recycling-Cell Development, Drainage Improvements, Habitat, Landfill Gas/Environmental, Closure/Other Earthwork	3 to 71 years

Maintenance and repair costs are expensed in the period incurred. Expenditures that materially increase the capacity or efficiency or extend the useful life of an asset are capitalized and depreciated. Upon the sale or retirement of the capital asset, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the Statement of Activities and Proprietary Funds' Statement of Revenues, Expenses and Changes in Fund Net Position.

In accordance with GASB Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period," interest is not capitalized as a cost of the capital asset for business-type activities nor governmental activities.

The impairment loss of capital assets is measured using one of several allowable methodologies based on the reason for the impairment, is reported net of insurance recovery, and is reported as a program or operating expense, special item or extraordinary item, depending on the circumstances.

# 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## J. Deferred Outflows/Inflows of Resources

The County reports deferred outflows and inflows of resources in its governmental, proprietary, fiduciary, and government-wide financial statements. A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. A deferred inflow of resources represents an acquisition of net position by the government that is applicable to a future period.

Under the modified accrual basis of accounting, deferred inflows of resources consist of revenues not collected within the availability period after fiscal year-end. The County has deferred inflows of resources related to unavailable revenues reported under the modified accrual basis of accounting in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, intergovernmental revenues, SB90, and other sources as appropriate. These amounts are deferred and recognized as an inflow of resources in the period that amounts become available. The SB90 deferred inflows of resources amount of \$5,406 is net of an allowance for the estimated uncollectible of \$4,959.

The deferred outflows/inflows of resources, included on the government-wide Statement of Net Position and the Proprietary Funds Statement of Net Position relate to the deferred charge on refunding, deferred outflows/inflows of resources related to pension, deferred outflows/inflows of resources related to OPEB, and deferred inflows related to Service Concession Arrangements (SCA). A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferral of resources related to SCA is the difference between the guaranteed installment payments and contractual commitments. Deferred resources related to pension and OPEB result from the net difference between projected and actual investment earnings on the plan investments, changes of assumptions and changes in proportion and differences between employer contributions and the proportionate share of contributions calculated by the actuarial study, and differences between expected and actual experience. The deferred outflows of resources related to pension and OPEB also includes employer contributions made after the measurement date and a portion of the County's prepaid retirement contribution.

The table below details out all deferred outflows/inflows of resources related to pension. Please refer to Note 18, Retirement Plans, for further information.

	Governmental Activities	Airport	OC Waste & Recycling	Total
<b>Deferred Outflows of Resources Related to Pension per Actuarial Studies</b>				
Difference Between Expected and Actual Experience	\$ 13,721	\$ 117	\$ 145	\$ 13,983
Changes of Assumptions	316,746	2,716	3,582	323,044
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	17,898	155	202	18,255
<b>Deferred Outflows of Resources Related to Pension-Employer Contributions after Measurement Date</b>	254,414	2,255	2,717	259,386
<b>Deferred Outflows of Resources Related to Prepaid Contribution</b>	244,401	2,290	2,624	249,315
<b>Total Deferred Outflows of Resources Related to Pension</b>	<b>\$ 847,180</b>	<b>\$ 7,533</b>	<b>\$ 9,270</b>	<b>\$ 863,983</b>
<b>Deferred Inflows of Resources Related to Pension per Actuarial Studies</b>				
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	\$ 403,613	\$ 2,843	\$ 3,681	\$ 410,137
Difference Between Expected and Actual Experience	202,485	2,020	2,647	207,152
Changes of Assumptions	6,105	236	306	6,647
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	4,709	41	49	4,799
<b>Total Deferred Inflows of Resources Related to Pension</b>	<b>\$ 616,912</b>	<b>\$ 5,140</b>	<b>\$ 6,683</b>	<b>\$ 628,735</b>

# **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

## **J. Deferred Outflows/Inflows of Resources (Continued)**

The following table details out all deferred outflows/inflows of resources related to OPEB. Please refer to Note 19, Postemployment Health Care Benefits, for further information.

	Governmental Activities	Airport	OC Waste & Recycling	Total
<b>Deferred Outflows of Resources Related to OPEB per Actuarial Studies</b>				
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	\$ 4,744	\$ 41	\$ 49	\$ 4,834
<b>Deferred Outflows of Resources Related to OPEB-Employer</b>				
Contributions after Measurement Date	22,498	189	241	22,928
<b>Total Deferred Outflows of Resources Related to OPEB</b>	<b>\$ 27,242</b>	<b>\$ 230</b>	<b>\$ 290</b>	<b>\$ 27,762</b>
<b>Deferred Inflows of Resources Related to OPEB per Actuarial Studies</b>				
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	\$ 7,334	\$ 60	\$ 80	\$ 7,474
Difference Between Expected and Actual Experience	8,459	73	88	8,620
Changes of Assumptions	13,947	122	144	14,213
<b>Total Deferred Inflows of Resources Related to OPEB</b>	<b>\$ 29,740</b>	<b>\$ 255</b>	<b>\$ 312</b>	<b>\$ 30,307</b>

## **K. Self-Insurance**

The County is self-insured for general and automobile liability claims, workers' compensation claims, and for claims arising under the County self-insured PPO Health Plans, short-term disability plans, dental plan, Reserve Deputy Sheriff accidental death and dismemberment plan, and unemployment benefits program. Liabilities are accrued based upon case reserves, development of known claims, incurred but not reported claims and allocated and unallocated loss adjustment expenses. For additional information, refer to Note 16, Self-Insurance.

## **L. Property Taxes**

The provisions of the California Constitution and Revenue and Taxation Code govern assessment, collection, and apportionment of real and personal property taxes. Real and personal property taxes are computed by applying approved property tax rates to the assessed value of properties as determined by the County Assessor, in the case of locally assessed property and as determined by the State Board of Equalization in the case of state-assessed properties. Property taxes are levied annually, with the exception of the supplemental property taxes, which are levied when supplemental assessment events, such as sales of property or new construction, take place.

The County collects property taxes on behalf of all property tax-receiving agencies in Orange County. Property tax-receiving agencies include the school districts, cities, independently governed special districts not governed by the Board, special districts governed by the Board, redevelopment successor agencies, and the County General Fund.

Property taxes receivables are recorded as of the date levied in property tax unapportioned funds, which are classified as agency funds. When collected, the property taxes are deposited into the County Treasury in the property tax unapportioned funds, where they are held in the unapportioned taxes liability accounts pending periodic apportionment to the tax-receiving agencies. The property tax unapportioned funds are included in the agency funds category of the County's fund financial statements because the unapportioned taxes are collected and held on behalf of other governmental agencies.

# **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

## **L. Property Taxes (Continued)**

Property tax collections are apportioned (disbursed) to the tax-receiving agencies periodically from the tax unapportioned funds based on various factors including statutory requirements, materiality of collections received, tax delinquency dates, the type of property tax roll unapportioned fund (e.g. secured, unsecured, supplemental, delinquent secured, delinquent unsecured, delinquent supplemental, homeowners' property tax subvention, or state-assessed properties), and cash flow needs of the tax-receiving agencies. Property tax revenues are recognized in the fiscal year for which they are levied, provided they are due within the fiscal year and collected within 60 days after the fiscal year-end. Property tax revenues are also recognized for unsecured and supplemental property taxes that are due at year-end, and are collected within 60 days after the fiscal year-end, but will not be apportioned until the next fiscal year due to the timing of the tax apportionment schedule. The County's portion of the unapportioned taxes at June 30, 2020 is allocated to and recorded in the corresponding funds for reporting purposes.

Unsecured and supplemental property tax levies that are due within the fiscal year but are unpaid at fiscal year-end, are recorded as deferred inflows of resources in the fund-level financial statements, and recognized as revenue in the government-wide financial statements. The County records an allowance to recognize uncollectible taxes receivable.

The County maintains records of disputed property taxes, such as those properties for which the values have been appealed to the local Assessment Appeals Boards. Upon final disposition of the appeals and disputes, the amounts are either refunded to taxpayers or the tax bills are corrected. As of June 30, 2020, tax refunds and assessed value tax roll corrections resulting from property tax appeals and other disputes represented approximately 0.47% of the combined beginning secured and unsecured property tax roll charge.

The following are significant dates on the property tax calendar:

	California Revenue & Taxation Code Section
Supplemental assessments are effective on the 1st day of the month following the new construction or ownership change.	75.41
Property tax lien date is January 1.	2192
Unsecured taxes on the roll as of July 31 are delinquent August 31.	2922
Assessor delivers roll to Auditor-Controller July 1.	616, 617
Tax roll is delivered to the Treasurer-Tax Collector on or before the levy date (the 4th Monday in September).	2601
Secured tax payment due dates are:	
1st Installment - November 1, and	2605
2nd Installment - February 1.	2606
Secured tax delinquent dates (last day to pay without penalty) are:	
1st Installment - December 10, and	2617
2nd Installment - April 10.	2618
Declaration of default for unpaid taxes occurs July 1.	3436
Power to sell is effective five years after tax default.	3691

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**M. Compensated Employee Absences**

Compensated employee absences (vacation, compensatory time off, performance incentive plan time off, annual leave, and sick leave) are accrued as an expense and liability in the proprietary funds when incurred. In the governmental funds, only those amounts that are due and payable at year-end are accrued. Compensated employee absences that exceed this amount represent a reconciling item between the fund and government-wide presentations.

**N. Pensions**

The County recognizes a net pension liability to reflect the County's proportionate share of the excess of the total pension liability over the fiduciary net position of the County's retirement plans.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the OCERS and the Extra-Help Defined Benefit Plan and additions to/deductions from OCERS and the Extra-Help Defined Benefit Plan fiduciary net position have been determined on the same basis as they are reported by OCERS and the Extra-Help Defined Benefit Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

At June 30, 2020, the County's net pension liability from OCERS was measured as of December 31, 2019, and the total pension liability (TPL) used to calculate the net pension liability was determined by using actuary valuation results. The County's net pension liability from the Extra-Help Defined Benefit Plan was measured as of June 30, 2020; and the plan's TPL used to calculate the net pension liability was determined by rolling forward the July 1, 2019 valuation to June 30, 2020.

**O. Other Postemployment Benefits (OPEB)**

The County recognizes a net OPEB liability to reflect the County's proportionate share of the excess of the total OPEB liability over the fiduciary net position of the County's Retiree Medical Plan. The Plan is reported in the County's financial statements and has a plan year-end of December 31, 2019.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County's Retiree Medical Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Retiree Medical Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

At June 30, 2020, the County's net OPEB liability was measured as of December 31, 2019, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019.

**P. Statement of Cash Flows**

A Statement of Cash Flows is presented for proprietary fund types. The County's cash and cash equivalents for cash flow reporting purposes are considered to be cash on hand, demand deposits, unrestricted and restricted investments held in the County Treasury's investment pooled funds and outside trustees.

**Q. Indirect Costs**

County indirect costs are allocated to benefitting departments in the "Indirect Expenses Allocation" column of the government-wide Statement of Activities. Allocated costs are from the County's FY 2019-20 County-Wide Cost Allocation Plan (CWCAP), which was prepared in accordance with the Code of Federal Regulation, Title 2, Part 200. For financial statement purposes, the County has elected to allocate indirect costs to budget controls within the General Fund in order to match the reimbursement of indirect costs recorded as program revenues to the same function where the related expense is recorded.



## 1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### R. Effects of New Pronouncements

The following lists recent GASB Pronouncements that have been implemented in FY 2019-20:

In May 2020, GASB issued Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance*." This Statement postpones effective dates of certain Statements and Implementation Guides that first became effective for periods beginning after June 15, 2018. The primary objective of this Statement is to provide temporary relief to governments and stakeholders in light of the COVID-19 pandemic.

The following summarizes recent GASB Pronouncements that will be implemented in future financial statements, as amended by GASB Statement 95. The County has not determined the effect of these Statements.

In January 2017, GASB issued Statement No. 84, "*Fiduciary Activities*." This statement establishes criteria for identifying fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement also describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. The requirements of this statement are effective for reporting periods beginning after December 15, 2019, which requires the County to implement this Statement in FY 2020-21.

In June 2017, GASB issued Statement No. 87, "*Leases*." This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The statement requires a lessee to recognize a lease liability and an intangible right-to-use lease asset, and a lessor to recognize a lease receivable and a deferred inflows of resources. The requirements of this statement are effective for reporting periods beginning after June 15, 2021, which requires the County to implement this Statement in FY 2021-22.

In August 2018, GASB issued Statement No. 90, "*Majority Equity Interests*." This statement improves the consistency and comparability of a government's majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. The statement requires that a component unit in which a government has a 100% equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired 100% equity interest in the component unit. The requirements of this statement are effective for reporting periods beginning after December 15, 2019, which requires the County to implement this Statement in FY 2020-21.

In May 2019, GASB issued Statement No. 91, "*Conduit Debt Obligations*." This statement provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. The statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. The requirements of this statement are effective for reporting periods beginning after December 15, 2021, which requires the County to implement this Statement in FY 2022-23.

In January 2020, GASB issued Statement No. 92, "*Omnibus 2020*." This statement enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this statement are effective for reporting periods after June 15 2021, which requires the County to implement the Statement in FY 2021-22.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**R. Effects of New Pronouncements (Continued)**

In March 2020, GASB issued Statement No. 93, "*Replacement of Interbank Offered Rates.*" This statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate due to global reference rate reform. The requirements of this Statement, are effective for reporting periods beginning after June 15, 2021, which requires the County to implement this Statement in FY 2021-22.

In March 2020, GASB issued Statement No. 94, "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements.*" This statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements. It also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The County will implement this Statement in FY 2022-23.

In May 2020, GASB issued Statement No. 96, "*Subscription-Based Information Technology Arrangements.*" This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The County will implement this Statement in FY 2022-23.

In June 2020, GASB Statement No. 97, "*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.*" The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board, and (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans by clarifying the financial burden criteria in Statement No.84. It also extends the accounting and financial reporting requirements related to the Pension Plans, to Section 457 plans that meet the definition of a pension plan. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021 and all reporting periods thereafter, which requires the County to implement this Statement in FY 2021-22.

**S. Use of Estimates**

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results could differ from those estimates. Where significant estimates have been made in preparing these financial statements, they are described in the applicable footnotes.

**T. Consolidation of Governmental Funds Balance Sheet and Proprietary Funds Statement of Net Position Line Items in Statement of Net Position**

Several asset line items in the Governmental Funds Balance Sheet and the Proprietary Funds Statement of Net Position are combined into one line item in the Government-Wide Statement of Net Position for presentation purposes. In order to avoid any confusion, the following table lists the line items shown in the Governmental and Proprietary Fund financial statements that are condensed together in the Government-Wide Statement of Net Position.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### T. Consolidation of Governmental Funds Balance Sheet and Proprietary Funds Statement of Net Position Line Items in Statement of Net Position (Continued)

<b><i>Government-Wide Statement of Net Position Line Item</i></b>	<b><i>Corresponding Governmental Funds Balance Sheet or Proprietary Funds Statement of Net Position Line Item</i></b>
Cash and Cash Equivalents	Pooled Cash/Investments; Cash Equivalents/Specific Investments; Imprest Cash Funds; and Cash/Cash Equivalents
Restricted Cash and Cash Equivalents	Restricted Cash and Investments with Trustee; Restricted Pooled Cash/Investments; and Restricted Pooled Cash/Investments—Closure and Postclosure Care Costs
Capital Assets – Not Depreciable/Amortizable	Land; Construction in Progress; and Intangible Assets in Progress
Capital Assets – Depreciable/Amortizable (Net)	Structures and Improvements and Accumulated Depreciation; Equipment and Accumulated Depreciation; Infrastructure and Accumulated Depreciation; and Intangible Assets and Accumulated Amortization

## 2. DEFICIT FUND EQUITY

The Workers' Compensation ISF reported a deficit net position balance of \$41,293. The deficit results from the amount calculated in the annual actuarial study which includes case reserves, development of known claims, incurred but not reported claims, allocated and unallocated loss adjustment expenses, and a discount for anticipated investment income. The deficit decreased by \$13,164 from the previous fiscal year primarily due to a strategic decision to increase charges to program participants combined with a decrease in claim costs. Charges to County departments have not provided sufficient cash flows to entirely fund the deficit in the Workers' Compensation ISF. The County will continue to review charges to departments and manage the funding status of the Workers' Compensation Program.

Effective with OCDA's dissolution on February 1, 2012, their assets and liabilities (including bond debt) were transferred to and reported in a private-purpose trust fund of the County. This transfer and reporting structure reflect the custodial role accepted by the Successor Agency. The Successor Agency private-purpose trust fund reported a deficit net position of \$7,313. The deficit for the Successor Agency decreased by \$3,528 from the previous fiscal year primarily due to a decrease in tax pass-throughs.

## 3. DEPOSITS AND INVESTMENTS

The elected Treasurer is responsible for authorizing all County bank accounts and pursuant to California Government Code (CGC) Sections 27000.1–27000.5, 27130–27137 and 53600–53686 is responsible for conducting County investment activities of the County's investment pooled funds in addition to various specific investment accounts outside of the pooled funds. The public funds entrusted to the Treasurer are called the OCIF. OCIF contains pooled funds in an "external investment pool" wherein monies of the County and other legally separate external entities, which are not part of the County reporting entity, are commingled (pooled) and invested on the participants' behalf. The OCIF is not registered with the Securities and Exchange Commission (SEC) as an investment company, and therefore is exempt from SEC rules. For reporting purposes only, the Treasurer separates OCIF into the OCIP, the OCEIP and non-pooled funds. In addition to the pooled funds in OCIF, the Treasurer separately invests other non-pooled funds (Specific Investments), including the JWA Fund and other separately managed investments.

The Treasurer further invests pooled funds from the OCIF into three Funds: the Orange County Money Market Fund (OCMMF), the Orange County Educational Money Market Fund (OCEMMF), and the Extended Fund. On December 6, 2019, Standard & Poor's (S&P) reaffirmed its highest rating of AAAM Principal Stability Fund

### 3. DEPOSITS AND INVESTMENTS (Continued)

Rating (AAAm) on the OCMMF and the OCEMMF. The Treasurer will act on a "best efforts" basis to stabilize the Net Asset Value (NAV) of OCMMF and OCEMMF at or above \$0.9975 (in absolute dollar amounts). The pooled funds do not have any legally binding guarantees of share values.

The maximum maturity of investments for the two short-term pools is 13 months with a maximum weighted average maturity (WAM) of 60 days. The maximum maturity of the long-term pool is five years per CGC. The Investment Policy Statement (IPS) provides that all pools, except short-term pools, shall have a maximum duration of 1.50 years.

Pursuant to CGC Sections 27130-27137, the Board has established a Treasury Oversight Committee (TOC) that monitors and reviews the IPS annually and also ensures that the Treasurer has an audit annually, which includes limited tests of compliance with laws and regulations. The TOC consists of the County Executive Officer, the elected County Auditor-Controller, the County Superintendent of Schools, or their respective designees, and four public members, with at least three having expertise in, or an academic background in, public finance.

The investment practices and policies of the Treasurer are based on compliance with state law and prudent money management. The primary goal is to invest public funds in a manner which will provide maximum security of principal invested with secondary emphasis on providing adequate liquidity to pool participants. The last goal is to achieve a market rate of return within the parameters of prudent risk management while conforming to all applicable statutes and resolutions governing the investment of public funds. Interest is allocated to individual Funds monthly based on the average daily balances on deposit with the Treasurer.

Deposits and investments in OCIF with the Treasurer totaled \$10,340,690 as of June 30, 2020, consisting of \$26,919 in Deposits for OCIF, \$10,200,374 in Investments for pooled funds and \$113,397 for the Specific Investments.

Total County deposits and investments at fair value as of June 30, 2020, are reported as follows:

Deposits:

Imprest Cash	\$ 1,950
Pooled Deposits for OCIF with Treasurer	26,919
Deposits with Trustees	36,155
All other Deposits and Timing Differences	(125,830)
Total Deposits and Timing Differences	<u>(60,806)</u>

Investments:

Pooled Investments for OCIF with Treasurer	10,200,374
Specific Investments with Treasurer	113,397
Restricted Investments with Trustees	437,319
External-OCERS	370,228
Total Investments	<u>11,121,318</u>
Total Deposits and Investments	<u><u>\$ 11,060,512</u></u>

Total County deposits and investments are reported in the following funds:

Governmental Funds	\$ 3,099,158
Proprietary Funds	1,222,360
Fiduciary Funds	6,693,246
Component Unit-CFCOC	45,748
Total Deposits and Investments	<u><u>\$ 11,060,512</u></u>

### **3. DEPOSITS AND INVESTMENTS (Continued)**

#### **A. Deposits**

CGC 53652 et. seq. and the IPS prescribe the amount of collateral that is required to secure the deposit of public funds. The pledge to secure deposits is administered by the California Commissioner of Business Oversight. Collateral is required for demand deposits at 110% of all deposits not covered by Federal Depository Insurance Corporation (FDIC) if obligations of the United States and its agencies, or obligations of the State or its municipalities, school districts, and district corporations are pledged. Collateral of 150% is required if a deposit is secured by first mortgages or first trust deeds upon improved residential real property located in California. All such collateral is considered to be held by the pledging financial institutions' trust departments or agents in the name of the County. Obligations pledged to secure deposits must be delivered to an institution other than the institution in which the deposit is made; however, the trust department of the same institution may hold them. Written agreements are required to provide, among other things, that the collateral securities are held separately from the assets of the custodial institution. FDIC is available for demand deposits and interest saving deposit funds deposited at any one financial institution up to a maximum of \$250.

#### **Custodial Credit Risk-Deposits**

The custodial credit risk for deposits is the risk that the County will not be able to recover deposits that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not insured or collateralized. The County's deposits are not exposed to custodial credit risk, since all of its deposits are covered by FDIC or collateralized with securities held by the County or its agent in the County's name in accordance with CGC Section 53652 and 53658.

#### **B. Investments**

The CGC Sections 53601 and 53635, Board ordinances and resolutions, the County's IPS, the bond indenture documents, trust agreements, and other contractual agreements govern the investments that may be purchased and may include certain restrictions on investment maturity, maximum portfolio percentages, term, value, and credit quality to minimize the risk of loss. The IPS adds further restrictions to permitted investments from the CGC. As of June 30, 2020, the Treasurer was in full compliance with the more restrictive IPS for the OCIF and the Specific Investments accounts.

### 3. **DEPOSITS AND INVESTMENTS (Continued)**

#### B. **Investments (Continued)**

The following table provides a summary listing of the authorized investments as of June 30, 2020.

Type of Investment	CGC % of Funds Permitted	Orange County IPS (%)	CGC Maximum Final Maturity	Orange County IPS Maximum Final Maturity (All Pooled Funds Except Short-Term Funds)	Orange County IPS Maximum Final Maturity (Short-Term Fund)
U.S. Treasury Securities	100%	100%	5 Years	5 Years	397 Days
U.S. Government Agency Securities (GSEs)	100%	100%	5 Years	5 Years	397 Days
Municipal Debt	100%	20% Total, no more than 5% in one issuer except 10%- County of Orange	5 Years	3 Years	397 Days
Medium-Term Notes	30%	20% Total, no more than 5% in one issuer	5 Years	2 Years	397 Days
Bankers Acceptances	40%, 30% of a single issuer	40% Total, no more than 5% in one issuer	180 Days	180 Days	180 Days
Commercial Paper	40%, 10% of a single issuer	40% Total, no more than 5% in one issuer	270 Days	270 Days	270 Days
Negotiable Certificates of Deposits	30%	20% Total, no more than 5% in one issuer	5 Years	18 months	397 Days
State of California Local Agency Investment Fund	\$65 million per account	State limit (currently \$65 million per pool)	N/A	N/A	N/A
Repurchase Agreements	100%	20% Total, no more than 10% in one issuer	1 Year	180 Days	1 Year
Money Market Mutual Funds (MMMF)	20%	20% Total, no more than 10% in one MMMF account	N/A	N/A	N/A
JPA Investment Pools (JPA)	100%	20% Total, no more than 10% in one JPA Pool	N/A	N/A	N/A
Supranationals	30%	30% Total, no more than 5% in one issuer	5 Years	5 Years	397 Days

The current IPS expressly prohibits leverage, reverse repurchase agreements as defined by CGC section 53601, structured notes, structured investment vehicles, derivatives and money market mutual funds that do not maintain a constant net asset value. All investments must be United States dollar denominated. No investment may be purchased from an issuer and all related entities, including parent and subsidiaries, that have been placed on "credit watch-negative" by any of the Nationally Recognized Statistical Rating Organizations (NRSROs), or whose credit rating by any of the NRSROs is less than the minimum rating required by the IPS for that class of security unless the issuer has a short-term rating of A-1+ or F1+ or a long-term rating of at least a AA or Aa2; and the Treasurer has approved the purchase in writing prior to purchase.

Investments by the Treasurer are reported at fair value. Investments in the OCIF are marked-to-market on a daily basis.

Unless otherwise required in a trust agreement or other financing document, assessment districts, Superior Courts, public school and community college districts, including certain bond-related funds, are required by legal provisions to deposit their operating and bond financing funds with the County Treasurer. At June 30, 2020, the OCIF includes approximately 55.8% of these involuntary participant deposits.

### 3. DEPOSITS AND INVESTMENTS (Continued)

#### B. Investments (Continued)

##### Investment Disclosures

The following table presents a summary of the County's investments, the credit quality distribution, and concentration of credit risk by investment type as a percentage of each category's fair value at June 30, 2020.

<u>With Treasurer:</u>	Fair Value	Principal	Interest Rate Range (%) (4)	Maturity Range	Weighted Average Maturity (Years)	Rating (1)	% of Portfolio
<u>OCIF</u>							
U.S. Treasuries	\$ 2,802,207	\$ 2,789,700	0.07-2.98%	7/02/20-5/31/22	0.094		27.47%
U.S. Government Agencies	4,764,541	4,697,318	0.07-3.09%	7/02/20-10/15/24	0.616	AA	46.71%
Municipal Debt	463,895	463,895	1.49-1.82%	7/31/20-4/30/21	0.021	NR	4.55%
Medium-Term Notes	275,557	272,917	1.70-3.12%	9/01/20-8/08/21	0.016	AA	2.70%
Local Agency Investment Fund (LAIF)	73,828	73,467	1.22%	7/01/20	0.000	NR	0.72%
Money Market Mutual Funds	1,820,346	1,820,346	0.04-0.16%	7/01/20	0.000	AAA	17.85%
	<u>\$ 10,200,374</u>	<u>\$ 10,117,643</u>			<u>0.747 (2)</u>		<u>100.00%</u>

<u>With Treasurer:</u>	Fair Value	Principal	Interest Rate Range (%) (4)	Maturity Range	Weighted Average Maturity (Years)	Rating (1)	% of Portfolio
<u>Specific Investments</u>							
U.S. Treasuries	\$ 32,318	\$ 31,000	0.14-2.90%	8/31/20-2/15/36	0.644		28.50%
U.S. Government Agencies	72,687	68,021	0.11-3.48%	7/10/20-11/02/35	2.462	AA	64.10%
Money Market Mutual Funds	8,392	8,392	0.04-0.16%	7/01/20	0.000	AAA	7.40%
	<u>\$ 113,397</u>	<u>\$ 107,413</u>			<u>3.106 (2)</u>		<u>100.00%</u>

<u>With Trustees:</u>	Fair Value	Principal	Interest Rate Range (%) (4)	Maturity Range	Weighted Average Maturity (Years)	Rating (1)	% of Portfolio
<u>Restricted Investments with Trustees</u>							
U.S. Government Agencies	\$ 27,718	\$ 17,250	0.00-2.88%	11/27/20-9/01/21	0.064	AA	6.34%
U.S. Treasuries	15,761	14,829	1.63-2.00%	11/30/20-5/31/23	0.068		3.60%
Guaranteed Investment Contracts	155,513	155,513	2.76%	9/20/22	0.791	NR	35.56%
Money Market Mutual Funds	47,582	47,582	Variable	7/01/20	0.000	AAA	10.88%
Bond Mutual Funds	16,785	16,785	(0.53)-3.89%	7/01/20	0.000	Baa2	3.84%
Non-Bond Funds	156,810	156,810	Variable	7/01/20	0.001	NR	35.86%
Stable Value Funds	17,150	17,150	Variable	7/01/20	0.000	AA	3.92%
	<u>\$ 437,319</u>	<u>\$ 425,919</u>			<u>0.924 (2)</u>		<u>100.00%</u>

#### With External OCERS

Restricted Investments (3)	<u>\$ 370,228</u>
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(1) The County obtains credit ratings from S&P, Moody's, and Fitch. The ratings indicative of the greatest degree of risk have been disclosed. NR means not rated. The County is not required to disclose the credit ratings of obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government, and the ratings for U.S. Treasuries are not disclosed.

(2) Portfolio weighted average maturity

(3) The Retiree Medical Trust Reports \$370,228 of restricted investments with OCERS as of plan year 12/31/19, refer to Note 19. For more information regarding investments with OCERS, refer to their most recently issued financial statements available at <https://www.ocers.org/financial-reports>.

(4) Interest Rate Range for OCIF and Specific Investments are purchase yield rates and for Restricted Investments with Trustees are coupon rates.

### 3. DEPOSITS AND INVESTMENTS (Continued)

#### B. Investments (Continued)

##### Fair Value Measurements

The County categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72. These principles recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Investments reflect prices based on quoted identical assets in an active market.
- Level 2: Investments reflect prices that are based on identical or similar assets in inactive markets or similar assets in active markets. Inputs other than quotes are observable.
- Level 3: Investments reflect prices based on significant unobservable inputs.

Fair value measurement is based on pricing received from the County's third party vendors. Investments in money market mutual funds are priced using amortized cost which approximates fair value, with a net asset value of \$1.00 (in absolute dollar amounts) per share, and per GASB Statement No. 72 are not subject to the fair value hierarchy. Additionally, the Local Agency Investment Fund is not subject to the fair value hierarchy.

The County uses the market approach method as a valuation technique in the application of GASB Statement No. 72. This method uses prices and other relevant information generated by market transactions involving identical or similar assets or groups of assets.

The following table presents a summary of the County's investments according to the assigned fair value hierarchy level as of June 30, 2020.

		Fair Value Measurement		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value			
<b><u>OCIF</u></b>				
U.S. Treasuries	\$ 2,802,207	\$ --	\$ 2,802,207	\$ --
U.S. Government Agencies	4,764,541	--	4,764,541	--
Medium-Term Notes	275,557	--	275,557	--
Municipal Debt	463,895	--	--	463,895
Sub-total	8,306,200	--	7,842,305	463,895
Investments Not Subject to Fair Value Hierarchy:				
Money Market Mutual Funds	1,820,346			
Local Agency Investment Fund	73,828			
<b>Total, OCIF</b>	<b>\$ 10,200,374</b>			
<b><u>Specific Investments</u></b>				
U.S. Treasuries	\$ 32,318	\$ --	\$ 32,318	\$ --
U.S. Government Agencies	72,687	--	72,687	--
Sub-total	105,005	--	105,005	--
Investments Not Subject to Fair Value Hierarchy:				
Money Market Mutual Funds	8,392			
<b>Total, Specific Investments</b>	<b>\$ 113,397</b>			



### 3. **DEPOSITS AND INVESTMENTS (Continued)**

#### B. Investments (Continued)

##### Fair Value Measurements (Continued)

		Fair Value Measurement		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value			
<b><u>With Trustees</u></b>				
U.S. Government Agencies	\$ 27,718	\$ --	\$ 27,718	\$ --
U.S. Treasuries	15,761	--	15,761	--
Non-Bond Funds	156,810	156,810	--	--
Bond Mutual Funds	16,785	16,785	--	--
Sub-total	217,074	173,595	43,479	--
Investments Not Subject to Fair Value Hierarchy:				
Money Market Mutual Funds	47,582			
Guaranteed Investment Contract	155,513			
Stable Value Fund	17,150			
<b>Total, With Trustees</b>	<b>\$ 437,319</b>			

##### Investment in County of Orange Taxable Pension Obligation Bonds 2020, Series A

On January 14, 2020, the OCIF purchased the County issued Taxable Pension Obligation Bonds 2020, Series A (2020 POBs) in the principal amount of \$463,895. The 2020 POBs were issued with a fixed coupon rate and with maturities from July 2020 to April 2021 and are solely owned by the pooled funds in the OCIF. The obligation of the County to pay principal and interest on the 2020 POBs is an obligation imposed by law and is absolute and unconditional. As of June 30, 2020, the outstanding principal amount of the 2020 POBs is \$463,895. The bonds are not rated by any of the NRSROs. The County's investment in the 2020 POBs is disclosed herein as Municipal Debt. For additional information, refer to Note 10, Short-Term Obligations, and Note 18, Retirement Plans.

##### Interest Rate Risk-Investments

This is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, investments of longer maturities are more sensitive to changes in market interest rates. The Treasurer manages its exposure to interest rate risk by carefully matching incoming cash flows and maturing investments to meet expenditures and by maintaining a duration of 1.50 years or less. Declines in the fair value of investments are managed by limiting the length of the maturity of the securities. In general, the maximum maturity allowed is five years unless the Board has granted express authority either specifically or as part of an investment policy. Actual weighted average days to maturity and duration by investment type for the funds invested in the Pools are presented in the table in the Investment Disclosures section. The OCIF at June 30, 2020 has 58.3% of investments maturing in six months or less and 41.7% maturing between six months and five years. As of June 30, 2020, the OCIF has no variable-rate notes.

##### Interest Rate Risk-Weighted Average Maturity

At June 30, 2020, the short-term pooled funds in the OCIF fair values amounted to \$1,327,627. In accordance with the Board approved IPS, the Treasurer manages the short-term pools exposure to declines in fair value for deposits and investments by limiting the WAM to 60 days. At June 30, 2020, the WAM of the short-term pooled funds in the OCIF was less than 60 days. At the same date, the NAV of both short-term pooled funds in the OCIF was \$1.00 (in absolute dollar amounts).

### 3. DEPOSITS AND INVESTMENTS (Continued)

#### B. Investments (Continued)

##### Interest Rate Risk-Duration

At June 30, 2020, the long-term pooled funds in the OCIF investment fair value amounted to \$8,872,747. In accordance with the Board-approved IPS, the Treasurer manages investment related risk for deposits and investments by limiting duration pooled funds to a maximum of 1.50 years.

As of June 30, 2020, the long-term pooled funds in the OCIF had the following duration by investment type:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Portfolio %</u>	<u>Duration (In Years)</u>
U.S. Treasuries	\$ 1,975,978	22.27%	0.46
U.S. Government Agencies	4,498,436	50.70%	1.40
Medium-Term Notes	275,557	3.11%	0.59
Municipal Debt	463,895	5.23%	0.45
Local Agency Investment Fund	73,828	0.83%	0.00
Money Market Mutual Funds	1,585,053	17.86%	0.00
<u>Total Fair Value</u>	<u>\$ 8,872,747</u>		
Portfolio Duration			0.85

##### Custodial Credit Risk

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The IPS does not permit investments in uninsured and unregistered securities not held by the County. The Treasurer utilizes third party Delivery Versus Payment (DVP) which mitigates any custodial credit risk. Securities purchased by the Treasurer are held by third party custodians in their trust department to mitigate custodial credit risk. At year-end, in accordance with the IPS, the County's pooled funds and specific investments did not have any securities exposed to custodial credit risk, and the Treasurer did not have any securities lending during the year (or at year-end).

##### Credit Risk-Investments

This is the risk that an issuer or other counterparty to an investment may not fulfill its obligations. The IPS sets forth the minimum acceptable credit ratings for investments from at least two of the following NRSROs: S&P, Moody's, or Fitch. For purchases of short-term debt, the issuer rating must be no less than A-1 or SP-1 (S&P), P-1 or MIG 1/VMIG 1 (Moody's), or F1 (Fitch) for purchases with remaining maturities less than 397 days, while purchases of long-term debt shall have issuer ratings no less than "AA" for purchases with remaining maturities longer than 397 days. Municipal debt issued by the County is exempt from the above credit rating requirements. As of June 30, 2020, the OCIF investments were in compliance with the IPS limits when purchased.

##### Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of June 30, 2020, all OCIF investments were in compliance with state law and the IPS single issuer limits. See the County's investments table for concentrations of holdings. The following holdings in OCIF pooled funds exceeded five percent of the portfolio at June 30, 2020.

<u>Investment Type</u>	<u>Issuer</u>	<u>Fair Value</u>	<u>Portfolio %</u>
U.S. Government Agencies	Federal Home Loan Bank (FHLB)	\$ 2,034,977	20.0%
	Federal Farm Credit Bank (FFCB)	1,709,804	16.8%
	Federal National Mortgage Association (FNMA)	595,470	5.8%

### 3. **DEPOSITS AND INVESTMENTS (Continued)**

#### B. **Investments (Continued)**

##### **Foreign Currency Risk**

The IPS requires all securities to be U.S. dollar denominated. The County investments are not exposed to foreign currency risk.

##### **Condensed Financial Statements**

In lieu of separately issued financial statements for the entire pools and the external portion of the pools, condensed financial statements for the OCIF are presented below as of and for the year ended June 30, 2020:

##### **OCIF**

##### **Statement of Net Position**

	<b><u>OCIP</u></b>	<b><u>OCEIP</u></b>	<b><u>Total</u></b>
Net Position Held for Pool Participants	\$ 5,024,746	\$ 5,220,045	\$ 10,244,791
Equity of Internal Pool Participants	\$ 4,483,689	\$ --	\$ 4,483,689
Equity of External Pool Participants	495,971	5,176,983	5,672,954
Undistributed and Unrealized Gain	45,086	43,062	88,148
Total Net Position	\$ 5,024,746	\$ 5,220,045	\$ 10,244,791

##### **Statement of Changes in Net Position**

Net Position at July 1, 2019	\$ 4,260,219	\$ 5,623,638	\$ 9,883,857
Net Changes in Investments by Pool Participants	764,527	(403,593)	360,934
Net Position at June 30, 2020	\$ 5,024,746	\$ 5,220,045	\$ 10,244,791

##### **External Pool Portion**

##### **Combining Statement of Fiduciary Net Position**

	<b><u>OCIP</u></b>	<b><u>OCEIP</u></b>	<b><u>Total</u></b>
<b><u>Assets</u></b>			
Pooled Cash/Investments	\$ 494,928	\$ 5,198,865	\$ 5,693,793
Receivables			
Interest/Dividends	1,152	21,375	22,527
Total Assets	496,080	5,220,240	5,716,320
<b><u>Liabilities</u></b>			
Due to Other Governmental Agencies	109	195	304
Total Liabilities	109	195	304
<b><u>Net Position</u></b>			
Restricted for Pool Participants	495,971	5,220,045	5,716,016
Total Net Position	\$ 495,971	\$ 5,220,045	\$ 5,716,016

### 3. **DEPOSITS AND INVESTMENTS (Continued)**

#### B. **Investments (Continued)**

##### **Condensed Financial Statements (Continued)**

##### **Combining Statement of Changes in Fiduciary Net Position**

	<b>OCIP</b>	<b>OCEIP</b>	<b>Total</b>
Additions:			
Contributions to Pooled Investments	\$ 666,901	\$ 8,365,053	\$ 9,031,954
Interest and Investment Income	8,628	129,485	138,113
Less: Investment Expense	(192)	(3,166)	(3,358)
Total Additions	<u>675,337</u>	<u>8,491,372</u>	<u>9,166,709</u>
Deductions:			
Distributions from Pooled Investments	<u>626,645</u>	<u>8,894,965</u>	<u>9,521,610</u>
Total Deductions	<u>626,645</u>	<u>8,894,965</u>	<u>9,521,610</u>
Change in Net Position Held in Trust For External Investment Pool	48,692	(403,593)	(354,901)
Net Position-Beginning of Year	<u>447,279</u>	<u>5,623,638</u>	<u>6,070,917</u>
Net Position-End of Year	<u><u>\$ 495,971</u></u>	<u><u>\$ 5,220,045</u></u>	<u><u>\$ 5,716,016</u></u>

#### C. **Restricted Deposits and Investments with Trustees**

All monies for restricted investments held by trustees are invested in "permitted investments" as defined in the various trust agreements. Restricted deposits with trustees are insured by FDIC up to \$250 and the excess amounts are collateralized.

#### D. **Restricted Investments with OCERS**

OCERS may invest, in accordance with state statutes, in any form or type of investment deemed prudent by the Board of Retirement. Pension and 401(h) health care plan assets are restricted for the exclusive purposes of providing benefits to plan participants and defraying reasonable expenses of administering the plans. The Board of Retirement may invest, or delegate the authority to invest, the assets of the funds through the purchase, holding, or sale of any form or type of investment, financial instrument, or financial transaction. For additional information, refer to Note 19, Postemployment Health Care Benefits. For more information regarding investments with OCERS, refer to their most recently issued financial statements available online at [www.ocers.org](http://www.ocers.org), in writing to the Orange County Employees Retirement System, 2223 East Wellington Avenue, Suite 100, Santa Ana, CA 92701, or by calling (714) 558-6200.

### 3. **DEPOSITS AND INVESTMENTS (Continued)**

#### E. CalOptima's Cash and Investments

Cash and investments are reported in the statements of net position as follows:

	<b>2020</b>
Current Assets:	
Cash and Cash Equivalents	\$ 378,797
Investments	724,186
Board-Designated Assets and Restricted Cash:	
Cash and Cash Equivalents	59,980
Investments	582,103
Restricted Deposit	300
<b>Total</b>	<b>\$ 1,745,366</b>

Board-designated assets and restricted cash are available for the following purposes:

	<b>2020</b>
Board-Designated Assets and Restricted Cash:	
Contingency Reserve Fund	\$ 582,083
Homeless Health Initiative Fund	60,000
Restricted Deposits with DMHC	300
<b>Total</b>	<b>\$ 642,383</b>

#### Custodial Credit Risk Deposits

Custodial credit risk is the risk that, in the event of a bank failure CalOptima may not be able to recover its deposits or collateral securities that are in the possession of an outside party. The California Government Code requires that a financial institution secure deposits made by public agencies by pledging securities in an undivided collateral pool held by a depository regulated under the state law. As of June 30, 2020, no deposits were exposed to custodial credit risk, as CalOptima has pledged collateral to cover the amounts.

#### Investments

CalOptima invests in obligations of the U.S. Treasury, other U.S. government agencies and instrumentalities, state obligations, corporate securities, money market funds, and mortgage or asset-backed securities.

#### Interest Rate Risk

In accordance with its annual investment policy (investment policy), CalOptima manages its exposure to decline in fair value from increasing interest rates by matching maturity dates to the extent possible with CalOptima's expected cash flow draws. Its investment policy limits maturities to five years, while also staggering maturities. CalOptima maintains a low-duration strategy, targeting a portfolio duration of three years or less, with the intent of reducing interest rate risk. Portfolios with low duration are less volatile

### 3. DEPOSITS AND INVESTMENTS (Continued)

#### E. CalOptima's Cash and Investments (Continued)

##### Interest Rate Risk (Continued)

because they are less sensitive to interest rate changes. As of June 30, 2020, CalOptima's investments, including cash equivalents, had the following modified duration:

	Fair Value	Investment Maturities (In Years)	
		Less Than 1	1-5
U.S. Treasury Notes	\$ 298,008	\$ 112,196	\$ 185,812
U.S. Agency Notes	231,675	173,422	58,253
Corporate Bonds	364,553	168,167	196,386
Asset-Backed Securities	111,283	8,968	102,315
Mortgage-Backed Securities	78,468	22,578	55,890
Municipal Bonds	149,434	66,109	83,325
Tax Exempt Municipal Bonds	2,078	2,078	--
Supranational	30,476	3,730	26,746
Commercial Paper	17,491	17,491	--
Certificates of Deposit	18,181	18,181	--
Cash Equivalents	311,960	311,960	--
Cash	75,616	75,616	--
Total	1,689,223	\$ 980,496	\$ 708,727
Accrued Interest Receivable	4,642		
	<u>\$ 1,693,865</u>		

##### Investment With Fair Values Highly Sensitive to Interest Rate Fluctuations

When interest rates fall, debt is refinanced and paid off early. The reduced stream of future interest payments diminishes the fair value of the investment. The mortgage-backed and asset-backed securities in the CalOptima portfolio are of high credit quality, with relatively short average lives that represent limited prepayment and interest rate exposure risk. CalOptima's investments include the following investments that are highly sensitive to interest rate and prepayment fluctuations to a greater degree than already indicated in the information provided above:

	June 30, 2020
Asset-Back Securities	\$ 111,283
Mortgage-Backed Securities	78,468
	<u>\$ 189,751</u>

##### Credit Risk

CalOptima's investment policy conforms to the California Government Code as well as to customary standards of prudent investment management. Credit risk is mitigated by investing in only permitted investments. The investment policy sets minimum acceptable credit ratings for investments from the three nationally recognized rating services: S&P, Moody's Investor Service (Moody's), and Fitch Ratings (Fitch). For an issuer of short-term debt, the rating must be no less than A-1 (S&P), P-1 (Moody's), or F-1 (Fitch), while an issuer of long-term debt shall be rated no less than an "A."

### 3. DEPOSITS AND INVESTMENTS (Continued)

#### E. CalOptima's Cash and Investments (Continued)

##### Credit Risk (Continued)

As of June 30, 2020, following are the credit ratings of investments and cash equivalents:

Investment Type	Fair Value	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year-End					
				AAA	Aa & Aa+	Aa-	A+	A	A-
U.S. Treasury Notes	\$ 490,315	N/A	\$ 490,315	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
U.S. Agency Notes	263,977	N/A	263,977	--	--	--	--	--	--
Corporate Bonds	322,970	A-	--	1,021	24,280	32,942	70,325	135,118	59,284
Floating-Rate Note Securities	78,471	A-	--	45,454	3,602	4,991	10,641	12,195	1,588
Asset-Backed Securities	93,580	AAA	--	92,987	593	--	--	--	--
Mortgage-Backed Securities	85,145	AAA	--	85,145	--	--	--	--	--
Municipal Bonds	164,025	A	--	23,392	81,908	38,646	12,600	5,977	1,502
Supranational	10,110	AAA	--	10,110	--	--	--	--	--
Certificates of Deposit	29,600	A1/P1	--	29,600	--	--	--	--	--
Commercial Paper	70,079	A1/P1	--	70,079	--	--	--	--	--
Money Market Mutual Funds	85,593	AAA	--	85,593	--	--	--	--	--
Total	<u>\$ 1,693,865</u>		<u>\$ 754,292</u>	<u>\$ 443,381</u>	<u>\$ 110,383</u>	<u>\$ 76,579</u>	<u>\$ 93,566</u>	<u>\$ 153,290</u>	<u>\$ 62,374</u>

##### Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of CalOptima's investment in a single issuer. CalOptima's investment policy limits to no more than 5% of the total fair value of investments in the securities of any one issuer, except for obligations of the U.S. government, U.S. government agencies, or government-sponsored enterprises, and no more than 10% may be invested in one money market mutual fund unless approved by the governing board. The investment policy also places a limit of 35% of the amount of investment holdings with any one government-sponsored issuer and 5% of all other issuers. As of June 30, 2020, all holdings complied with the foregoing limitations. The following holdings exceeded 5% of the portfolio as of June 30, 2020:

Investment Type	Issuer	Percentage of Portfolio June 30, 2020
U.S. Treasury Notes	United States Treasury	29.93
U.S. Agency Notes	Federal Home Loan Bank	11.24

##### Fair Value Measurements

CalOptima categorizes its fair value investments within the fair value hierarchy established by U.S. GAAP. The hierarchy for fair value measurements is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date.

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3: Significant unobservable inputs.

The following is a description of the valuation methodologies used for instruments at fair value on a recurring basis and recognized in CalOptima's consolidated statements of net position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

### 3. **DEPOSITS AND INVESTMENTS (Continued)**

#### E. CalOptima's Cash and Investments (Continued)

Marketable Securities: Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. These securities are classified within Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

The following table presents the fair value measurements of assets recognized in CalOptima's consolidated statements of net position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall:

<b>Investment Assets at Fair Value as of June 30, 2020</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
U.S. Treasury Notes	\$ 298,008	\$ --	\$ --	\$ 298,008
U.S. Agency Notes	--	231,675	--	231,675
Corporate Bonds	--	364,553	--	364,553
Asset-Backed Securities	--	111,283	--	111,283
Mortgage-Backed Securities	--	78,468	--	78,468
Municipal Bonds	--	149,434	--	149,434
Tax Exempt Municipal Bonds	--	2,078	--	2,078
Supranational	--	30,476	--	30,476
Commercial Paper	--	17,491	--	17,491
Certificates of Deposits	--	18,181	--	18,181
	<u>\$ 298,008</u>	<u>\$ 1,003,639</u>	<u>\$ --</u>	<u>\$ 1,301,647</u>



#### 4. CHANGES IN CAPITAL ASSETS

Increases and decreases in the County's capital assets for governmental and business-type activities during the fiscal year were as follows:

	Primary Government		
	Balance July 1, 2019	Increases	Decreases
			Balance June 30, 2020
Governmental Activities:			
Capital Assets Not Depreciable/Amortizable:			
Land	\$ 855,763	\$ 16,415	\$ (859)
Land Use Rights (Permanent)	6,439	--	--
Construction in Progress	264,494	147,083	(228,789)
Intangible in Progress	13,610	6,726	(1,538)
Total Capital Assets Not Depreciable/Amortizable	1,140,306	170,224	(231,186)
Capital Assets, Depreciable/Amortizable:			
Structures and Improvements	1,422,961	214,703	(41,395)
Land Improvements	4,256	--	--
Equipment	511,923	47,944	(38,588)
Software	139,031	3,846	--
Infrastructure:			
Flood Channels	1,317,444	292	(346)
Roads	346,480	89,739	(97)
Bridges	136,894	19,831	--
Trails	46,937	1	--
Traffic Signals	16,075	1,169	(80)
Harbors and Beaches	41,238	--	--
Total Capital Assets, Depreciable/Amortizable	3,983,239	377,525	(80,506)
Less Accumulated Depreciation/Amortization For:			
Structures and Improvements	(773,049)	(42,027)	38,070
Land Improvements	(937)	(242)	--
Equipment	(337,019)	(32,559)	35,937
Software	(99,199)	(9,105)	--
Infrastructure:			
Flood Channels	(368,369)	(18,051)	228
Roads	(172,367)	(20,287)	97
Bridges	(47,063)	(2,828)	--
Trails	(37,075)	(970)	--
Traffic Signals	(12,091)	(568)	81
Harbors and Beaches	(32,748)	(691)	--
Total Accumulated Depreciation/Amortization	(1,879,917)	(127,328)	74,413
Total Capital Assets, Depreciable/Amortizable (Net)	2,103,322	250,197	(6,093)
Governmental Activities Total Capital Assets, Net	\$ 3,243,628	\$ 420,421	\$ (237,279)
			\$ 3,426,770

**4. CHANGES IN CAPITAL ASSETS (Continued)**

	Primary Government			Balance June 30, 2020
	Balance July 1, 2019	Increases	Decreases	
Business-Type Activities:				
Capital Assets Not Depreciable/Amortizable:				
Land	\$ 38,379	\$ --	\$ --	\$ 38,379
Construction in Progress	16,516	40,321	(16,903)	39,934
Intangible in Progress	291	458	--	749
Total Capital Assets Not Depreciable/Amortizable	55,186	40,779	(16,903)	79,062
Capital Assets, Depreciable/Amortizable:				
Structures and Improvements	908,806	12,351	--	921,157
Land Improvements	--	611	--	611
Equipment	93,458	13,299	(5,684)	101,073
Software	5,225	410	--	5,635
Infrastructure	709,663	2,820	--	712,483
Total Capital Assets, Depreciable/Amortizable	1,717,152	29,491	(5,684)	1,740,959
Less Accumulated Depreciation/Amortization For:				
Structures and Improvements	(358,146)	(28,527)	--	(386,673)
Land Improvements	--	(8)	--	(8)
Equipment	(55,126)	(6,854)	4,704	(57,276)
Software	(2,083)	(825)	--	(2,908)
Infrastructure	(407,600)	(18,643)	--	(426,243)
Total Accumulated Depreciation/Amortization	(822,955)	(54,857)	4,704	(873,108)
Total Capital Assets, Depreciable/Amortizable (Net)	894,197	(25,366)	(980)	867,851
Business-Type Activities Total Capital Assets, Net	\$ 949,383	\$ 15,413	\$ (17,883)	\$ 946,913

Depreciation/Amortization expense was allocated among functions of the primary government as follows:

Government Activities:	
General Government	\$ 12,783
Public Protection	47,076
Public Ways and Facilities	29,929
Health and Sanitation	3,557
Public Assistance	5,730
Education	1,665
Recreation and Cultural Services	8,355
Internal Service Funds' Depreciation Expense Allocated to Various Functions	18,233
Total Governmental Activities Depreciation/Amortization Expense	127,328
Business-Type Activities:	
Airport	33,241
OC Waste & Recycling	21,616
Total Business-Type Activities Depreciation/Amortization Expense	54,857
Total Depreciation/Amortization Expense	\$ 182,185

## 5. SERVICE CONCESSION ARRANGEMENTS

GASB Statement No. 60, “*Accounting and Financial Reporting for Service Concession Arrangements*” (SCA) (GASB Statement No. 60) defines the required criteria for which a public-private or public-public partnership arrangement qualifies as a SCA:

- The transferor must convey to the operator both the right and obligation to use one of its capital assets to provide services to the public
- The operator must provide significant consideration to the transferor
- The operator must be compensated from fees that it collects from third parties
- The transferor must either determine what services are provided to whom, and at what rate or price
- The transferor must retain a significant residual interest in the service utility of the facility

The County determined that the Dana Point Harbor arrangements met the criteria set forth in GASB Statement No. 60 (where the County is the transferor), and therefore included this SCA in the County’s financial statements.

The Dana Point Harbor is held in trust by the County in accordance with the State Tidelands Grant. Pursuant to the State Tidelands Grant, the County must administer the use of the tidelands and submerged lands in a manner consistent with the tidelands trust and all applicable laws. This includes promoting the use of the harbor for navigation, fishing, public access, water-oriented recreations and the provision of coastal-dependent uses adjacent to the water in leasing or releasing of publicly owned land. Commercial uses, incidental to the above uses, are also allowed.

In addition, the Dana Point Harbor is located entirely within the Coastal Zone and is subject to regulation under the Coastal Act. The Coastal Act was enacted to protect and enhance the coastal environment and to guide and regulate local planning within the Coastal Zone to assure conformity with the statewide goals and policies. For example, the Coastal Act provides that lower cost visitor and recreational facilities shall be protected, encouraged, and where feasible, provided.

On October 29, 2018, the County entered into 66-year term lease agreements with Dana Point Harbor Partners, LLC (DPHP), and Dana Point Harbor Partners Drystack, LLC (DPHPD) to conduct due diligence regarding master lease and development of the Dana Point Harbor. The County must ensure that DPHP and DPHPD, as the Lessees, adhere to the tidelands trust and all applicable laws. The agreements include the reconstruction of the commercial core, the east and west marinas, two new hotels, and the rebuilding of docks. DPHP and DPHPD will fund and build the improvements, and then operate those portions of the harbor on a 66-year lease. DPHP and DPHPD are required to assume full responsibility for operation and maintenance of their lease premises, and make minimum rent payments to the County, in accordance with their respective agreements. Additionally, the agreements provide for the County to receive a percentage of the gross receipts generated from sales, subleases, or any activity permitted under the DPHP and DPHPD arrangements. After the leases end, the assets and improvements will be returned to the County. The current net book value of the Dana Point Harbor assets associated with these agreements is \$809, and it is reported in the County’s government-wide financial statements.

Under the terms of the agreement with DPHPD, the County is required to reimburse the Lessee for applicable redevelopment costs. The present value of this obligation, \$18,574, is reported as part of the accounts payable liability in the government-wide financial statements.

As of June 30, 2020, the present value of the minimum rent payments under the contracts is estimated to be \$88,989, using a 2.5% discount rate. This amount is reported as a receivable in the government-wide financial statements. The total monthly minimum rent payments received in FY 2019-20 was \$1,132. In addition, \$70,418 is reported as deferred inflows of resources. As of June 30, 2020, the lease terms for Dana Point Harbor cover the remaining period of 64 years.

## **6. RECEIVABLES**

GASB Statement No. 38, "*Certain Financial Statement Note Disclosures*," requires identification of receivable balances not expected to be collected within one year. The details of the receivables reported in the government-wide Statement of Net Position that are not expected to be collected within the next fiscal year are identified below:

### **Accounts Receivable**

Accounts Receivable had a balance of \$42,088 as of June 30, 2020. Of this amount, \$1,968 is not expected to be collected within the next fiscal year. This primarily consists of \$1,658 for animal care delinquent invoices and \$256 of expected recoveries from the Airport's multi-year fixed-base operator lessee for pollution remediation costs.

### **Deposits Receivable**

Deposits Receivable had a balance of \$12,541 as of June 30, 2020. Of this amount, \$12,287 is not expected to be collected within the next fiscal year. This primarily consists of \$11,397 which is not expected to be collected within the next fiscal year for deposits held in condemnation proceedings related to real property acquired through eminent domain, \$417 in deposits with the U.S. Army Corps of Engineers for regulatory permitting process on various maintenance projects and a \$400 deposit required by the vendor per agreement with HCA.

### **Leases Receivable**

Leases Receivable had a balance of \$88,989 as of June 30, 2020. Of this amount, \$87,571 is not expected to be received within the next fiscal year. This represents the receivable for a 66-year term lease agreement for the renovation and operation of the Dana Point Harbor.

### **Due from Other Governmental Agencies**

Due from Other Governmental Agencies had a balance of \$401,636 as of June 30, 2020. Of this amount, \$14,856 is not expected to be received within the next fiscal year, which primarily consists of \$5,406 owed by the State of California to the County for various mandated cost reimbursements for programs and services the State requires the County to provide. \$7,973 is for reimbursement claims for various healthcare programs and \$1,161 is for expected reimbursement of the Santa Ana River Subvention claims that will be submitted to the State Department of Water Resources.

### **Notes Receivable**

Notes Receivable had a balance of \$26,097 as of June 30, 2020. Of this amount, \$25,729 is not expected to be received within the next fiscal year. This primarily consists of \$23,090 for loans made to developers to build affordable, low to moderate income, and senior housing. In addition, \$2,030 is for housing loans for MHSA programs and \$560 is for loans provided to first time home buyers.

## **7. INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivables and payables may result from services rendered by one fund to another fund, or from interfund loans. "Due from" and "due to" balances are generally used to reflect short-term interfund receivables and payables whereas "advance from" and "advance to" balances are long-term.

## 7. INTERFUND RECEIVABLES AND PAYABLES (Continued)

The composition of interfund balances as of June 30, 2020 is as follows:

Due from/to other funds:

Payable Funds	Receivable Funds								Total
	General Fund	Flood Control District	Other Public Protection	Mental Health Services Act	Other Governmental Funds	Airport	OC Waste & Recycling	Internal Service Funds	
General Fund	\$ --	\$ 668	\$ 3,308	\$ 6	\$ 49,359	\$ 8	\$ 47	\$ 2,541	\$ 55,937
Flood Control District	8,527	--	--	--	579	--	423	4	9,533
Other Public Protection	6,697	--	--	--	--	--	--	11	6,708
Mental Health Services Act	60,484	--	--	--	--	--	--	--	60,484
Other Governmental Funds	46,864	981	1	--	1,417	--	457	116	49,836
Airport	1,914	--	2	--	77	--	--	316	2,309
OC Waste & Recycling	10,693	--	--	--	8,527	--	--	27	19,247
Internal Service Funds	3,374	12	--	--	109	--	--	8	3,503
Total	<u>\$ 138,553</u>	<u>\$ 1,661</u>	<u>\$ 3,311</u>	<u>\$ 6</u>	<u>\$ 60,068</u>	<u>\$ 8</u>	<u>\$ 927</u>	<u>\$ 3,023</u>	<u>\$ 207,557</u>

Interfund transactions between the Primary Government and Component Unit:

Receivable Entity	Payable Entity	Amount
Primary Government-General Fund	Component Unit-CFCOC	\$ 380
Component Unit-CFCOC	Primary Government-Other Governmental Funds	295

The majority of the interfund balances resulted from the time lag between the time that: (1) goods and services were provided, (2) transactions were recorded in the accounting system, and (3) payments between the funds were made.

Advances to/from other funds:

Receivable Entity	Payable Entity	Amount
OC Waste & Recycling	General Fund	\$ 185
OC Waste & Recycling	Other Governmental Funds	29,867

The interfund loans represent an advance made by OC Waste & Recycling to the General Fund to furnish and equip the OC Animal Care Center, and to Other Governmental Funds for the Sheriff-Coroner's James A. Musick Facility Expansion project, the construction of the OC Animal Care Center, and for the Probation Gym.

## 8. COUNTY PROPERTY ON LEASE TO OTHERS

The County has non-cancellable operating leases for certain buildings, which are not material to the County's general operations. The Airport Enterprise Fund derives a substantial portion of its revenues from non-cancellable operating leases with air carriers and concessionaires, and the OC Waste & Recycling Enterprise Fund derives revenue from landfill gas lease agreements, cell tower operators and a material recovery facility. The Enterprise Funds' property under operating leases, consisting primarily of structures and improvements, at June 30, 2020, approximates \$65,003 net of accumulated depreciation.

## 8. COUNTY PROPERTY ON LEASE TO OTHERS (Continued)

The County leases real property to others under operating lease agreements for recreational boating, retail, restaurants, and other commercial operations. Future minimum rentals to be received under these non-cancellable operating leases as of June 30, 2020 are as follows:

Fiscal Year Ending June 30	Governmental Activities	Business-Type Activities
2021	\$ 10,740	\$ 44,310
2022	11,638	23,110
2023	9,099	19,998
2024	8,914	19,893
2025	8,614	20,165
	<u>49,005</u>	<u>127,476</u>
2026-2030	37,144	86,107
2031-2035	33,812	15,957
2036-2040	25,779	--
2041-2045	6,325	--
2046-2050	3,833	--
2051-2055	3,832	--
2056-2060	3,878	--
2061-2065	3,929	--
2066-2070	4,003	--
2071-2075	4,051	--
2076-2080	2,725	--
	<u>129,311</u>	<u>102,064</u>
Total future minimum rentals	<u>\$ 178,316</u>	<u>\$ 229,540</u>

Total contingent rentals, which arise primarily from a percentage of lessee's gross revenues, amounted to approximately \$27,561 (Enterprise Funds), \$3,284 (Other Governmental Funds), \$487 (Internal Service Funds) and \$91 (Flood Control District) for the year ended June 30, 2020.

## 9. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2020 were as follows:

Transfer Out Funds	Transfer In Funds						Total
	General Fund	Flood Control District	Other Public Protection	Other Governmental Funds	OC Waste & Recycling	Internal Service Funds	
General Fund	\$ --	\$ --	\$ 5,619	\$ 164,717	\$ --	\$ 6,727	\$ 177,063
Flood Control District	3,126	--	--	1,467	--	1,078	5,671
Other Public Protection	24,734	--	--	336	--	119	25,189
Mental Health Services Act	231,658	--	--	--	--	--	231,658
Other Governmental Funds	145,496	946	--	1,044	710	2,272	150,468
OC Waste & Recycling	9,612	--	--	924	--	--	10,536
Internal Service Funds	418	215	10	--	--	65	708
Total	<u>\$ 415,044</u>	<u>\$ 1,161</u>	<u>\$ 5,629</u>	<u>\$ 168,488</u>	<u>\$ 710</u>	<u>\$ 10,261</u>	<u>\$ 601,293</u>

Interfund transfers reflect a flow of assets between funds and blended component units of the primary government without an equivalent flow of assets in return. Recurring transfers were made in the current fiscal year to: (1) relay cash/resources from contributing County funds to various debt service funds for the retirement of long-term obligations, (2) transfer Measure H Tobacco Settlement revenues and Public Safety

## **9. INTERFUND TRANSFERS (Continued)**

Sales Tax (PSST) excess revenue in compliance with the specific statutory requirements, (3) provide resources for services provided within the County's Wraparound Program, (4) contribute resources to comply with Proposition 63 MHSA, (5) transfer waste importation revenue in accordance to the Waste Disposal Agreement, and (6) transfer excess unrestricted revenues to finance various County programs based on budgetary authorizations by the Board. Not all-inclusive, the summary below details some of the more significant transfers:

### Recurring Transfers

#### From General Fund

- \$74,385 was transferred to Other Governmental Funds for various capital projects including, the Civic Center Facilities Master Plan and construction at the Be Well OC Hub and the Yale Transitional Center.
- \$11,705 was transferred to Other Governmental Funds to reimburse expenditures for Sheriff-Coroner construction and facility development projects.
- \$9,182 was transferred to Other Governmental Funds to finance the County's 60% share of the Social Services Agency Wraparound Program.
- \$7,024 was transferred to Other Governmental Funds for data systems development projects.
- \$5,645 was transferred to Internal Service Funds primarily for the purchase of Sheriff-Coroner vehicles.
- \$4,484 was transferred to Other Public Protection in connection with debt service payments for the Central Utility Facility debt issue.
- \$3,000 was transferred to Other Governmental Funds for the maintenance and repair of various Probation Criminal Justice Facilities.
- \$1,442 was transferred to Other Public Protection for the purchase, replacement, and maintenance of Sheriff-Coroner equipment.

#### From Flood Control District

- \$3,126 was transferred to the General Fund for the Watershed Management Program.
- \$1,078 was transferred to the Internal Service Funds for the purchase of OC Flood Vehicles.

#### From Other Public Protection

- \$11,280 was transferred to the General Fund to support the Sheriff-Coroner Department's operations.
- \$4,696 was transferred to the General Fund for the reimbursement of various District Attorney programs, such as Proposition 64 Consumer Protection Fund, Real Estate Fraud, Orange County Auto Theft Task Force, and Supplemental Law Enforcement Services Fund.
- \$3,834 was transferred to the General Fund for the reimbursement of qualifying Public Protection expenditures incurred by the Clerk-Recorder's Office for specific charges mandated by state law that includes modernization of the County's record keeping system, health statistics, micrographics, and security measures.
- \$3,792 was transferred to the General Fund to cover the shortfall of state and federal appropriations over department expenditures in Child Support Services.

#### From Mental Health Services Act

- \$231,658 was transferred to the General Fund for the reimbursement of qualifying Proposition 63 MHSA expenditures.

#### From Other Governmental Funds

- \$56,748 was transferred to the General Fund for funding multi-year capital projects, including the Civic Center Master Plan and Be Well OC Hub construction.
- \$37,634 was transferred to the General Fund for the reimbursement of various County programs as follows:
  - \$18,760 for the Social Services Agency Wraparound Program
  - \$6,947 for Emergency Medical Services

## **9. INTERFUND TRANSFERS (Continued)**

### Recurring Transfers (Continued)

- \$6,375 for Homeless Emergency Aid Program and Crisis Stabilization Program.
- \$5,552 for health disaster preparedness and the Center for Disease Control pandemic flu costs.
- \$29,324 of tobacco settlement monies was transferred to the General Fund to finance HCA's various health care programs and Sheriff-Coroner Department's operational costs.
- \$5,340 was transferred to the General Fund for various information systems projects.
- \$1,226 was transferred to the Internal Service Funds for the purchase of OC Parks vehicles.

### From Enterprise Funds

- \$9,612 was transferred to the General Fund for the County's portion of OC Waste & Recycling's net importation revenue.

In addition, the County had non-recurring transfers in the current fiscal year, which consisted of the following:

### Non-Recurring Transfers

### From General Fund

- \$40,323 was transferred to Other Governmental Funds for development of permanent supportive housing.
- \$12,700 was transferred to Other Governmental Funds for loan payments related to construction of OC Animal Shelter.
- \$2,279 was transferred to Other Public Protection for Clerk-Recorder restricted fee revenue.

### From Flood Control District

- \$1,112 was transferred to Other Governmental Funds for reimbursement of County Administration South, Building 16 costs.

### From Other Governmental Funds

- \$9,230 was transferred to the General Fund for Sheriff-Coroner capital projects.
- \$2,500 was transferred to the General Fund for the Yale Transitional Center expenses.

## **10. SHORT-TERM OBLIGATIONS**

### Taxable Pension Obligation Bonds, 2019 Series A

On January 14, 2019, the County issued Taxable Pension Obligation Bonds, 2019 Series A (the 2019 POBs) in the principal amount of \$402,182. The 2019 POBs were issued in order to take advantage of the discount offered by the OCERS Board of Retirement to prepay the County's FY 2019-20 pension contribution. The 2019 POBs were issued as standard bonds, with four fixed-rate tranches, and a final maturity date of April 30, 2020. The obligation of the County to pay principal and interest on the 2019 POBs is imposed by law and is absolute and unconditional. Pledged security for the bonds are any lawfully available funds of the County. If an event of default has occurred and is continuing, the trustee may proceed to protect or enforce its rights by a suit in equity or action at law. The County repaid in full the outstanding balance of the bonds on April 30, 2020.

### Taxable Pension Obligation Bonds, 2020 Series A

On January 14, 2020, the County issued Taxable Pension Obligation Bonds, 2020 Series A (the 2020 POBs) in the principal amount of \$463,895. The 2020 POBs were issued in order to take advantage of the discount offered by the OCERS Board of Retirement to prepay the County's FY 2020-21 pension contribution. The 2020 POBs were issued as standard bonds, with four fixed-rate tranches, and a final maturity date of April 30, 2021. The obligation of the County to pay principal and interest on the 2020 POBs is imposed by law and is absolute and unconditional. Pledged security for the bonds are any lawfully available funds of the County. If an



## 10. SHORT-TERM OBLIGATIONS (Continued)

### Taxable Pension Obligation Bonds, 2020 Series A (Continued)

event of default has occurred and is continuing, the trustee may proceed to protect or enforce its rights by a suit in equity or action at law. As of June 30, 2020, the outstanding principal amount of the 2020 POBs reported in the General Fund was \$463,895. Refer to Note 3, Deposits and Investments and Note 18, Retirement Plans for additional information.

Description	Balance July 1, 2019	Issuances & Discount/ Premium Amortization	Retirements	Balance June 30, 2020	Amounts Due within One Year
<b><u>County of Orange</u></b>					
<b><u>Taxable Pension Obligation</u></b>					
<b><u>Bonds, 2019 Series A</u></b>					
Date Issued: January 14, 2019					
Interest Rate: 2.816% to 2.899%					
Original Amount: \$402,182					
Maturing in installments through April 30, 2020	\$ 402,182	\$ --	\$ (402,182)	\$ --	\$ --
<b><u>County of Orange</u></b>					
<b><u>Taxable Pension Obligation</u></b>					
<b><u>Bonds, 2020 Series A</u></b>					
Date Issued: January 14, 2020					
Interest Rate: 1.770% to 1.820%					
Original Amount: \$463,895					
Maturing in installments through April 30, 2021	--	463,895	--	463,895	463,895
<b>Total</b>	<u>\$ 402,182</u>	<u>\$ 463,895</u>	<u>\$ (402,182)</u>	<u>\$ 463,895</u>	<u>\$ 463,895</u>

## 11. LONG-TERM OBLIGATIONS

### General Bonded Debt

#### General Obligation Bonded Debt

The amount of general obligation bonded indebtedness the County can incur is limited by law to 1.25% of the last equalized assessment property tax roll. At June 30, 2020, the County had no net general obligation bonded debt. The County's legal debt limit for the year was \$7,909,478. In order for the County to issue general obligation bonds secured by ad valorem taxes on real property, California Constitution Article XIII A, Section 1 requires the approval of 2/3 of the voters voting on the proposition.

### Revenue Bonds Payable

#### Central Utility Facility Lease Revenue Bonds, Series 2016

On June 2, 2016, the South Orange County Public Financing Authority (SOCPFA) issued its \$56,565 Lease Revenue Bonds, Series 2016 at a premium of \$11,724 with an interest rate range of 3.00% to 5.00%. The Lease Revenue Bonds, payable through April 2036, were issued to finance the acquisition, construction and installation of certain capital improvements to be owned by the County and to pay costs relating to the issuance of the bonds. As of June 30, 2020, the outstanding principal amount, including the premium of the Series 2016 Bonds, and interest were \$59,837 and \$23,167, respectively.

## **11. LONG-TERM OBLIGATIONS (Continued)**

### **Revenue Bonds Payable (Continued)**

#### **Central Utility Facility Lease Revenue Bonds, Series 2016 (Continued)**

The bonds are special obligations of the SOCPFA payable from and secured by the base rental payments to be made by the County pursuant to and as required under the lease agreement and the amounts held in all funds and accounts (other than the rebate fund) under the indenture. The Central Utility Facility is pledged as collateral for the debt. In the event of default, the SOCPFA or the trustee may exercise any and all remedies available pursuant to law or granted pursuant to the Lease.

#### **Lease Revenue Bonds, Series 2017A**

On June 22, 2017, the CMFA issued its \$152,400 Lease Revenue Bonds, Series 2017A (Orange County Civic Center Infrastructure Improvement Program-Phase I) at a premium of \$22,940, with an interest rate range from 4.00%-5.00%. As the debt was issued by CMFA, this does not constitute debt for the County. Pursuant to a loan agreement, CMFA loaned the bond proceeds totaling \$175,340 to the Capital Facilities Development Corporation (Corporation), a component unit of the County, to construct the County Administration South (CAS) located at 601 N. Ross Street.

The County's payment obligation commenced on November 12, 2019 when the building's Certificate of Substantial Completion was delivered to the trustee. County departments occupying CAS will be responsible for making base rental payments. Debt service interest payments were paid through FY 2019-20. The County's base rental payments, under the Facility Lease, are scheduled to begin in FY 2020-21 and will be used to repay the loan to the CMFA. Loan repayments are scheduled to conclude when the bonds mature, in June 2047. In the event of default, the trustee may exercise any remedies available under the Indenture, the Loan Agreement and the Facility Lease.

#### **Lease Revenue Bonds, Series 2018A**

On December 13, 2018, CMFA issued its \$185,705 Lease Revenue Bonds, Series 2018A (Orange County Civic Center Infrastructure Improvement Program-Phase II) at a premium of \$26,599, with an interest rate coupon of 5%. As the debt was issued by CMFA, this does not constitute debt for the County. Pursuant to a loan agreement, CMFA loaned the bond proceeds totaling \$212,304 to the Corporation, a component unit of the County, to construct County Administration North (CAN) located at 645 N. Ross Street. A contractor has been selected to construct CAN pursuant to a Development Agreement with the Corporation and construction has begun.

The County's payment obligation will commence once the building's Certificate of Substantial Completion is delivered to the trustee. County departments occupying CAN will be responsible for making base rental payments. The County's base rental payments, under the Facility Lease, are scheduled to begin in FY 2022-23 and will be used to repay the loan to the CMFA. Loan repayments are scheduled to end when the bonds mature, in June 2048. In the event of default, the trustee may exercise any remedies available under the Indenture, the Loan Agreement and the Facility Lease.

#### **Taxable Refunding Pension Obligation Bonds, Series 1997A**

In September 1994, the County issued its Taxable Pension Obligation Bonds, Series 1994A in the aggregate principal amount of \$209,840 and Series 1994B in the aggregate principal amount of \$110,200 (Series 1994 Pension Bonds). The Series 1994 Pension Bonds were partially refunded with proceeds of the County's Taxable Refunding Pension Obligation Bonds, Series 1996A and Series 1997A.

## **11. LONG-TERM OBLIGATIONS (Continued)**

### **Revenue Bonds Payable (Continued)**

#### **Taxable Refunding Pension Obligation Bonds, Series 1997A (Continued)**

On May 11, 2000, a cash tender offer of certain outstanding Pension Obligation Bonds was completed. The County purchased and canceled \$288,290 (maturity value) of Pension Obligation Bonds for a cost of \$179,016. On June 22, 2000, the debt service on the outstanding Pension Obligation Bonds was provided for through the deposit with the trustee of \$175,492 principal amount of "AAA" rated debt securities issued by Fannie Mae, along with \$9,151 in debt service funds already being held by the trustee. In accordance with irrevocable instructions, these securities, together with other cash amounts and investments held by the trustee, will be used solely to retire the remaining Pension Obligation Bonds as they mature. Because this was an economic defeasance and not a legal defeasance, this debt continues to be reported in the County's financial statements until it is fully redeemed. As of June 30, 2020, the outstanding principal amount, interest accretion, and unaccreted interest of the Series 1997A Pension Obligation Bonds were \$2,967, \$15,090, and \$985 respectively.

#### **Airport Revenue Refunding Bonds, Series 2019A and 2019B**

On July 9, 2009, the Airport issued the Airport Revenue Bonds, Series 2009A and 2009B (2009A and 2009B Bonds) in the aggregate principal amount of \$233,115, with an original issue net premium of \$288. The 2009A and 2009B Bonds were issued to finance a portion of the Airport Improvement Program (AIP), fund the debt service requirement for the bonds, fund capitalized interest on a portion of the bonds and pay costs relating to the issuance of the bonds. The AIP consist of numerous direct improvements to the Airport facilities such as construction of Terminal C, Parking Structure C and two commuter/regional holdrooms at the north and south ends of the extended Terminal.

On May 14, 2019, the Airport issued the Airport Revenue Refunding Bonds, Series 2019A and 2019B (2019A and 2019B Bonds) in the principal amount of \$85,030, with a premium of \$13,404. The 2019A and 2019B Bonds were issued to refund and defease the 2009A and 2009B Bonds, fund a debt service reserve subaccount for the bonds, and pay certain expenses in connection with the issuance of the bonds. As of June 30, 2020, the outstanding principal amount, including premium, of the 2019A and 2019B Bonds were \$38,821 and \$54,641, respectively.

The 2019 Bonds are secured by a pledge of (1) operating revenues, net of specified operating expenses, (2) interest earnings, (3) other miscellaneous revenue and (4) available PFC revenue. In the event of default, the trustee may exercise any remedies available under the bond indentures and under state and federal law.

### **Fiscal Year 2019-20 Debt Obligation Activity**

#### **Direct Placement Obligations**

##### **Teeter Plan Notes**

On July 16, 2018, the County issued its three-year taxable Teeter Plan Notes, Series B with Wells Fargo Bank, National Association as a direct placement under the Amended and Restated Note Purchase and Reimbursement Agreement. The Teeter Plan Notes were authorized for a total amount of \$100,000 and certain delinquent taxes (excluding penalties and interest) were pledged revenues for the Teeter Plan Notes. The Teeter Plan Notes were issued for \$61,107 in taxable Teeter Plan Obligation Notes, Series B to refund the June 30, 2018 outstanding Teeter balance of \$27,247 and finance the purchase of \$33,860 for the delinquent property tax receivables associated with the Teeter Plan. Proceeds of this issuance, associated with the purchase of delinquent property tax receivables, paid the participating agencies in the Teeter Plan the full amount of their taxes from the secured property tax roll. In the event of default, the Purchaser may exercise any and all remedies available under the Trust Agreement or pursuant to law. There is an acceleration clause that

**11. LONG-TERM OBLIGATIONS (Continued)**

**Fiscal Year 2019-20 Debt Obligation Activity (Continued)**

**Direct Placement Obligations (Continued)**

Teeter Plan Notes (Continued)

Allows the Purchaser to declare the principal and accrued interest to be due and payable immediately, in the event of default.

On December 28, 2018 and June 20, 2019, the County used all of the accumulated base taxes to redeem \$22,084 and \$9,516, respectively, of the Teeter Plan Obligation Notes. As of June 30, 2019, the outstanding principal amount of the Teeter Plan Obligation Notes was \$29,507.

On July 15, 2019, additional Teeter Plan Notes were issued in the amount of \$40,269 to finance the delinquent property tax receivables associated with the Teeter Plan for a new outstanding balance of \$69,776.

On December 23, 2019, the County used all of the accumulated base taxes to redeem \$26,337 of the Teeter Plan Obligation Notes for a new outstanding balance of \$43,439.

Due to the anticipated economic impact of the COVID-19 pandemic, on April 21, 2020, the Board approved an increase in the authorized amount from \$100,000 to \$150,000. On June 24, 2020, the County used accumulated base taxes to redeem \$8,778 of the Teeter Plan Obligation Notes. As of June 30, 2020, the outstanding principal amount of the Teeter Plan Obligation Notes was \$34,661 and the authorized, unused available commitment under the First Amendment to Amended and Restated Note Purchase and Reimbursement Agreement was \$115,339. At the time of the increase in authorized amount, the prior notes in the amount of \$43,439 were paid off, and new notes in the amount of \$43,439 were issued.

# 11. LONG-TERM OBLIGATIONS (Continued)

## Schedule of Long-Term Debt Obligations, Fiscal Year 2019-20

The table below summarizes the revenue bonds and direct placement obligations outstanding and related activity for the year ended June 30, 2020.

Description	Balance July 1, 2019	Loans/Debt Issuances and Discount/ Premium Amortization	Accreted Interest	Retirements	Balance June 30, 2020	Amounts Due within One Year
<b><u>Governmental Activities:</u></b>						
<b><u>Revenue Bonds and POBs:</u></b>						
<b><u>South Orange County Public Financing Authority</u></b>						
<b><u>Central Utility Facility Lease Revenue Bonds,</u></b>						
<b><u>Series 2016</u></b>						
Date Issued: June 2, 2016						
Interest Rate: 3.00% to 5.00%						
Original Amount: \$56,565						
FY 2019-20 Principal and Interest: \$4,486						
FY 2019-20 Total Pledged Revenues: \$4,427						
Maturing in installments through April 1, 2036	\$ 62,025	\$ (213)	\$ --	\$ (1,975)	\$ 59,837	\$ 2,417
 <b><u>California Municipal Finance Authority</u></b>						
<b><u>Lease Revenue Bonds, Series 2017A</u></b>						
<b><u>(Orange County Civic Center Infrastructure</u></b>						
<b><u>Improvement Program-Phase I)</u></b>						
Date Issued: June 22, 2017						
Interest Rate: 4.00% to 5.00%						
Original Amount: \$152,400						
FY 2019-20 Interest: \$7,176						
Maturing in installments through June 1, 2047	175,340	--	--	--	175,340	3,211
 <b><u>California Municipal Finance Authority</u></b>						
<b><u>Lease Revenue Bonds, Series 2018A</u></b>						
<b><u>(Orange County Civic Center Infrastructure</u></b>						
<b><u>Improvement Program-Phase II)</u></b>						
Date Issued: December 13, 2018						
Interest Rate: 5.00%						
Original Amount: \$185,705						
FY 2019-20 Interest: \$9,285						
Maturing in installments through June 1, 2048	212,304	--	--	--	212,304	--
 <b><u>County of Orange</u></b>						
<b><u>Taxable Refunding Pension</u></b>						
<b><u>Obligation Bonds, Series 1997 A</u></b>						
Date Issued: January 1, 1997 - Current Interest						
Rate Bonds (CIB)						
Date Issued: January 14, 1997 - Capital Appreciation						
Bonds (CAB)						
To Refund the Taxable POBs Series 1994 A						
Interest Rate: CIB - 5.71% to 7.36%						
Interest Rate: CAB - 7.33% to 7.96%						
Original Amount: CIB - \$71,605						
Original Amount: CAB - \$65,318						
FY 2019-20 Principal and Interest: \$14,500						
Maturing in installments through September 1,						
2010 (CIB) and September 1, 2021 (CAB)	5,445	--	--	(2,478)	2,967	2,451
Interest Accretion on CAB	25,201	--	1,911	(12,022)	15,090	13,049
<b>Subtotal-Revenue Bonds and POBs</b>	<b>480,315</b>	<b>(213)</b>	<b>1,911</b>	<b>(16,475)</b>	<b>465,538</b>	<b>21,128</b>

**11. LONG-TERM OBLIGATIONS (Continued)**

**Schedule of Long-Term Debt Obligations, Fiscal Year 2019-20 (Continued)**

Description	Balance July 1, 2019	Loans/Debt Issuances and Discount/ Premium Amortization	Accreted Interest	Retirements	Balance June 30, 2020	Amounts Due within One Year
<b><u>Direct Placement Obligations:</u></b>						
<b><u>County of Orange</u></b>						
<b><u>Teeter Plan Notes</u></b>						
Date of Issuance: July 16, 2018						
Interest Rate: LIBOR Index rate + 50 basis points						
Original Amount: \$61,107						
FY 2019-20 Principal and Interest: \$70,907						
Maturing on July 30, 2021	\$ 29,507	\$ 40,269	\$ --	\$ (69,776)	\$ --	\$ --
Date of Issuance: April 27, 2020						
Interest Rate: LIBOR Index rate + 50 basis points						
Original Amount: \$43,439						
FY 2019-20 Principal and Interest: \$8,910						
FY 2019-20 Total Pledged Revenues: \$8,518						
Maturing on July 30, 2021	--	43,439	--	(8,778)	34,661	--
<b>Subtotal-Direct Placement Obligations</b>	<u>29,507</u>	<u>83,708</u>	<u>--</u>	<u>(78,554)</u>	<u>34,661</u>	<u>--</u>
<b>Subtotal-Governmental Activities</b>	<u>509,822</u>	<u>83,495</u>	<u>1,911</u>	<u>(95,029)</u>	<u>500,199</u>	<u>21,128</u>
<b><u>Business-Type Activities:</u></b>						
<b><u>Airport Revenue Refunding Bonds-</u></b>						
<b><u>Series 2019A and 2019B</u></b>						
Date Issued: May 14, 2019						
Interest Rate: 5.00%						
Original Amount: \$85,030						
FY 2019-20 Principal and Interest: \$4,582						
FY 2019-20 Total Pledged Revenues: \$44,028						
Maturing in installments through July 1, 2030	98,079	--	--	(4,617)	93,462	13,552
<b>Subtotal-Business-Type Activities</b>	<u>98,079</u>	<u>--</u>	<u>--</u>	<u>(4,617)</u>	<u>93,462</u>	<u>13,552</u>
<b>Total</b>	<u>\$ 607,901</u>	<u>\$ 83,495</u>	<u>\$ 1,911</u>	<u>\$ (99,646)</u>	<u>\$ 593,661</u>	<u>\$ 34,680</u>

## 11. LONG-TERM OBLIGATIONS (Continued)

### Schedule of Long-Term Debt Service Requirements to Maturity

The following is a schedule of all long-term debt service requirements to maturity by activity type on an annual basis.

Fiscal Year(s) Ending June 30	Governmental Activities				Business-Type Activities		
	Revenue Bonds and POBs		Direct Placement Obligations		Revenue Bonds		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2021	\$ 7,310	\$ 31,942	\$ --	\$ 615	\$ 11,255	\$ 3,873	\$ 54,995
2022	5,623	21,676	34,661	51	11,815	3,295	77,121
2023	8,990	18,394	--	--	6,750	2,832	36,966
2024	9,440	17,946	--	--	7,095	2,486	36,967
2025	9,915	17,474	--	--	8,845	2,087	38,321
2026-2030	57,520	79,415	--	--	35,795	4,037	176,767
2031-2035	73,404	63,525	--	--	1,525	38	138,492
2036-2040	74,340	44,636	--	--	--	--	118,976
2041-2045	89,170	25,318	--	--	--	--	114,488
2046-2048	54,000	4,712	--	--	--	--	58,712
Total	389,712	325,038	34,661	666	83,080	18,648	851,805
Add: Premium/(Discount)	60,736	--	--	--	10,382	--	71,118
Add: Interest Accretion on CAB	15,090	--	--	--	--	--	15,090
<b>Total</b>	<b>\$ 465,538</b>	<b>\$ 325,038</b>	<b>\$ 34,661</b>	<b>\$ 666</b>	<b>\$ 93,462</b>	<b>\$ 18,648</b>	<b>\$ 938,013</b>

### Changes in Long-Term Liabilities

Long-term liability activities, for the year ended June 30, 2020, were as follows:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Due within One Year
<b>Governmental Activities:</b>					
Revenue Bonds	\$ 388,720	\$ --	\$ (1,975)	\$ 386,745	\$ 4,859
Pension Obligation Bonds	5,445	--	(2,478)	2,967	2,451
Teeter Plan Notes (Direct Placement)	29,507	83,708	(78,554)	34,661	--
Add: Premium/(Discount) on Bonds Payable	60,949	--	(213)	60,736	769
Total, Net	484,621	83,708	(83,220)	485,109	8,079
Interest Accretion on CAB	25,201	1,911	(12,022)	15,090	13,049
<b>Other Long-Term Liabilities:</b>					
Compensated Employee Absences Payable	180,320	156,219	(156,735)	179,804	107,023
Capital Lease Obligations Payable *	39,396	--	(7,694)	31,702	6,610
Insurance Claims Payable	220,072	131,264	(127,661)	223,675	57,917
Intangible Assets Obligations Payable	2,639	486	(1,230)	1,895	721
Total Other Long-Term Liabilities	442,427	287,969	(293,320)	437,076	172,271
<b>Total Long-Term Liabilities **</b>					
<b>For Governmental Activities</b>	<b>\$ 952,249</b>	<b>\$ 373,588</b>	<b>\$ (388,562)</b>	<b>\$ 937,275</b>	<b>\$ 193,399</b>

\* Includes amount of \$2,109 from an Internal Service Fund. For additional information, refer to Note 13, Leases.

\*\* The total long-term liabilities do not include Net Pension Liability or Net OPEB Liability. Refer to Note 18 for additional information on the Net Pension Liability and Note 19 for the Net OPEB Liability.

## 11. LONG-TERM OBLIGATIONS (Continued)

### Changes in Long-Term Liabilities (Continued)

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Due within One Year
<b>Business-Type Activities:</b>					
Bonds Payable:					
Revenue Bonds	\$ 85,030	\$ --	\$ (1,950)	\$ 83,080	\$ 11,255
Add: Premium (Discount) on Bonds Payable	13,049	--	(2,667)	10,382	2,297
Total Bonds Payable, Net	98,079	--	(4,617)	93,462	13,552
Other Long-Term Liabilities:					
Compensated Employee Absences Payable	4,202	4,341	(4,297)	4,246	2,504
Arbitrage Rebate Payable	103	--	(103)	--	--
Landfill Site Closure/Postclosure Liabilities *	179,758	10,272	(5,649)	184,381	3,680
Pollution Remediation Obligation **	17,481	--	(1,296)	16,185	698
Intangible Assets Obligations Payable	167	--	(93)	74	72
Total Other Long-Term Liabilities	201,711	14,613	(11,438)	204,886	6,954
<b>Total Long-Term Liabilities ***</b>					
For Business-Type Activities	\$ 299,790	\$ 14,613	\$ (16,055)	\$ 298,348	\$ 20,506

\* Refer to Note 14 for additional information regarding the increase in Landfill Site Closure/Post Closure Liabilities.

\*\* Refer to Note 17 for additional information regarding the decrease in Pollution Remediation Obligation.

\*\*\* The total long-term liabilities do not include Net Pension Liability or Net OPEB Liability. Refer to Note 18 for additional information on the Net Pension Liability and Note 19 for Net OPEB Liability.

### Compensated Employee Absences

The estimated compensated employee absences payable recorded at June 30, 2020 is \$184,050. Employees are entitled to be paid annual leave, compensated time, and in some cases vacation and sick time depending on job classification, length of service, and other factors. For the governmental funds, most of the compensated absences liability will ultimately be paid from the General Fund.

### Special Assessment District Bonds

Special Assessment District Bonds consist of Assessment District Bonds and Community Facilities District Bonds.

Assessment District Bonds are issued pursuant to provisions of the Improvement Bond Act of 1915 (Division 10 of the California Streets and Highways Code). Proportionate shares of principal and interest installments sufficient in aggregate to meet annual bond debt service requirements are included on the regular County tax bills sent to owners of property against which there are unpaid assessments. Neither the faith and credit nor the taxing power of the County, the State, or any political subdivision thereof is pledged to the payment of the bonds. Assessment District Bonds represent limited obligations of the County payable solely from special assessments paid by property owners within each district. Accordingly, such obligations are not included in the accompanying basic financial statements.

Community Facilities District Bonds are issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, and are payable from a portion of certain special taxes to be levied on property within the boundaries of the Community Facilities District. Except for the special taxes, no other taxes are pledged to the payment of the bonds. The bonds are not general or special obligations of the County nor general obligations of the District, but are limited obligations of the District payable solely from certain amounts deposited by the District in the special tax fund. Accordingly, such obligations are not included in the accompanying basic financial statements.



## **11. LONG-TERM OBLIGATIONS (Continued)**

### **Special Assessment District Bonds (Continued)**

The County is acting as an agent of the assessment and community facilities districts in collecting the assessments and special taxes, forwarding the collections to other paying agents or directly to bondholders, and initiating any necessary foreclosure proceedings. Because of the County's limited obligation in connection with special assessment district and community facilities district debt, related transactions are reflected in Agency Departmental Funds. Major capital outlay expenditures relating to these bonds are accounted for in the "Service Areas, Lighting Maintenance and Assessment Districts" Special Revenue Fund. Special assessment district and community facilities district bonds outstanding as of June 30, 2020, amounted to \$478,904.

## **12. CONDUIT DEBT OBLIGATIONS AND SUCCESSOR AGENCY DEBT**

### **Single and Multi-Family Housing Bonds**

From 1980 through 2013, the County issued bonds under the authority of Chapter 7 of Part 5 of Division 3 of the Health and Safety Code of the State of California. The purpose of the bonds is to finance the purchase of single-family homes and the construction of multi-family units to benefit low and moderate income families.

The bonds are secured by the property financed and are payable solely from revenue of the projects and payments received on the underlying mortgage loans.

The bonds do not constitute a liability of the County. Neither the County, the State of California, nor any political subdivisions thereof are obligated in any manner for the repayment of the bonds. In no event shall the bonds be payable out of any funds or properties of the County. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2020, there were 13 series of bonds outstanding with an aggregate principal amount payable of \$76,201.

### **Orange County Development Agency (OCDA) Successor Agency Bond Debt**

On December 29, 2011, the California Supreme Court issued an opinion in California Redevelopment Association (CRA) v. Matosantos, upholding the constitutionality of ABX1 26, eliminating Redevelopment Agencies (RDA) statewide effective February 1, 2012. Under ABX1 26, a successor agency was created for each dissolved RDA, including OCDA, and charged with winding down the dissolved RDA's operations and performing enforceable obligations (as defined in the law). The OCDA Successor Agency assumed the dissolved RDA's enforceable obligations, which include bond debt obligations. The Neighborhood Development and Preservation Project and Santa Ana Heights Project Refunding Bonds debt service obligations for FY 2019-20 appeared on the OCDA Successor Agency Recognized Obligation Payment Schedule and were approved by the Successor Agency Oversight Board, the State Department of Finance, and were paid to bondholders according to the debt service schedule.

Effective with OCDA's dissolution on February 1, 2012, the assets and liabilities (including bond debt) were transferred to and reported in a Private-Purpose Trust Fund of the County. This transfer and reporting structure reflects the custodial role accepted by the successor agency. As of June 30, 2020, the outstanding principal amount, including the premium of the OCDA Successor Agency bonds and remaining interests were \$13,783 and \$1,059, respectively.

The bonds do not constitute a liability of the County. Neither the County, the State of California nor any political subdivisions thereof are obligated in any manner for the repayment of the bonds. In no event shall the bonds be payable out of any funds or properties of the County. Accordingly, the bonds are reported as liabilities in the Private-Purpose Trust Fund.

### 13. LEASES

#### Operating Leases

The County is committed under various operating leases, primarily for office buildings, office equipment and other equipment. The following is a schedule of future minimum payments required under operating leases entered into by the County that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2020:

<u>Fiscal Year Ending June 30</u>	<u>Equipment</u>	<u>Real Property</u>	<u>Total</u>
2021	\$ 2,555	\$ 36,773	\$ 39,328
2022	109	34,983	35,092
2023	16	33,028	33,044
2024	1	32,998	32,999
2025	1	30,059	30,060
2026-2030	2	135,872	135,874
2031-2035	--	69,937	69,937
Total	<u>\$ 2,684</u>	<u>\$ 373,650</u>	<u>\$ 376,334</u>

Total expenditures for equipment rentals and building and improvements incurred for FY 2019-20 was \$72,283.

#### Capital Leases

The following is a schedule of property the County has leased under capital leases, which includes \$3,187 of equipment for an Internal Service Fund, at June 30, 2020:

Land	\$ 14,831
Equipment	3,234
Less: Accumulated Depreciation	(380)
Structures & Improvements	65,121
Less: Accumulated Depreciation	(43,077)
Total	<u>\$ 39,729</u>

The following are the future minimum lease payments under capital leases and the present value of the net minimum lease payments as of June 30, 2020:

<u>Fiscal Year Ending June 30</u>	
2021	\$ 9,286
2022	7,677
2023	7,831
2024	7,500
2025	4,577
2026-2027	980
Total Minimum Lease Payments	37,851
Less: Amount Representing Interest	(6,149)
Present Value of Net Minimum Lease Payments	<u>\$ 31,702</u>

### 14. LANDFILL SITE CLOSURE AND POSTCLOSURE CARE COSTS

State laws and regulations require OC Waste & Recycling to place final covers on its landfill sites when the landfills stop accepting waste, and to perform certain postclosure maintenance and monitoring functions at the site for a minimum of 30 years after closure. Although closure and postclosure care costs will be paid only near

#### **14. LANDFILL SITE CLOSURE AND POSTCLOSURE CARE COSTS (Continued)**

or after the date each respective landfill stops accepting waste, OC Waste & Recycling will report a portion of these closure and postclosure care costs as an operating expense in each period based on the landfill capacity used as of the Statement of Net Position date.

OC Waste & Recycling owns or operates the following waste disposal sites:

- Frank R. Bowerman (FRB) (Irvine-Active)
- Olinda Alpha (Brea-Active)
- Prima Deshecha (San Juan Capistrano-Active)
- Santiago Canyon (Orange-Ceased accepting waste in 1996, final closure certification in 2005)
- Coyote Canyon (Newport Beach-Ceased accepting waste in 1990, final closure certification in 1995)

The total landfill closure and postclosure care liability at June 30, 2020 was \$184,381. The total liability represents the cumulative amount accrued based on the percentage of the active landfill capacities that have been used to date (37.18% for FRB, 85.42% for Olinda Alpha and 22.26% for Prima Deshecha), less actual costs paid related to both closure and postclosure of the Santiago and Coyote Canyon landfills. OC Waste & Recycling will recognize the remaining estimated cost of closure and postclosure care of \$184,913 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2019 dollars (using the 2019 inflation factor of 1.018). OC Waste & Recycling has enough landfill capacity to operate the system for a minimum of 25 years. However, OC Waste & Recycling estimates that it intends to operate the landfills well beyond this period as a result of approved and planned expansions.

In compliance with Title 27-Environmental Protection of California Code of Regulations, OC Waste & Recycling makes cash contributions as required to its escrow funds to provide financial assurance for estimated future landfill closure costs based on the GASB Statement No. 18, "Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs", formula which is adjusted annually by the Cal Recycle-provided CPI factor. Also in compliance with regulations, OC Waste & Recycling has executed pledge-of-revenue agreements to provide financial assurance for estimated future landfill postclosure maintenance costs. The agreements state that OC Waste & Recycling pledges revenue from future gate fees deposited to pay for estimated postclosure maintenance or shall obtain alternative coverage within sixty (60) days if OC Waste & Recycling ceases at any time to retain control of its ability to allocate pledged revenue to pay postclosure maintenance costs. OC Waste & Recycling has proactively pre-funded this cost based on the State mandated formula that computes landfill capacity as a percentage of the total landfill capacity times the total estimated cost for postclosure maintenance. The estimated costs for future closure and postclosure maintenance are annually adjusted based on State provided inflation factors. The State mandated formula under which contributions to both closure and postclosure funds are calculated would provide for the accumulation of sufficient cash to cover all estimated costs when each landfill site reaches maximum capacity. If additional costs for closure or postclosure maintenance are determined due to changes in technology or higher regulatory requirements, these costs may need to be covered by increasing the amount charged to landfill customers.

As of June 30, 2020, a total of \$96,759 has been set aside for estimated closure and postclosure costs and is included in the accompanying Statement of Net Position as Restricted Pooled Cash and Investments-Closure and Postclosure Care Costs.

Regulations governing solid waste management are promulgated by government agencies on the federal, state and local levels. These regulations address the design, construction, operation, maintenance, closure and postclosure maintenance of various types of facilities, acceptable and prohibited waste types, and inspection, permitting, environmental monitoring and solid waste recycling requirements. Regulations at both the state and federal levels could impose retroactive liability, particularly with respect to cleanup activities relating to any landfill site ever operated by the County, whether or not owned by the County. Refer to Note 17, Pollution Remediation, for additional discussion regarding pollution remediation liabilities.

## 15. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

### Encumbrances

The County has established a procedure for encumbering appropriations for purchase orders, contracts, and other commitments authorizing delivery of merchandise or rendering of services. An encumbrance system reduces the possibility of commitments being made in excess of budgeted appropriations due to the lag time between issuance of purchase orders, contracts, and other obligations, and the actual provision of services or goods and subsequent receipt of invoices and billings from the vendors and contractors. Depending on the source(s) of funding, encumbrances are reported as part of restricted or assigned fund balance on the governmental funds balance sheet. In accordance with GASB Statement No. 54, the County's total significant encumbrances for governmental funds in the aggregate are reported at June 30, 2020, as follows:

General Fund	\$	46,430
Flood Control District		93,545
Other Public Protection		1,959
Other Governmental Funds		87,221
Total Encumbrances for Governmental Funds	\$	<u>229,155</u>

### Construction Commitments

At June 30, 2020, the County's total commitments for major contracts entered into for equipment, intangible assets, land and structures and improvements were as follows, listed by fund within governmental or business-type activities:

Project Title	Significant Commitments
Governmental Activities:	
General Fund	
Property Tax System Re-platforming Project	\$ 2,226
Time Keeping System/Performance Budget Upgrade	<u>1,926</u>
	<u>4,152</u>
Flood Control District	
East Garden Grove-Wintersburg Channel U/S Warner	53,445
Santa Ana River Interceptor Line Construction	2,421
Huntington Beach Channel	2,073
San Juan Creek Channel Phase IV-3700' to 6100' U/S Stonehill Dr	1,540
Fullerton Creek Channel, D/S Western Ave to U/S Beach Blvd Improvement Project	1,372
Santa Ana River Parkway Extension	<u>1,124</u>
	<u>61,975</u>
Other Governmental Funds	
Civic Center Facilities Master Plan, Building 14	158,579
Orange County Zoo-Oak Woodland Exhibit	6,868
James A. Musick Facility Expansion Phase I	3,565
James A. Musick Facility Expansion Phase II	2,832
Intake Release Center facility modifications-Mental Health Upgrade	2,787
Santiago Canyon Road to N Live Oak Canyon Road Safety Improvements	2,650
Brea Boulevard/Brea Canyon Road	2,305
Americans with Disabilities Act Upgrades (Annual)-Anaheim Island	1,967
Laguna Canyon Road Segment 4, Phase 2 to 4	1,553
Santa Ana Ave Storm Drain Improvements and Landscaping	1,277
Tri-City Park-Replace Restrooms 1 & 2	1,272
CCTV Central Jail Complex Power Upgrade Project	1,162
Theo Lacy Emergency Generators Replacement	<u>1,073</u>
	<u>187,890</u>
Internal Service Funds	
Purchase of Various Vehicles	<u>11,062</u>
	<u>11,062</u>

## 15. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS (Continued)

### Construction Commitments (Continued)

Project Title	Significant Commitments
Business-Type Activities:	
Airport	
Airport Operations Center	4,157
Planning	2,667
Parking Structure C, Phase 2	2,652
Maintenance	1,037
	10,513
OC Waste & Recycling	
Bee Canyon Greenery Project	4,767
Capistrano Greenery Project	4,073
	8,840
Total Commitments	\$ 284,432

In addition, the County is involved in the Santa Ana River Mainstem Project (SARMP). The SARMP is a major flood control project implemented and funded by the Federal government and three local sponsors—OCFCD, San Bernardino County Flood Control District, and Riverside County Flood Control and Water Conservation District. A component of the initial project has been re-designated as the Prado Dam Project (Project), which is being implemented and funded by the Federal Government and the OCFCD through a separate Project Cooperation Agreement (PCA). The purpose of the SARMP is to prevent devastating damage caused by large-scale flooding of the Santa Ana River flood plain. When the SARMP was initiated in 1989, the U.S. Army Corps of Engineers (COE) considered this flood plain to constitute the worst flood threat west of the Mississippi River as to potential impacts to population and property. The Project involves a combination of flood channel improvements and constructing new channels in Orange, San Bernardino, and Riverside counties, construction of the Seven Oaks Dam in San Bernardino County, construction of improvements and protection at the Santiago retention basin and along the creek, raising the existing Prado Dam and increasing its flood flow outlet gates and reservoir capacity, along with several environmental mitigation-related studies, habitat restoration and protection activities, recreation amenities, and preservation of historical sites and records.

The COE's estimated combined cost of all project components is \$2,830,419. OCFCD's combined cost share is estimated to be \$890,649 for the entire Santa Ana River Project. As of June 30, 2020, the OCFCD has expended about \$661,467 on the entire Santa Ana River Project.

The construction of Seven Oaks Dam and most channel improvements in Riverside, San Bernardino, and Orange counties have been completed. The relocation and protection of State Route (SR) 71 adjacent to Prado Dam (a joint OCFCD and Caltrans project) and construction to raise the Prado Dam embankments and install new outlet gates is complete. Landscaping along the Santa Ana River in Orange County was completed in May 2010. Design for the construction of interior dikes in the Prado Dam reservoir, and for improvements to the spillway are also ongoing. The COE completed construction of National Housing Tract Dike and Sewage Treatment Plant in 2008. Landscaping for these dikes began in September 2009 and were completed in June 2011. Several environmental mitigation studies and restoration/preservation projects are underway in all three counties. All property right acquisitions for the Seven Oaks Dam and along the lower Santa Ana River in Orange County up to Weir Canyon Road are completed. The Green River Golf Course was acquired in September 2006. This property is required for construction of protection along SR-91 and nearby mobile homes, open space/recreation mitigation, and to accommodate increased flooding when the Prado Dam outlet gates are constructed and operational. The first phase of SR-91 protection (Reach 9 Phase 2B Project) was completed in September 2014. The second phase (Reach 9 Phase 3) started construction in January 2014 and was completed in March 2015. As continuation to the ongoing Reach 9 Project, the COE determined that bank improvements needed to continue east on the south side of the Santa Ana River along SR-91. As such, the Reach 9 Phase 4 Project was developed and the project was awarded on April 13, 2016 at an estimated cost of \$15,300. Completion of the Reach 9, Phase 4 Project occurred in February 2020. The COE is also constructing bank improvements on the north side of the Santa Ana River adjacent to La Palma Avenue from Weir Canyon

## **15. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS (Continued)**

### **Construction Commitments (Continued)**

Road to the railroad (Reach 9 Phase 5A and Phase 5B). Phase 5A was awarded on September 28, 2015 at a cost of \$22,500 and was completed in January 2019. The construction contract for Phase 5B was awarded in September 2016 with an estimated cost of \$25,500, but it was ultimately terminated in FY 2019-20. A new contract will be awarded in September 2020 with completion expected within 18 months. The OCFCD awarded the construction contract on August 9, 2011 for the four miles of Santa Ana River Interceptor Line (SARI) relocation project, which was completed by August 2014. Phase I of the Auxiliary Embankment (an extension of Prado Dam) was completed in September 2012 and Phase II was completed in July 2019. A contract for the construction of the Yorba-Slaughter Adobe Dike was awarded in December of 2012 at a cost of \$6,000 and was substantially completed in August 2017. The Women's Prison Dike (to protect the California Institute of Women) was awarded September 2014 for \$12,700 and a \$3,400 modification which was awarded in August 2015. This feature was substantially completed April of 2016. The OCFCD continues to acquire property rights for the Prado Dam Project, subject to the availability of funding.

The project has been authorized by the State Legislature for reimbursement of up to 70% of the Local Sponsors' expenses through the State Flood Control Subvention Fund, which is administered by the Department of Water Resources (DWR). As of June 30, 2020, OCFCD has submitted \$440,359 in claims, and received \$426,914 in reimbursements. An additional \$1,064 in claims is in the process of being prepared for submittal to the DWR.

Of the total amount outstanding, \$6,601 was reported as deferred inflows of resources at the fund level and recognized as revenue in the government-wide financial statements. Once a claim is reviewed and approved by DWR, 90% of the eligible expenditures can be paid, subject to available funding, with the remaining 10% paid after an audit by the State Controller's Office.

## **16. SELF-INSURANCE**

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; natural disasters; unemployment; salary continuance; and providing health benefits to employees, retirees and their dependents. The County has chosen to establish ISFs where assets are set aside for claim settlements and judgments associated with such losses.

The Workers' Compensation ISF addresses the risks related to employee injury through its Safety Program, which is responsible for injury and illness prevention. The Workers' Compensation program ensures that all benefits are properly provided and administers the contract for the third-party workers' compensation claims administration. Workers' compensation claims are self-funded up to \$20,000.

The Property and Casualty Risk ISF is responsible for managing losses related to torts; theft of, damage to and destruction of assets, errors and omissions, civil rights claims, and natural disasters. Tort liability is also self-funded, up to \$5,000. Commercial insurance is purchased for property and other risk exposures. Excess liability insurance provides up to an additional \$85,000 in liability coverage. There were no losses that impacted the County's excess insurance coverage for the last three fiscal years.

Independent actuarial studies are prepared annually for the Workers' Compensation and Property and Casualty Risk ISFs. The reported unpaid claims liabilities are based on the results of those annual actuarial studies and include case reserves, development of known claims, incurred but not reported claims, allocated loss adjustment expenses and unallocated loss adjustment expenses. Unpaid claims liabilities are calculated considering inflation, claims cost trends, including frequency and payout of settlements and judgments, interest earnings, and changes in legal and economic factors. Unpaid claims liabilities have been discounted at a rate of 2.50% in the Workers' Compensation ISF and 1.50% in the Property and Casualty Risk ISF to reflect anticipated future investment earnings. The decrease from 2.00% to 1.50% in FY 2019-20 in the Property and Casualty Risk ISF rate is due to lower than anticipated interest rates for the past few years.

## 16. SELF-INSURANCE (Continued)

All County departments and other governmental agencies authorized by the Board to participate in the Workers' Compensation ISF are charged for their pro-rata share of costs based upon employee classification rates, claims experience, and funding for the Workers' Compensation program. All County departments participate in the Property and Casualty Risk self-insurance program and are charged for their pro-rata share based upon claims experience, actual number of positions from a biweekly County payroll report, and funding for the Property and Casualty Risk program. The rate calculations for Workers' Compensation and Property and Casualty Risk ISFs are based upon guidelines established by the State Controller's Office for cost plan allocations.

The County has established the Unemployment Insurance ISF, which covers all employees and is paid through the State of California; the County self-insured PPO Health Plans ISF, which provides health plan benefits; and the Health and Other Self-Insured Benefits ISF, which provides dental and short-term disability benefits for a portion of the County's employees and accidental death and dismemberment (AD&D) benefit for Reserve Deputy Sheriffs.

The County's Wellwise Choice, Wellwise Retiree, Sharewell Choice, and Sharewell Retiree PPO plans have no lifetime coverage maximum limitations. The dental insurance coverage is up to \$1,500 (absolute dollars) annually for each covered employee or dependent. The short-term disability insurance coverage is up to 12 months or when the employee returns to work, whichever occurs first. Unemployment benefits covered by law are up to 26 weeks per individual or when the employee returns to work or no longer meets the requirements for the benefit. The self-insured AD&D benefit is for Reserve Deputy Sheriffs only and has a maximum benefit of \$5,000 (absolute dollars).

Changes in the balances of claims liabilities during the past two fiscal years for these self-insurance funds are as follows:

	Workers' Compensation	Property & Casualty Risk	Unemployment Insurance	Health & Other Self-Insured Employee Benefits	Total
Unpaid Claims, Beginning of FY 2018-19	\$ 150,195	\$ 40,087	\$ 801	\$ 12,676	\$ 203,759
Claims and Changes in Estimates	40,092	25,116	917	68,874	134,999
Claim Payments	(40,779)	(10,462)	(781)	(66,664)	(118,686)
Unpaid Claims, End of FY 2018-19	149,508	54,741	937	14,886	220,072
Claims and Changes in Estimates	42,246	19,998	376	68,644	131,264
Claim Payments	(35,453)	(19,227)	(753)	(72,228)	(127,661)
Unpaid Claims, End of FY 2019-20	<u>\$ 156,301</u>	<u>\$ 55,512</u>	<u>\$ 560</u>	<u>\$ 11,302</u>	<u>\$ 223,675</u>

## 17. POLLUTION REMEDIATION

GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations," requires state and local governments to disclose to the public information about the financial impact of environmental cleanup and identifies the circumstances under which a governmental entity would be required to report a liability related to pollution remediation. The County has identified several environmental sites at the Airport and OC Waste & Recycling for which a pollution remediation liability has been recorded in the County's financial statements. The following describes the nature of the obligating events and the estimated liability as they relate to the Airport and OC Waste & Recycling.

### John Wayne Airport (Airport)

In 1988, the Airport was named as a responsible party in a cleanup and abatement order (CAO) issued by the California Regional Water Quality Control Board (RWQCB). The CAO identified four sites on Airport property as having chemical impacts to soil and groundwater. Site investigation and remedial action activities were completed, and in 2003, the RWQCB issued No Further Action letters to the Airport for the sites except the Old

## 17. **POLLUTION REMEDIATION (Continued)**

### John Wayne Airport (Airport) (Continued)

Fuel Farm site. At the Old Fuel Farm, site investigation activities were completed, and on-going remedial activities include removal of residual free hydrocarbon product and monitored natural attenuation of groundwater. Annual groundwater sampling and reporting is currently conducted at the Old Fuel Farm, and the reports are prepared and submitted to the RWQCB.

In 1993, hydrocarbon-impacted soils were documented following removal of two 1,000-gallon underground storage tanks (USTs) at Former Fire Station #33. Following over-excavation and off-site disposal of hydrocarbon-impacted soils, the Orange County Health Care Agency issued a Completion of Corrective Action Letter to the Airport in 1994 related to the UST removal activities. During geotechnical assessment activities conducted at Former Fire Station #33 in 1999, soils appearing to be impacted with hydrocarbons were encountered and the soil boring logs were submitted to the RWQCB. In 2002, the RWQCB requested that the Airport assess the presence and distribution of chemical impacts to soil and groundwater. Site investigation activities were conducted between 2002 and 2006, and on-going remedial activities include monitored natural attenuation of groundwater. Currently, semi-annual groundwater sampling and reporting is conducted at Former Fire Station #33, and the reports prepared are submitted to the RWQCB.

In 2009, a new estimated pollution remediation liability was calculated based on a more active method of remediation for each of the Old Fuel Farm and Former Fire Station #33 sites. Active remediation has been delayed pending further guidance from the RWQCB, which could possibly affect the estimated pollution remediation liability as well as cause changes to the remedial technologies used to remediate the sites. As of June 30, 2020, the Airport has a liability of \$994 based on management's assessment and the results of the consultant's evaluation of potential remediation costs. The liability is not expected to decrease until active remediation begins or a closure plan is accepted by the RWQCB.

In 1995, the Airport entered into a Memorandum of Understanding (MOU) with one of its fixed-base operator (FBO) lessees to address the remediation of the Old Fuel Farm. The FBO was identified as the operator of the site and the other responsible party. The lessee agreed to be obligated to pay 50% of the remediation costs associated with the Old Fuel Farm site. Reported in the Proprietary Funds Statement of Net Position as part of accounts receivable, the total expected recovery for the Old Fuel Farm site is \$256 as of June 30, 2020.

The estimated pollution remediation obligation as of June 30, 2020, is:

Old Fuel Farm Site	\$ 785
Former Fire Station #33 Site	692
Less: Remediation Activity	(483)
Airport Pollution Remediation Obligation	<u>\$ 994</u>

### OC Waste & Recycling

Six closed sites were identified and the remediation costs and time periods were calculated for each of these sites based upon the type of remediation needed and historical trend data for closed landfill sites. The combined pollution remediation obligation ending balance for the year ended June 30, 2020, after deducting actual pollution remediation expenses incurred during fiscal year 2020 is \$15,191.

Cannery Former Refuse Disposal Station A park owned by the City of Huntington Beach (Huntington Beach), California and an elementary school playground are located on a site that was formerly used as a refuse disposal station operated by the County from 1957 to 1969. Levels of methane gas that exceed regulatory limits were detected on the property.



## 17. **POLLUTION REMEDIATION (Continued)**

### OC Waste & Recycling (Continued)

#### Cannery Former Refuse Disposal Station (Continued)

The Local Enforcement Agency (LEA) issued a Notice and Order to Huntington Beach, requiring Huntington Beach to remedy the landfill gas exceedances and to control potential offsite migration of landfill gases. In response to the LEA's Notice and Order, Huntington Beach and the Huntington Beach City School District (Huntington Beach School District) issued the Notices of Intent to Sue under the Resource and Conservation and Recovery Act and the Comprehensive Environmental Response, Compensation, and Liability Act to the County in 2004. Under an agreement with the County, Huntington Beach, and Huntington Beach School District claims were tolled until June 2006.

The County, Huntington Beach, and Huntington Beach School District entered into a Settlement Agreement in 2007 whereby Huntington Beach would be responsible for maintaining the cover of the former disposal site and the County would assume responsibility for the collection and control of landfill gas.

Based on engineering estimates and existing contracts for the operation and maintenance of other disposal sites of a similar size, the age of the site, the length of time waste has been buried and other factors, the County anticipates that the landfill gas collection system will operate fully for 15 years from beginning of the obligation date. The anticipated costs to operate, maintain and monitor the landfill gas collection system over the remaining anticipated operational period is \$31.

Lane Road Former Refuse Disposal Station The site, located in the City of Irvine, California and owned by NGP Realty Sub, L.P. and others, was leased and operated by the County as a refuse disposal facility from 1961 until its closure in 1964. An investigation revealed that landfill gas was present above regulatory limits in close proximity to residential housing units. The LEA issued a Notice and Order to the property owner requiring them to remedy the landfill gas exceedances, and to control potential offsite migration of landfill gases. In response to the LEA's Notice and Order, a claim was filed with CEO Risk Management. The County entered into a Settlement Agreement with the property owner in 2005. Per terms of that Settlement Agreement, the County funded the construction of a landfill gas collection and control system, including a carbon treatment element, for the eastern portion of the site. After verification that the system was operating as planned, the County assumed ownership of the system and responsibility for its operation, maintenance and monitoring in 2008. Also in 2008, it was discovered that landfill gas was elevated in the northern portion of the site. Pursuant to the Settlement Agreement, the County designed and constructed an upgrade and enhancement to the existing landfill gas system to control landfill gas migration on the northern portion of the site.

Based on engineering estimates and existing contracts for the operation and maintenance of other similar disposal sites, the County anticipates that the landfill gas collection system will operate fully for 25 years from beginning of the obligation date, then will most likely either no longer be required or will be converted to a passive system. The cost for the operation, maintenance and monitoring of the system was highest in the first full year of operation when the carbon canisters needed more regular replacement. For each subsequent year of operation, the cost will be reduced due to less frequent carbon swapping and due to anticipated alternative monitoring requirements. The cost to operate and maintain the landfill gas collection system at the site for the next fiscal year of operation is \$310. The anticipated costs to operate, maintain and monitor the landfill gas collection system over the remaining anticipated operational period is \$1,469.

San Joaquin Former Refuse Disposal Station The site, owned by the University of California at Irvine (UC Irvine), was leased and operated by the County as a refuse disposal facility from 1954 to 1961. In 1996, a portion of the site was sold to the U.S. Food and Drug Administration. Levels of methane gas that exceed regulatory limits were detected on the property. As both parties expressed an interest in avoiding costly litigation, the County entered into negotiations to cooperatively address site concerns, resulting in a Cooperative Agreement with UC Irvine that was approved by the Board in May 2008. Pursuant to the Cooperative Agreement, the County constructed a landfill gas collection and control system, including a carbon treatment element.

## 17. POLLUTION REMEDIATION (Continued)

### OC Waste & Recycling (Continued)

#### San Joaquin Former Refuse Disposal Station (Continued)

The County retains responsibility for the operation, maintenance, and monitoring of that system. Based on engineering estimates and existing contracts for the operation and maintenance of similar disposal sites, the County anticipates that the landfill gas collection system will operate fully for 15 years from beginning of the obligation date. The cost to operate and maintain the landfill gas collection system at the site for the next fiscal year of operation is \$141. The remaining obligation for landfill gas remediation at the San Joaquin site over the anticipated operational period is \$195.

Forster Former Refuse Disposal Station The site, located in the City of San Juan Capistrano (San Juan Capistrano), California, was formerly leased and operated as a refuse disposal station by the County from 1958 to 1976. The current owner, Advanced Group 99-SJ, is proposing a change in land use for the property and has notified the County of its position that the County is responsible for re-closure of the site to meet current commercial and redevelopment requirements. The County disputes responsibility for site development related costs. In early 2010, San Juan Capistrano approved the proposed project and certified the Environmental Impact Report (EIR). The EIR was a subject of a citizen's referendum that ultimately resulted in affirmation of the proposed project. Subsequent to San Juan Capistrano approval of the proposed development plan, Advanced Group 99-SJ and the County entered into negotiations to resolve issues related to environmental responsibility at the site. These negotiations resulted in a settlement agreement and release of claims, brought about by a threat of litigation over the CEQA approvals. The settlement and release will permit the development of the site, with monies paid by the County for environmental controls to be installed at the site, an operation and maintenance fund and for environmental insurance, subject to conditions such as obtaining grading permits for the site for its actual development. In exchange, indemnification and environmental releases were provided by the developer to the County.

The obligation by the County for environmental infrastructure and controls at the site as agreed upon in the Settlement Agreement is \$7,500. The entire sum is anticipated to be released within five years from the approval of the project grading permits, but is dependent upon actions by the owner and regulatory approvals for the project. The County will continue to incur additional costs for work related to the County's current obligation to monitor the groundwater underlying the site. This responsibility will be transferred to the site owner upon completion of one of the settlement agreement milestones, but due to the uncertainty of specific timing, the County is unable to fully estimate the remaining ground water obligations as of June 30, 2020.

The remaining balance for landfill gas remediation at the Forster site is \$7,500 as of June 30, 2020. Distribution of these funds will occur over time, based on specific milestones in the development of the site.

Yorba Refuse Disposal Station The site, located in Orange, California (Orange), was owned and operated as a solid waste disposal site by the County. After disposal operations ceased, the site was sold to Orange for use as a city park. Park deed restrictions were later lifted from the property at the request of the city, which then began investigation into some form of commercial application or development at the site. In 2010, the Orange Redevelopment Agency filed suit against the City of Orange. The Complaint alleged various causes of action, including those for private nuisance, public nuisance, dangerous condition of property and statutory contributions for hazardous substances, and a Porter-Cologne contribution and for Polanco Redevelopment Act cost recovery. The relief sought is for unknown costs and damages. In turn, Orange filed a cross-complaint against the County. The causes of action alleged include indemnity and/or contribution, declaratory relief, hazardous substance account act indemnity and remedies under the Porter-Cologne Act.

The County and Orange entered into negotiations to resolve the issues brought forth by Orange. The negotiations resulted in a settlement agreement and release of claims executed on November 5, 2015. This settlement agreement and release of claims provides a remedy for the differential settlement or subsidence, to replace the irrigation system, and for costs associated with site maintenance with monies paid for by the

## 17. POLLUTION REMEDIATION (Continued)

### OC Waste & Recycling (Continued)

#### Yorba Refuse Disposal Station (Continued)

County. In addition, effective on the date of the agreement, the County assumed responsibility and ownership of the landfill gas control system at the site. In exchange, indemnification has been provided by Orange to the County. Based on engineering estimates and existing contracts for the operation and maintenance of other similar disposal sites, the County anticipates that the landfill gas collection system will operate fully for 30 years from beginning of the obligation date, then will most likely either no longer be required or will be converted to a passive system. The cost for the operation, maintenance and monitoring of the system was highest in the first full year of operation when the system needed upgrades and relocation of critical equipment. For each subsequent year of operation, the cost will be reduced due to less frequent carbon swapping and due to anticipated alternative monitoring requirements. The cost to operate and maintain the landfill gas collection system at the site for the next fiscal year of operation will be \$243. The anticipated costs to operate, maintain and monitor the landfill gas collection system over the remaining anticipated operational period is \$5,996 as of June 30, 2020.

The estimated pollution remediation obligation as of June 30, 2020 is:

Cannery Former Refuse Disposal Station	\$	31
Lane Road Former Refuse Disposal Station		1,469
San Joaquin Former Refuse Disposal Station		195
Forster Former Refuse Disposal Station		7,500
Yorba Refuse Disposal Station		5,996
OC Waste & Recycling Pollution Remediation Obligation	\$	<u>15,191</u>

## 18. RETIREMENT PLANS

The County participates in a number of pension plans. The OCERS plan and Extra-Help Defined Benefit plan are cost-sharing multiple-employer defined benefit pension plans. The County of Orange 401(a) and County of Orange 1.62% at 65 Retirement 401(a) plans are defined contribution plans. A summary of pension amounts for the County's defined benefit plans at June 30, 2020 is presented below:

	OCERS	Extra-Help Defined Benefit Plan	Total
Deferred Outflows of Resources Related to Pension	\$ 863,983	\$ --	\$ 863,983
Net Pension Liability	4,124,932	440	4,125,372
Deferred Inflows of Resources Related to Pension	628,688	47	628,735
Pension Expense/(Credit)	456,016	(895)	455,121

### Orange County Employees Retirement System (OCERS)

**Plan Description:** Substantially all County employees participate in OCERS, a cost-sharing multiple-employer public employee retirement system established by the voters of Orange County in 1945 pursuant to the County Employees Retirement Law of 1937, California Government Code Section 31451 et. seq. (the Retirement Law). OCERS is an independent defined-benefit retirement plan in which employees of the County, Orange County Superior Court, and employees of certain cities and special districts within the County participate. OCERS is governed by the Board of Retirement (the OCERS Board). Certain attributes of independence of OCERS are guaranteed under the California Constitution. The OCERS Board consists of nine regular members and one alternate. Four OCERS Board members are appointed by the Board, three members plus one alternate are elected from active County employees, one member is elected from retirees, and the County Treasurer-Tax Collector is elected by registered voters in the County, serves as an Ex-Officio member.

## **18. RETIREMENT PLANS (Continued)**

### **Orange County Employees Retirement System (OCERS) (Continued)**

#### Plan Description (Continued)

The OCERS Board supervises the investment of OCERS assets and the distribution of benefits to retired employees. The OCERS Board also determines the annual contributions required of the County and other participating local governmental entities to fund OCERS.

The Retirement Law requires an actuarial valuation to be performed at least once every three years. OCERS' practice has been to conduct an actuarial valuation annually as of December 31, which is the end of the OCERS fiscal year.

OCERS operates as a cost-sharing multi-employer defined benefit pension plan for the County, Orange County Superior Court of California, City of San Juan Capistrano, and ten special districts: Orange County Cemetery District, Orange County Children and Families Commission, Orange County Department of Education, Orange County Employees Retirement System, Orange County Fire Authority, Orange County In-Home Supportive Services Public Authority, Orange County Local Agency Formation Commission (LAFCO), Orange County Public Law Library, Orange County Sanitation District, Orange County Transportation Authority, Transportation Corridor Agencies and the University of California, Irvine Medical Center and Campus. The Orange County Department of Education and the University of California, Irvine Medical Center and Campus are closed to new member participation. Capistrano Beach, Cypress Recreation & Parks District, Orange County Mosquito and Vector Control and City of Rancho Santa Margarita are no longer active plan sponsors, but retired members and their beneficiaries, as well as deferred members, remain in the System. OCERS is legally and fiscally independent of the County.

**Benefits Provided:** OCERS provides for retirement, death, disability, and cost-of-living benefits. Under OCERS, each County employee receives a defined-benefit pension at retirement, that is, a specific amount per month determined in accordance with the Retirement Law, which amount is not dependent upon the amount of money credited to the employee's account at the time of retirement. An OCERS member may be eligible for a Disability Retirement allowance. The member will be asked to designate a beneficiary or beneficiaries, who may be entitled to receive lifetime and/or lump sum benefits that may be payable upon a member's death. OCERS also provides two types of disability benefits, a nonservice-connected disability retirement or service-connected disability retirement. Under each type, the eligibility requirements are different. More information can be found on [www.ocers.org](http://www.ocers.org). The OCERS Board does not set the benefit amounts. OCERS administers benefits that are set by the County Board through the collective bargaining process with County employees in accordance with the Retirement Law.

Effective June 28, 2002, Safety members, including Probation Services employees, became eligible for an annual annuity equal to a retirement benefit formula of 3% of the member's "final compensation" for each year of service rendered at age 50. Law enforcement management, which includes executives in the Sheriff-Coroner and District Attorney departments, and employees represented by the Association of Orange County Deputy Sheriffs hired after April 9, 2010, receive an annual annuity equal to a retirement benefit formula of 3% of the member's "final compensation" for each year of service rendered at age 55.

Effective July 1, 2005, as part of collective bargaining agreements with County employees, most General members who work for the County (approximately 14,000) became eligible for an enhanced annual annuity equal to a retirement benefit formula of 2.7% of the member's "final compensation" for each year of service rendered at age 55. In collective bargaining agreements with General members, the employee associations agreed to pay the increased retirement costs related to the difference between the prior retirement benefit formulas and the new 2.7% at age 55 enhanced formula, as well as the annual amortization of the unfunded liability created by the retroactive application of the increased benefit. Members of the American Federation of State, County and Municipal Employees (AFSCME) did not elect the 2.7% at age 55 retirement formula and remain at the previous benefit formulas. The benefit formulas for AFSCME are an annual annuity equal to 2% of the "final compensation" for each year of service rendered at age 57 for Tier I General members and 1.667% of

## **18. RETIREMENT PLANS (Continued)**

### **Orange County Employees Retirement System (OCERS) (Continued)**

#### **Benefits Provided (Continued)**

the member's "final compensation" for each year of service rendered at age 57.5 for Tier II General members. Due to the passage of the Public Employees' Pension Reform Act (PEPRA) of 2013, most new employees hired on or after January 1, 2013, except for Safety members and members represented by AFSCME and the Orange County Attorneys Association (OCAA), will receive an annual annuity equal to a retirement benefit formula of 1.62% of the member's "final compensation" for each year of service rendered at age 65. The 1.62% at age 65 retirement formula includes a voluntary defined contribution component with an employer match.

Non-vested Supplemental Targeted Additional Retiree Cost of Living Adjustment (STAR COLA) benefits are also paid by OCERS to eligible retirees and survivors. Pursuant to Government Code Section 31874.3 of the Retirement Law, the OCERS Board has the sole authority to grant STAR COLA each year. The OCERS Board understands that granting STAR COLA may increase the Unfunded Actuarial Accrued Liability (UAAL); and therefore, asks for comments from plan sponsors prior to voting on approval of the annual benefit.

Retirees who have lost more than 20% of their purchasing power since retirement are eligible for this benefit, and currently, approximately 210 retirees (of which 204 are County retirees) who retired on or before April 1, 1980, and their survivors receive the STAR COLA. The STAR COLA benefits are excluded from the actuarial valuation and are funded annually through current employer contributions. Benefits are considered immaterial to the plan.

Contributions: In accordance with various Board resolutions, the County's funding policy is to make periodic contributions to OCERS in amounts such that, when combined with employee contributions and investment income, will fully provide for member benefits by the time they retire. Covered employees are required to contribute a percentage of their annual compensation to OCERS as a condition of employment. Base employee contributions are calculated using a formula defined in the Retirement Law. The California Supreme Court's 1997 Ventura decision stated that, for the purpose of calculating pension benefits, "final compensation" means not only base salaries, but also other components. The County employee contributions under current contracts are calculated on base salary, eligible premium pay, and some categories of overtime as defined in the 1997 Ventura decision.

Employer contributions are based on what is needed to properly fund the system. The law, however, does allow employers and employees to negotiate some variation in who pays the contributions. OCERS' responsibility is to make certain the total required contribution is paid, regardless of how the employers and employees share the cost. For FY 2019-20, employer's contributions for funding purpose, as a percentage of covered payrolls, were 35.33% for General members, 62.38% for Safety-Law Enforcement members and 52.32% for Safety-Probation members, as determined by the December 31, 2017, actuarial valuation. The County's total contribution to OCERS for the year ended June 30, 2020 was \$475,676.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension: At June 30, 2020, the County reported a liability of \$4,124,932 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability (TPL) used to calculate the net pension liability was determined using actuarial valuation results. At December 31, 2019, the County's proportion was 81.27%, which was an increase of 1.88% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the County recognized pension expense of \$456,016. At June 30, 2020, the

**18. RETIREMENT PLANS (Continued)**

**Orange County Employees Retirement System (OCERS) (Continued)**

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)**

County reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$ --	\$ 410,090
Differences Between Expected and Actual Experience in the Total Pension Liability	13,983	207,152
Changes of Assumptions or Other Inputs	323,044	6,647
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	18,255	4,799
County Contributions Subsequent to the Measurement Date	259,386	--
County Prepaid Pension Contribution	249,315	--
Total	<u>\$ 863,983</u>	<u>\$ 628,688</u>

\$259,386 reported as deferred outflows of resources related to pension resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021.

The County reported the full amount of prepaid pension contribution as a part of the prepaid cost at the fund level. However, due to the difference in the County's fiscal year end date and the net pension liability measurement date, half of the prepaid pension contribution of \$249,315 is recognized as deferred outflows of resources related to pension, and the other half will remain as a prepaid cost on the government-wide statement.

In September 1994, the County issued \$320,000 of pension obligation bonds, of which \$318,000 in proceeds were paid to OCERS. OCERS maintains the proceeds in a County Investment Account. Amounts in the County Investment Account have been used to fund a portion of the County's contributions over time, pursuant to agreements between OCERS and the County, which allows the County significant discretion in applying the credit. As of June 30, 2020, \$135,342 of such proceeds remains in the County Investment Account available for future credits to the County's pension obligations. For the year ended June 30, 2020, the County utilized \$10,000 of funds available in the County Investment Account to pay a portion of the prepayment described below.

On January 14, 2020, the County issued its short-term Taxable Pension Obligation Bonds, 2020 Series A in the amount of \$463,895. Of the \$463,895 bond proceeds, \$463,815 was combined with \$34,815 in contributions from certain County departments and the \$10,000 from funds available in the County Investment Account to prepay the estimated FY 2020-21 actuarially required contribution related to both the amortization of the UAAL and the normal annual contribution to OCERS. In return, the County received a 4.50% discount or \$22,438 on the required employer contribution amount. The discount, combined with the interest and issuance costs, resulted in a net savings of \$14,735 to the County. Refer to Note 3, Deposits and Investments, and Note 10, Short-term Obligations, for additional information.

Amounts provided by OCERS' actuarial study reported as deferred outflows of resources and deferred inflows of

**18. RETIREMENT PLANS (Continued)**

**Orange County Employees Retirement System (OCERS) (Continued)**

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

resources related to pension will be recognized as follows:

Year ending June 30:	
2021	\$ (135,898)
2022	(67,742)
2023	116,049
2024	(182,563)
2025	(3,252)
Total	<u>\$ (273,406)</u>

Actuarial Assumptions: The actuarial assumptions included a 2.75% inflation rate, 4.25% to 12.25% projected salary increases to general members and 4.75% to 17.25% to safety members, and a 7.00% investment rate of return, net of investment expense. The mortality assumptions used were based on the results of the actuarial experience study for the period of January 1, 2014 through December 31, 2016, using the Headcount-Weighted RP-2014 Healthy Annuitant Mortality Tables projected generationally with the two-dimensional MP-2016 projection scale.

Discount Rate: The discount rate used to measure the total pension liability was 7.00%, the long-term expected rate of return on pension plan investments. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the actuarially determined contribution rates.

According to Paragraph 30 of GASB Statement No. 68, the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expenses. The 7.00% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 13 basis points. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. The difference is not material to the County's financial statements.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage adding expected inflation and deducting expected investment expenses and a risk margin.

The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

## 18. RETIREMENT PLANS (Continued)

### Orange County Employees Retirement System (OCERS) (Continued)

#### Discount Rate (Continued)

Asset class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	35.00%	6.38%
Core Bonds	13.00%	1.03%
High Yield Bonds	4.00%	3.52%
Bank Loan	2.00%	2.86%
TIPS	4.00%	0.96%
Emerging Market Debt	4.00%	3.78%
Real Estate	10.00%	4.33%
Core Infrastructure	2.00%	5.48%
Natural Resources	10.00%	7.86%
Risk Mitigation	5.00%	4.66%
Mezzanine/Distressed Debts	3.00%	6.53%
Private Equity	8.00%	9.48%
Total	100.00%	

#### Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:

The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability	\$ 6,457,732	\$ 4,124,932	\$ 2,227,420

Pension Plan Fiduciary Net Position: OCERS issues an audited stand-alone annual financial report for each year ending December 31. Detailed information about the pension plan's fiduciary net position is available and can be obtained online at [www.ocers.org](http://www.ocers.org), in writing to the Orange County Employees Retirement System, 2223 East Wellington Avenue, Suite 100, Santa Ana, CA 92701, or by calling (714) 558-6200.

### County Administered Plan

#### Extra-Help Defined Benefit Plan

Plan Description: The plan is a cost-sharing multiple-employer defined benefit retirement plan for employees working less than half-time or as extra-help for the County and six (6) other cost-sharing agencies. Eligible employees of this plan are not covered by OCERS or Social Security. Initially, the normal retirement benefits for a participant who retired on or after the normal retirement date was a monthly amount equal to one-twelfth of 2% of the participant's career earnings during the final 30 years of service credited under the Plan. There are no automatic cost-of-living adjustment (COLA) increases and no ad hoc COLAs have ever been granted. The current benefit for a participant who terminates or retires after November 20, 2008 is a lump sum payment, which is the greater of the actuarial equivalent of the participant's frozen accrued monthly benefit or the participant's contribution plus interest earnings. The normal retirement date is the first day of the month coinciding with or immediately preceding a participant's 65<sup>th</sup> birthday.

The plan was adopted to comply with the Omnibus Budget Reconciliation Act of 1990. The Board has full authority to amend or establish plan or benefit provisions at any time in accordance with the plan. The County is the named fiduciary and has the duty and full power to administer the plan. The Chief Financial Officer of the County is the trustee of the plan and has authority over the management and investment of plan assets.



## **18. RETIREMENT PLANS (Continued)**

### **County Administered Plans (Continued)**

#### **Extra-Help Defined Benefit Plan (Continued)**

##### **Plan Description (Continued)**

The plan was adopted in January 1992 and was closed to new participants as of February 28, 2002. This plan subsequently froze benefit accruals and stopped collecting employee contributions effective November 21, 2008. As of that date, the normal retirement benefit was changed to a single lump sum distribution equal to the greater of the participant's account balance or the present value of their normal retirement benefit. As of June 30, 2020, the plan consists of 16 active plan participants, 171 terminated plan participants entitled to but not yet receiving benefits, and 36 retirees receiving benefits.

The plan financial statements are prepared using the accrual basis of accounting. County contributions are recognized in the period in which contributions are due, pursuant to the plan documentation and as may be required by statutory requirements. The benefits paid to participants and refunds of prior contributions are recognized when due and payable, in accordance with the terms of the plan.

The County charges a benefits administration fee to County agencies, which funds the cost of administering all of the County benefit programs, including the Extra-Help Defined Benefit Retirement Plan. The Empower Retirement Investment management fee is an annual asset-based fee of 8.5 basis points (each basis point is one hundredth of a percent).

**Contributions:** The County has the authority to determine plan contributions. GASB Statement No. 67 requires the County to have an actuarial valuation performed at least biennially to determine the plan's total pension liability. This valuation is currently performed biennially. The plan's total pension liability was calculated using the data as of July 1, 2019, rolled forward to June 30, 2020 using actual benefit payments for FY 2019-20. In both the 2019 valuation and the 2020 roll forward calculations the actuarial assets are valued at market value. Because plan benefits are frozen, the actuary has determined the County's actuarially determined contribution using the projected unit credit method and a 5-year rolling amortization of the Unfunded Actuarial Accrued Liability. Based on the plan actuary's advice, the County determines the amount necessary for contribution to the plan. Since the plan's inception, the County and six (6) cost-sharing agencies have contributed \$7,696. For the year ended June 30, 2020, the County and six (6) cost-sharing agencies contributed \$114. The County's proportionate share of the contribution was \$112.

Plan participants do not contribute to the fund effective November 21, 2008 (the date of the freeze). Note that effective November 21, 2008, there is no normal cost due to the plan freeze.

**Investment policy:** The County has sole authority for establishing and amending the plan's investment policy and allocation of the invested assets. The plan's policy in regard to the allocation of invested assets may be established and amended by the plan's Trustee. The plan may invest in bonds, mortgages, notes, common or preferred stock, mutual funds, or other securities, policies of life insurance, annuity contracts, or property (real, bank deposits, or retain in cash or other property). The allocation policy with the target asset class and allocation is set forth in the investment policy.

**Concentrations:** The plan is invested 100% with Empower Retirement. The plan has stated its assets at fair value based on information provided by Empower Retirement.

**Discount Rate:** For the year ended June 30, 2020, the annual money-weighted rate of return on the Plan's investments, net of pension plan investment expense, was 4.56%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The discount rate used to measure the total pension liability was 5.25%, the same as the long-term expected rate of return on plan assets.

## 18. RETIREMENT PLANS (Continued)

### County Administered Plans (Continued)

#### Extra-Help Defined Benefit Plan (Continued)

##### Discount Rate (Continued)

In accordance with Paragraph 30 of GASB Statement No. 68, the long-term discount rate was determined without reduction for pension plan administrative expense.

The long-term expected rate of return on plan investments was determined using a building-block method equal to the expected future real rate of return on the investment with Empower Retirement plus expected inflation, rounded to the nearest 0.25%. The target investment allocation is 33% equities and 67% fixed income. The best estimate of the long-term expected geometric real rate of return for the equities and fixed income (net of investment expense and inflation) are 4.53% U.S. equity, 4.60% non-U.S. equity, 1.47% U.S. fixed income, and 0.35% global fixed income.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources related to Pensions: The components of the collective net pension liability of the County and the six (6) cost-sharing agencies at June 30, 2020 were as follows:

Total Pension Liability	\$ 5,732
Plan's Fiduciary Net Position	(5,284)
Plan's Net Pension Liability	<u>\$ 448</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	92.18%

The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019 and rolled forward to the measurement date of June 30, 2020. The County's proportionate share of the June 30, 2020 net pension liability is \$440. The County's proportion of 98.12% is based on an employer contribution allocation and has not changed since June 30, 2015.

For the year ended June 30, 2020, the County recognized pension expense/(credit) of (\$895). At June 30, 2020, the County reported deferred inflows of resources of \$47, which represents the aggregated net difference between projected and actual earnings on plan investments.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$ -	\$ 47
Total	<u>\$ -</u>	<u>\$ 47</u>

The deferred outflows and inflows of resources related to this pension plan will be recognized as pension expense for the County as follows:

Year ending June 30:	
2021	\$ (47)
2022	(3)
2023	(10)
2024	13
Total	<u>\$ (47)</u>

Actuarial Assumptions: The total pension liability based on the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement: (a) 2.75% inflation, (b)

## 18. RETIREMENT PLANS (Continued)

### County Administered Plans (Continued)

#### Extra-Help Defined Benefit Plan (Continued)

##### Actuarial Assumptions (Continued)

5.25% investment return, (c) the 417(e) lump sum mortality table used for ERISA-governed plans and the 30-year Treasury rate with a look-back month of November grading into the long-term assumption of 4.75%, and (d) RPH-2014 Healthy Annuitant Mortality Table projected generationally with mortality improvement Scale MP-2016. This plan does not have a salary increase assumption or post-retirement benefit increase assumption as these factors do not impact the benefits of this frozen plan.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the collective plan and the County's proportionate share, calculated using the discount rate of 5.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.25%) or 1-percentage-point higher (6.25%) than the current rate:

	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
Collective plan	\$ 712	\$ 448	\$ 225
County's proportionate share	\$ 699	\$ 440	\$ 221

#### Extra-Help Defined Contribution Plan

Plan Description: Effective March 1, 2002, as amended and restated on February 10, 2015, the Board established the Extra-Help Defined Contribution Plan to replace the Extra-Help Defined Benefit Retirement Plan for (a) new employees hired on or after March 1, 2002, and supplements the benefits of the Extra-Help Defined Benefit Retirement Plan for employees hired prior to March 1, 2002 and (b) effective February 10, 2015, employees hired on or after such date (i) who attained age 60 by such hire date, (ii) who waive membership in the OCERS, do not have funds on deposit with OCERS and otherwise meet the requirements under OCERS' regulations and state law to waive membership in OCERS, (iii) whose employer has signed the OCERS Employer's Concurrence – Waiver of Membership form or any other documents that may be required by OCERS, and (iv) who sign the OCERS Employees' Waiver of Membership form and provide any other documents required by OCERS to waive membership. Eligible employees of this plan are not covered by OCERS or Social Security. This plan is a tax-deferred retirement plan, established in accordance with IRC Sections 457 and 3121 and is intended to comply with the Omnibus Budget Reconciliation Act of 1990 and meet the requirements to be a Social Security replacement plan. The Board has the authority to amend the plan. As of June 30, 2020, there were 5,267 participants with a balance in the plan, with 1,450 participants actively contributing to the plan as of the end of June payroll.

The plan is intended for retirement and funds may not be withdrawn until participants have separated from the County. The plan benefits for a participant who separates from service with the County or retires on or after the normal retirement date will be dependent upon the accumulated value of individual contributions and investment return.

If a participant's employment status changes from a part-time or extra-help employee to a permanent full-time employee or a part-time employee working 20 hours or more per week, those participants may elect to transfer the balance to the County's Section 457 Defined Contribution Plan or leave the balance in the plan until they are no longer employed with the County.

Funding Policy: Participants in the plan are required to contribute 7.5% of compensation each pay period. The contributions are invested in the County's Stable Value Fund offered through Empower Retirement,

## **18. RETIREMENT PLANS (Continued)**

### **County Administered Plans (Continued)**

#### **Extra-Help Defined Contribution Plan (Continued)**

##### **Funding Policy (Continued)**

which is designed to protect principal and maximize earnings. Empower Retirement serves on behalf of the County as the third party administrator of the plan and holds all plan assets in trust. In the current fiscal year, there was no additional contribution made by the County and total employee contributions were \$1,103. As of June 30, 2020, total plan assets were \$8,811.

**Administrative Cost:** There is an annual administrative fee of 0.16% charged to participants (at a monthly rate of 0.013%), which is capped for account balances at \$125. Each month, participant fees are based on the average daily balance of their account(s) over a 30-day period, and are reflected on participants' quarterly statements. No employer-level fees are charged for the plan.

#### **County of Orange 401(a) Defined Contribution Plan**

**Plan Description:** Effective January 1, 1999, as amended and restated on March 24, 2015, the Board established the County 401(a) Plan for the benefit of eligible employees, elected officials, which includes members of the Board, certain executive managers, certain administrative managers once classified as confidential and grandfathered into the plan, attorneys represented by the Orange County Attorney's Association, and certain other employee classifications as defined in the plan document. The Board also has the authority to amend the plan. The plan was closed to the attorneys effective June 24, 2005. The plan was closed to new administrative managers and all grandfathered administrative managers effective June 23, 2016 and December 28, 2012, respectively. The plan is intended for retirement and funds may not be withdrawn until participants have separated from the County. The plan benefits for a participant who separates from service with the County or retires on or after the normal retirement date will be dependent upon the accumulated value of individual contributions and investment return. As of June 30, 2020, the plan had 624 participants with a balance in the plan, with 325 participants actively contributing to the plan as of the end of June payroll.

**Funding Policy:** This plan is a defined contribution plan funded entirely by employer contributions. County contributions to the plan vary according to employee classification and range from 4% to 8% of bi-weekly compensation. Total contributions for the fiscal year as of June 30, 2020, were \$1,165 by the County and zero by the employees.

As previously described, Empower Retirement, a marketing name of Great-West Life and Annuity Insurance Company, serves on behalf of the County as the third party administrator of the plan. Contribution to the plan defaults to the County's Stable Value Fund upon initial enrollment, which is offered through Empower Retirement and designed to generate a stable yield while preserving the investor's principal. Once enrolled, plan participants may self-direct the investment of plan contributions into any of a number of eligible investment options offered under the plan. As of June 30, 2020, total plan assets were \$18,238.

**Administrative Cost:** There is an annual administrative fee of 0.16% charged to participants (at a monthly rate of 0.013%) which is capped for account balances at \$125. Each month participant fees are based on the average daily balance of their account(s) over a 30-day period and are reflected on participants' quarterly statements. No employer-level fees are charged for the plan.

#### **County of Orange - 1.62% at 65 Retirement, 401(a) Defined Contribution Plan**

**Plan Description:** On April 20, 2010, the Board approved and adopted the resolution implementing the 1.62% at 65 OCERS retirement formula for certain eligible employees. Effective May 7, 2010, as amended and restated on July 1, 2011, the Board approved the County 1.62% Defined Contribution Plan for the benefit of employees in the "1.62% at 65" OCERS retirement formula. The 1.62% Defined Contribution Plan is a combination governmental 457(b) and 401(a) retirement plan. Employee contributions are deposited into a

## **18. RETIREMENT PLANS (Continued)**

### **County Administered Plans (Continued)**

#### **County of Orange - 1.62% at 65 Retirement, 401(a) Defined Contribution Plan (Continued)**

##### **Plan Description (Continued)**

457(b) plan and employer-matching contributions are deposited into a 401(a) plan. Participation in the 1.62% Defined Contribution Plan is strictly voluntary and is designed to supplement the "1.62% at 65" OCERS retirement benefit. Only employees in the "1.62% at 65" OCERS retirement benefit formula are eligible to participate in the 1.62% Defined Contribution Plan.

On September 12, 2012, the Governor signed the PEPRA of 2013. PEPRA created a new pension retirement formula, commonly referred to as 2% at 62 retirement formula, for all new non-safety public employees hired on or after January 1, 2013. PEPRA also allowed a public employer to continue to offer another retirement formula, if offered before December 31, 2012, to new public employees if the retirement formula has a lower benefit factor at normal retirement age and results in a lower normal cost than the 2% at 62 PEPRA retirement formula. On December 18, 2012, the Board approved and adopted the "1.62% at 65" OCERS retirement formula for certain general (non-safety) public employees hired on or after January 1, 2013.

The Board has the authority to amend the plan. The plan is intended to comply with the requirements of Internal Revenue Code (IRC) Section 401(a) and is intended for retirement. Matching employer contributions are determined by the County and approved by the Board, as stipulated in the Participants' bargaining units Memorandum of Understanding (MOU) or Personnel and Salary Resolution, as applicable. Employer contributions vest on employees' behalf after five years of continuous service with the County. For the purposes of eligibility and vesting, year of service means a 12-consecutive-month period during which the employee completes at least 2,080 hours of service, exclusive of overtime. If the employee leaves employment with the County prior to the vesting period, the employee will only be entitled to the employee contributions to the plan.

Funds may not be withdrawn until participants have separated from the County. The plan benefits for a participant who separates from service with the County or retires on or after the early or normal retirement date will be dependent upon the accumulated value of individual contributions and investment return. As of June 30, 2020, the plan had 3,470 participants with a balance in the plan, with 3,030 participants actively contributing to the plan as of the end of June payroll.

**Funding Policy:** This plan is a defined contribution plan funded entirely by employer contributions. As of June 30, 2020, the County provides up to a 2% match per pay period of the employee's voluntary contribution to the IRC Section 457 element of the 1.62% Defined Contribution Plan. Employer contributions are deposited into the 401(a) Plan. Total contributions for the fiscal year as of June 30, 2020, were \$3,260 by the County and zero by the employees.

As previously described, Empower Retirement, a marketing name of Great-West Life and Annuity Insurance Company, serves on behalf of the County as the third party administrator of the plan. Contribution to the plan defaults to the age-appropriate target-date fund upon initial enrollment. Once enrolled, plan participants may self-direct the investment of plan contributions into any of a number of eligible investment options offered under the plan. As of June 30, 2020, total plan assets were \$10,792.

**Administrative Cost:** There is an annual administrative fee of 0.18% charged to participants (at a monthly rate of 0.015%), which is capped for account balances at \$125. Each month participant fees are based on the average daily balance of their account(s) over a 30-day period and are reflected on participants' quarterly statements. No employer-level fees are charged for the plan.

**18. RETIREMENT PLANS (Continued)**

**County Administered Plans (Continued)**

**Condensed Financial Statements**

In lieu of separately issued financial statements for the County administered retirement funds, condensed financial statements are presented below as of and for the fiscal year ended June 30, 2020:

**Statement of Fiduciary Net Position**

	Total	Extra-Help Defined Benefit Plan	Extra-Help Defined Contribution Plan	401(a) Defined Contribution Plan	1.62% at 65 Retirement, 401(a) Defined Contribution Plan
<b><u>Assets</u></b>					
Pooled Cash/Investments	\$ 117	\$ 117	\$ --	\$ --	\$ --
Restricted Cash and Investments					
Restricted Investments with Trustee	42,837	5,167	8,787	18,202	10,681
Due from Other Governmental Agencies	171	--	24	36	111
Total Assets	<u>43,125</u>	<u>5,284</u>	<u>8,811</u>	<u>18,238</u>	<u>10,792</u>
<b><u>Net Position</u></b>					
Restricted for Retirement Plans Benefits	43,125	5,284	8,811	18,238	10,792
Total Net Position	<u>\$ 43,125</u>	<u>\$ 5,284</u>	<u>\$ 8,811</u>	<u>\$ 18,238</u>	<u>\$ 10,792</u>

**Statement of Changes in Fiduciary Net Position**

	Total	Extra-Help Defined Benefit Plan	Extra-Help Defined Contribution Plan	401(a) Defined Contribution Plan	1.62% at 65 Retirement, 401(a) Defined Contribution Plan
<b>Additions:</b>					
Contributions to Pension Trust:					
Employer	\$ 4,539	\$ 114	\$ --	\$ 1,165	\$ 3,260
Employee	1,103	--	1,103	--	--
Other Revenues	1	1	--	--	--
Interest and Investment Income	1,561	246	195	884	236
Less: Investment Expense	(51)	(7)	(7)	(17)	(20)
Total Additions	<u>7,153</u>	<u>354</u>	<u>1,291</u>	<u>2,032</u>	<u>3,476</u>
<b>Deductions:</b>					
Benefits Paid to Participants	3,193	1,101	784	1,267	41
Total Deductions	<u>3,193</u>	<u>1,101</u>	<u>784</u>	<u>1,267</u>	<u>41</u>
Change in Net Position for Employees' Retirement	3,960	(747)	507	765	3,435
Net Position at Beginning of Year	39,165	6,031	8,304	17,473	7,357
Net Position at End of Year	<u>\$ 43,125</u>	<u>\$ 5,284</u>	<u>\$ 8,811</u>	<u>\$ 18,238</u>	<u>\$ 10,792</u>

## 19. POSTEMPLOYMENT HEALTH CARE BENEFITS

### County of Orange Retiree Medical Plan

Plan Description: The County of Orange Third Amended Retiree Medical Plan (the Retiree Medical Plan) is a cost-sharing multiple-employer defined benefit OPEB plan, intended to assist career employees in maintaining health insurance coverage following retirement from County and participating employers' service. The Retiree Medical Plan was established by the Board. The Board is also the authority for amending the Retiree Medical Plan. The Retiree Medical Plan is not required by the County Employees Retirement Law of 1937 ("CERL")—the statute governing County employee retirement benefits. Eligible retired County employees receive a monthly grant (the Grant), which helps offset the cost of monthly County-offered health plans and/or Medicare A and/or B premiums. The Retiree Medical Plan specifically states that it does not create any vested right to the benefits. The Plan is reported in the County's financial statements since it administers the Plan. The Plan is reported as of December 31, 2019.

Plan Membership: As of June 30, 2020, seven employers, the County, Orange County Public Law Library, Superior Courts of Orange County, Orange County Local Agency Formation Commission, Orange County Employees Retirement System, Children and Families Commission of Orange County, and Orange County Cemetery District have elected to participate in the plan. As of the most recent actuarial valuation date of June 30, 2019, the membership consisted of the following:

Inactive plan members currently receiving benefit payments	9,148
Inactive plan members entitled to but not yet receiving benefit payments	40
Active plan members	15,053
	<u>24,241</u>

Benefits Provided: In order to be eligible to receive the Grant upon retirement, the employee must have completed at least 10 years of continuous County and/or participating employers' service (although exceptions for disability retirements exist), be enrolled in a County sponsored health plan and/or Medicare, qualify as a retiree as defined by the Retiree Medical Plan and be able to receive a monthly benefit payment from OCERS. To qualify as a retiree as defined by the Retiree Medical Plan, the employee upon retirement must be at least 50 years of age or have at least 20 years of service for a safety member of OCERS or at least 30 years of service for a general member of OCERS.

The monthly Grant amount is determined by a formula that multiplies a base number by the number of years of qualifying County employment up to a maximum of 25 years. The base number for calendar year 2019 was \$23.44 (absolute dollars) per year of County service, and the maximum base monthly Grant was \$586.00 (absolute dollars). The base number for calendar year 2020 is \$24.14 (absolute dollars) per year of County service, and the maximum monthly Grant is \$603.50 (absolute dollars). The amount of the Grant is netted against the monthly health plan premium and/or reimburses Medicare premiums paid by the retiree for retiree and dependent coverage with the retiree obligated to pay the remaining balance. In no case shall the Grant exceed the actual cost to a retiree for the Qualified Health Plan and Medicare premiums.

The plan was amended in 2007. Certain plan provisions were changed as of effective dates that varied by labor group. The Grant is reduced by 50% once the retiree becomes Medicare Parts A and B eligible. Retirees who were age 65 and/or Medicare Parts A and B eligible on the effective date are not subject to the Medicare reduction. For employees retiring after the effective date, the Grant is reduced or increased by 7.5% based on the employee's age at retirement, such that the Grant is reduced 7.5% for each year under age 60 and increased by 7.5% for each year of age worked after age 60 up to age 70. Safety employees and disability retirements are exempt from the age adjustment.

The base number for the Grant is adjusted annually based on a formula defined in the Retiree Medical Plan document with a maximum increase/decrease of 3%. Surviving dependents of a deceased employee or retiree eligible for the Grant are entitled to receive 50% of the Grant that the employee/retiree was eligible to receive.

In addition to the Grant, the Retiree Medical Plan provides a frozen lump sum payment to terminated employees

**19. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)**

**County of Orange Retiree Medical Plan (Continued)**

Benefits Provided (Continued)

not eligible for the Grant. The qualifying hours of service for calculation of the lump sum payment is frozen and the effective date varies by labor agreement. The frozen lump sum payment is equal to 1% of the employee's final average hourly pay (as defined in the Retiree Medical Plan) multiplied by the employee's qualifying hours of service (as defined) since the Retiree Medical Plan's effective date.

Employees represented by AFSCME who retired before September 30, 2005 are not subject to the Medicare reduction or age adjustment to the Grant. The base number for these retirees is adjusted annually with a maximum increase/decrease of 5%. AFSCME employees who were employed on or after September 30, 2005 are not eligible for the Grant or the lump sum payment. They may participate in the County-offered health plans at their own cost.

Employees represented by the Association of Orange County Deputy Sheriffs (AOCDS) who were hired on or after October 12, 2007 are not eligible for the Grant or lump sum payment. Service hour accruals for the Grant and lump sum calculations for employees represented by AOCDS who were hired before October 12, 2007 were frozen. A Defined Contribution Plan Health Reimbursement Arrangement (HRA) was established to replace the Grant for new employees, and to supplement the frozen grants for current employees.

Association of County Law Enforcement Management (ACLEM) employees who were hired on or after June 19, 2009 are not eligible for the Grant or lump sum payment. Service hour accruals for the Grant calculations for ACLEM employees who were hired before June 19, 2009 were frozen. The qualifying hours of service for calculation of the lump sum payment for law enforcement management employees were frozen as of June 23, 2006. A Defined Contribution Plan HRA was established to replace the Grant for new employees, and to supplement the frozen grants for current employees.

Effective January 1, 2008, health insurance premium rates were separately pooled for the active and retired employees, except for employees represented by the AOCDS. Effective July 1, 2008, retiree health insurance premium rates for retired AOCDS and ACLEM employees enrolled in the AOCDS health plans must be 10% higher than active employees. Because retirees as a group have higher medical costs than active employees, the pooling of active and pre-Medicare retiree premiums in the AOCDS health plans results in "blended rates". Blending the premiums rates provides the pre-Medicare retirees the benefit of lower rates, while increasing the rates for active employees. The blended rates benefit for pre-Medicare retirees reflects the difference between the true cost of retiree benefits and the blended premium charged. GASB requires the cost of this blended rates benefit be included in the Total OPEB Liability.

Effective July 8, 2016, all active OCAA employees are no longer eligible for the Retiree Medical Grant or Lump Sum. A Defined Contribution Plan HRA was established to replace the Grant or Lump Sum for all active employees.

Effective July 3, 2020 the Retiree Medical Grant shall be frozen for all employees of the AOCDS Public Safety General and Public Safety Supervisory Unit. Employees shall not accumulate toward the eligibility for Retiree Medical Grant. Only employees with ten or more credited service years as of the effective date shall be eligible for a Grant. Cost of living and age adjustments shall cease in the calculation of the Grant. A Defined Contribution Plan HRA was established to replace the Grant or Lump Sum for all active employees

All AOCDS Public Safety employees who retired on or after January 4, 2019 were enrolled in AOCDS retiree health plans. Employees who retired before this date remained in County retiree health plans.

Contributions: The County implemented a policy to make an employer contribution in an amount equal to the Actuarially Determined Contribution (ADC) for the affected labor groups except AOCDS and ACLEM. In FY



## **19. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)**

### **County of Orange Retiree Medical Plan (Continued)**

#### **Contributions (Continued)**

2019-20, to ensure adequate funding of the Grant, the ADC included amortization of liabilities for the Grant, Lump Sum and blended rates. In addition to contributing the ADC for the blended rates, for retired employees enrolled in the AOCDS health plans, the County funded the blended rates benefit on a pay-as-you-go basis. Beginning in 2021, the ADC will only include the Grant and Lump Sum and the blended rates will only be funded on a pay-as-you-go basis.

In order to more adequately fund benefits under the Retiree Medical Plan, on June 19, 2007, the Board adopted the County of Orange Retiree Medical Trust (Trust) effective July 2, 2007. The Trust is an Internal Revenue Code section 115 trust for which the County Chief Financial Officer is the Trustee. In addition, OCERS has established an Internal Revenue Code section 401(h) account to invest monies and acts as Trustee for the 401(h) account which is used to pay the Grant. The combined Trust and 401(h) represent the fiduciary net position of the Plan and are reported in the County's CAFR.

During the fiscal year ending June 30, 2020, the County was setting aside contributions of 0.3% of payroll for AFSCME, 0.4% for OCAA, 5.6% for AOCDS, 8.3% for law enforcement management, 4.4% for the Probation Department safety personnel and 3.9% of payroll for all other labor groups, which is the estimated ADC for those groups calculated by an actuary. Additionally, ACLEM employees covered under the "3%@50" safety retirement formula contributed 1.2% of base pay.

For the Plan year ended December 31, 2019, the total Plan contributions were \$58,807. The County's contribution was \$54,284 (92.31%), Superior Court was \$4,032 (6.86%), OCERS was \$329 (0.56%), CFCOC was \$40 (0.07%), Law Library was \$44 (0.07%), Cemetery District was \$60 (0.10%), and LAFCO was \$18 (0.03%). The County's contribution for the fiscal year June 30, 2020 was \$50,466.

Funds were initially deposited into the Trust in December 2007, with subsequent deposits made throughout each fiscal year. The administrative expenses for the Trust are paid from the Trust.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: The components of the collective net OPEB liability of the participating employers as of June 30, 2020 were as follows:

Collective OPEB Liability	\$ 726,322
Collective Plan's Fiduciary Net Position	(370,545)
Collective Net OPEB Liability	<u>\$ 355,777</u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	51.02%

The Collective OPEB Liability of \$726,322 includes \$643,803 for the Grant and Lump Sum benefits and \$82,519 for the blended rates benefit.

At June 30, 2020, the County reported a liability of \$328,412 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of December 31, 2019, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The County's proportion of the collective net OPEB liability was based on the 2019 share of actuarially determined contributions to the OPEB plan relative to the projected contributions of all participating employers. At December 31, 2019, the County's proportion was 92.31%, which was an increase of 0.53% from its proportion measured as of December 31, 2018.

## 19. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

### County of Orange Retiree Medical Plan (Continued)

#### OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

For the year ended June 30, 2020, the County recognized OPEB expense of \$41,476. At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net Difference Between Projected and Actual Investment		
Earnings on OPEB Plan Investments	\$ --	\$ 7,474
Differences Between Expected and Actual Experience	--	8,620
Changes in Assumptions	--	14,213
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	4,834	--
Employer Contributions after Measurement Date	22,928	--
Total	<u>\$ 27,762</u>	<u>\$ 30,307</u>

Deferred outflow of resources of \$22,928 related to OPEB resulting from County's contributions subsequent to the measurement date will be included as a reduction of the collective net OPEB liability in the following fiscal year. Other deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the County's OPEB expense as follows:

Year ending June 30:	
2021	\$ (4,634)
2022	(4,633)
2023	(1,493)
2024	(6,474)
2025	(2,441)
Thereafter	(5,798)
Total	<u>\$ (25,473)</u>

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation. The actuarial valuations involve estimates of the values of reported amounts and assumptions about the probability of events far into the future and will be subject to continual revision as they reflect a long-term perspective.

Actuarial Methods and Assumptions: The total OPEB liability was determined by an actuarial valuation as of June 30, 2019. The County contracts with an outside actuarial consultant to prepare a biennial actuarial valuation in conformance with GASB requirements and is based on established pattern of practice. The actuarial methods and significant actuarial assumptions used in the June 30, 2019 actuarial valuation are:

- The entry age normal actuarial cost method
- 7.00% long-term expected rate of return, net of investment expenses, on funds held in the Trusts
- 3.25% per annum payroll increase assumption
- 2.75% per annum general inflation rate assumption
- Assumed annual increases in the monthly grant of 3% for non-AFSCME employees and 5% for AFSCME employees. The healthcare trend was assumed to be greater than or equal to the annual increase to the Grant in almost all future years. Therefore, it is the Grant annual increase rather than the healthcare trend that has the largest impact on the projected benefits and the net OPEB liability.
- Grant participation rate was 50% to 95%, determined by employee group and Grant service at retirement, based on the April 2019 participation study

## 19. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

### County of Orange Retiree Medical Plan (Continued)

#### Actuarial Methods and Assumptions (Continued)

Medical trend used for pre-Medicare members was 7.25% for 2021, decreasing to 4.00% for 2076 and later; for Medicare eligible members, 6.3% was used for 2021, decreasing to 4.00% for 2076 and later. Mortality rates were based on the Headcount-Weighted RP-2014 Mortality Tables with separate tables for males and females. Mortality improvement was projected fully generational with Society of Actuaries mortality improvement Scale MP-2016.

Discount Rate: The discount rate used to measure the total OPEB liability was 7.00%, the long-term expected rate of return on plan assets, net of investment expenses. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current negotiated contribution rate and that the employer contributions will be made at rates equal to the actuarially determined contribution rates for the Grant and lump sum benefits (with blended rates benefit paid on a pay-as-you-go basis). Based on actuarial assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The target allocation and long-term expected real rate of return for each asset class are summarized in the following table:

<u>Asset class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Arithmetic Real Rate of Return</u>
Global Equity	35.00%	6.38%
Core Bonds	13.00%	1.03%
High Yield Bonds	4.00%	3.52%
Bank Loan	2.00%	2.86%
TIPS	4.00%	0.96%
Emerging Market Debt	4.00%	3.78%
Real Estate	10.00%	4.33%
Core Infrastructure	2.00%	5.48%
Natural Resources	10.00%	7.86%
Risk Mitigation	5.00%	4.66%
Mezzanine/Distressed Debt	3.00%	6.53%
Private Equity	8.00%	9.48%
Total	100.00%	
Assumed Long-Term Rate of Inflation		2.75%
Long-Term Expected Real Rate of Return, Net of Investment Expenses		7.00%

Rate of Return: For the year ended December 31, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 14.81%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For further information on the investment policy of OCERS refer to Note 3, Deposits and Investments.

Sensitivity of Net OPEB Liability to Changes in the Discount Rate: The following presents the Net OPEB liability of the collective plan and the County's proportionate share, calculated using the discount rate of 7.00%, as well as what the County's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

**19. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)**

**County of Orange Retiree Medical Plan (Continued)**

Sensitivity of Net OPEB Liability to Changes in the Discount Rate (Continued)

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Collective plan	\$ 440,729	\$ 355,777	\$ 284,472
County's proportionate share	\$ 406,832	\$ 328,412	\$ 262,593

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the Net OPEB liability of the collective plan and the County's proportionate share, as well as what they would be calculated using healthcare cost trend rates that are 1-percentage-point lower (6.25%/5.3% decreasing to 3.0%) or 1-percentage-point higher (8.25%/7.3% decreasing to 5.0%) than the current healthcare cost trend rates:

	1% Decrease (6.25%/5.30% decreasing to 3.00%)	Current Healthcare Cost Trend Rates (7.25%/6.30% decreasing to 4.00%)	1% Increase (8.25%/7.30% decreasing to 5.00%)
Collective plan	\$ 345,610	\$ 355,777	\$ 366,280
County's proportionate share	\$ 319,028	\$ 328,412	\$ 338,109

OPEB Plan Fiduciary Net Position: As previously described, the 401(h) assets are held with OCERS. The underlying investments should be obtained from OCERS, however the combined Plan is in the County's financial statements. OCERS issues a Comprehensive Annual Financial Report (CAFR) for each fiscal year ending on December 31, which includes the 401(h) assets. The CAFR can be obtained online at [www.ocers.org](http://www.ocers.org) by request, or in writing, to the Orange County Employees Retirement System, 2223 East Wellington Avenue, Suite 100, Santa Ana, CA 92701, or by calling (714) 558-6200.

**County of Orange Health Reimbursement Arrangement (HRA)**

Plan Description: On October 23, 2007, the Board approved and adopted a MOU agreement with the AOCDS. The MOU restructured the Retiree Medical Plan and established a Defined Contribution Plan Health Reimbursement Arrangement to replace the Retiree Medical Plan for new employees, and to supplement the current employees' frozen service hour accruals for the Grant.

On June 24, 2008, the Board approved the County of Orange Health Reimbursement Arrangement (HRA) Plan Document. The HRA Plan is not required by the Retirement Law. The plan is intended to fund the reimbursement accounts of eligible employees on a pre-tax basis and reimburse the eligible unreimbursed and substantiated qualified medical expenses of retired participants.

On March 10, 2009, the Board approved the restructuring of the Retiree Medical Plan and establishment of a Defined Contribution Plan HRA for employees represented by ACLEM effective June 19, 2009. The HRA replaces the Retiree Medical Plan for new employees, and supplements the current ACLEM employees' frozen service hour accruals for the Grant.

On May 12, 2015, the Board approved the restructuring of the Retiree Medical Plan and establishment of a Defined Contribution Plan HRA for employees represented by OCAA effective July 8, 2016. The HRA replaces the Retiree Medical Plan for all active attorney employees.

Administration of the HRA by the third party administrator began in August 2009. The HRA is intended to

**19. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)**

**County of Orange Health Reimbursement Arrangement (HRA) (Continued)**

Plan Description (Continued)

comply with the requirements of IRC Sections 105 and 106 and meets the requirements of a health reimbursement arrangement as defined under IRS Notice 2002-45. The contributions made to reimbursement accounts, any investment gains and qualified medical expenses reimbursed under this plan are intended to be eligible for exclusion from the gross income of eligible employees, participants and retired participants (including the spouses and dependents of each) under IRC Section 105(b). The HRA may be amended by the Board or the plan administrator to comply with federal, state, or local laws, statutes, regulations, or guidance from regulatory agencies. The Plan Document was amended and restated on January 1, 2011 to reflect changes to the definition of dependent due to healthcare reform.

The Plan Document was amended and restated on June 1, 2016 to provide for the transition of the OCAA to the HRA Plan in July 2016. Prior employee contributions for employees represented by OCAA to the retiree Medical program and the interest earnings thereon through July 5, 2016 were transferred as a lump sum deposit for eligible employees to their HRA accounts.

As of June 30, 2020, the plan had 2,755 active and 1,009 inactive participants.

Funding Policy: Employer and mandatory employee contributions were effective October 12, 2007 for employees represented by AOCDS, effective June 19, 2009 for employees represented by ACLEM, and effective July 8, 2016 for OCAA represented employees. All contributions made to the HRA are deemed to be employer contributions. Employee contributions for employees represented by each of the bargaining units are mandatory pursuant to their bargaining unit MOU and mandatory pursuant to Board action.

For employees represented by AOCDS, the County contributes 5.0% of base salary each pay period. For employees represented by ACLEM, the County contributes 4.0% of base salary each pay period. For employees represented by OCAA, the County contributes 1.0% of base salary each pay period and employees are also required to contribute 1.0% of base salary each pay period.

ICMA Retirement Corporation serves on behalf of the County as the third party administrator of the HRA. Contributions to the HRA Plan default to the age-appropriate target-date fund upon initial enrollment. Once enrolled, HRA participants may self-direct the investment of plan contributions into any of a number of eligible investment options offered under the HRA. As of June 30, 2020, the value of the HRA assets was \$148,344.

Administrative Cost: Prior to April 1, 2019, annual administrative fees included a plan asset fee of 0.40% and an annual account fee of \$80. Beginning on April 1, 2019, the administrative fee was reduced to 0.195% with no annual account fee. Each quarter, 25% of the fees are assessed to participant accounts and are reflected on participants' quarterly statements. No employer-level fees are charged for the Plan.

**19. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)**

**Condensed Financial Statements**

In lieu of separately issued financial statements for the County administered postemployment health care benefit trust funds, condensed financial statements are presented below as of and for the year ended June 30, 2020:

<b><u>Statement of Fiduciary Net Position</u></b>	<b>Total</b>	<b>Retiree Medical Plan (Combined 401(h) and 115 Trusts)*</b>	<b>Health Reimbursement Arrangement Plan</b>
<b><u>Assets</u></b>			
Pooled Cash/Investments	\$ 2,892	\$ 2,842	\$ 50
Restricted Cash and Investments			
Restricted Investments with Trustee	147,908	--	147,908
Pooled with OCERS	370,228	370,228	--
Investment Receivable	109	109	--
Interest/Dividend Receivable	23	23	--
Due from Other Governmental Agencies	1,637	1,251	386
Total Assets	<u>522,797</u>	<u>374,453</u>	<u>148,344</u>
<b><u>Liabilities</u></b>			
Salaries and Employee Benefits Payable	3,908	3,908	--
Total Liabilities	<u>3,908</u>	<u>3,908</u>	<u>--</u>
<b><u>Net Position</u></b>			
Restricted for OPEB Benefits	518,889	370,545	148,344
Total Net Position	<u>\$ 518,889</u>	<u>\$ 370,545</u>	<u>\$ 148,344</u>

<b><u>Statement of Changes in Fiduciary Net Position</u></b>	<b>Total</b>	<b>Retiree Medical Plan (Combined 401(h) and 115 Trusts)*</b>	<b>Health Reimbursement Arrangement Plan</b>
<b>Additions:</b>			
Employer Contributions	\$ 70,718	\$ 58,807	\$ 11,911
Employee Contributions	1,210	505	705
Interest and Investment Income	50,020	43,720	6,300
Less: Investment Expense	(270)	(5)	(265)
Total Additions	<u>121,678</u>	<u>103,027</u>	<u>18,651</u>
<b>Deductions:</b>			
Benefits Paid to Participants	43,099	39,719	3,380
Administrative Expense	15	15	--
Total Deductions	<u>43,114</u>	<u>39,734</u>	<u>3,380</u>
Change in Net Position	78,564	63,293	15,271
Net Position-Beginning of Year	440,325	307,252	133,073
Net Position-End of Year	<u>\$ 518,889</u>	<u>\$ 370,545</u>	<u>\$ 148,344</u>

\*The Trust Plan is presented as of 12/31/19 in accordance with the plan year.

## **20. CONTINGENCIES**

### Estimated Liability for Litigation and Claims

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the County. To the extent the outcome of such litigation has been determined to result in probable financial loss to the County, a liability has been accrued in the accompanying financial statements. Litigation where loss to the County is reasonably possible has not been accrued and at this time an estimate cannot be made. For information regarding claim payments and unpaid claims balance for self-insurance claims, refer to Note 16, Self-Insurance.

### Deferral of Rent

In April 2020, the Airport took measures to respond to the COVID-19 crisis and offered a deferment of rents or Minimum Annual Guarantees (MAG) to tenants, including airlines, rental cars, and concessions from March 1, 2020 through June 30, 2020. Effective July 1, 2020, tenants could commence six-month payment plans to repay all deferred rent by December 31, 2020. As of June 30, 2020, the Airport reported a receivable balance of \$10,370 for rent deferrals and expected to collect this amount within the next fiscal year.

### Federal Assistance

During the year ended June 30, 2020, the County received \$554,134 of CARES Act relief funds, which are required to be used by December 30, 2020. As of June 30, 2020, the County has spent \$166,446 with the remaining \$387,688 reported as part of the unearned revenues. Furthermore, the Airport received an allocation of \$44,910 of CARES Act grant funds to be claimed for allowable costs incurred through May 20, 2024. During the year, the Airport recognized grant revenue of \$4,782.

## **21. SUBSEQUENT EVENTS**

The following events occurred subsequent to June 30, 2020:

Rent Deferral: In July 2020, the Airport took additional measures to respond to the COVID-19 crisis and provided an extension on the deferment of rents, which was approved in April 2020, through September 30, 2020. Beginning October 1, 2020, tenants will have nine months to repay all deferred rent from March 1, 2020 through September 30, 2020 in full by June 30, 2021. Tenants are also expected to recommence making regular rent or MAG payments on October 1, 2020.

Teeter Plan Notes: On July 14, 2020, the County issued an additional \$50,725 in taxable Teeter Plan Obligation Notes, Series B to finance the purchase of delinquent property tax receivables associated with the Teeter Plan. Proceeds of this issuance paid the participating agencies in the Teeter Plan the full amount of their taxes from the secured property tax roll. The outstanding balance as of July 14, 2020 was \$85,386 and the authorized, unused available commitment under the Amended and Restated Note Purchase and Reimbursement Agreement was \$64,614. On August 4, 2020, the County requested a reduction in authorized commitment in the amount of \$64,000. The reduction was made on August 5, 2020, leaving an authorized unused available commitment of \$614. For additional information regarding the Teeter Plan Series B Notes, refer to Note 11, Long-Term Obligations.

Voluntary Incentive Program: On July 14, 2020, the Board approved and adopted the Voluntary Incentive Program (VIP) to assist in addressing County revenue losses resulting from the COVID-19 pandemic economic impacts. Implementation of the VIP provides the County the ability to realize cost savings by reducing salary and employee benefits expenditures while providing employees incentive options to separate from County employment. The VIP provides the County with a necessary tool, with the Board's approval regarding incentive amounts, timeframes and other implementation parameters, to address potential future severe budget shortfalls. As a result of the VIP, 458 employees retired and 160 employees resigned from County employment.

## **21. SUBSEQUENT EVENTS (Continued)**

FY 2020-21 Budget Process: On September 15, 2020, the Board approved and adopted the FY 2020-21 Final Budget. As a result of the uncertain economic conditions resulting from the ongoing COVID-19 pandemic, the FY 2020-21 Recommended Budget process was altered. As such, on June 2, 2020, the Board approved a base FY 2020-21 Recommended Budget which set base Net County Cost limits for departments and included transfers, essential technical adjustments such as position realignment and funding for in-progress, ongoing capital and information technology projects. The approval of the Recommended Budget permitted the County to make payments in accordance with the approved appropriations after the start of the fiscal year on July 1, 2020 until adoption of the FY 2020-21 Final Budget. In accordance with Government Code section 29080, the FY 2020-21 Recommended Budget was made available to the public on August 18, 2020. In addition, a public notice stating the public availability of the Recommended Budget documents to members of the public and the time and place of the public hearing on the budget was published on August 14, 2020.

Airport Revenue Refunding Bonds, Series 2019A and 2019B: In October 2020, S&P lowered its long-term rating of the Airport Revenue Refunding Bonds to A+ from AA-. S&P placed the Airport and the airport sector portfolio on CreditWatch to reflect the material negative impact of the COVID-19 pandemic on passenger traffic, the consequential effect on financial metrics, and overall credit quality.

S&P opined that the prolonged exposure to weak or unpredictable enplanement levels could complicate financial planning and increase operational challenges to airports. The downgrade and negative outlook reflect S&P's expectation that activity levels at the Airport, and the airport sector in general, will be materially depressed, unpredictable, resulting in anemic growth due to the COVID-19 pandemic and associated effects beyond management control. The S&P noted that the Airport's key strengths are its exceptional liquidity position, low outstanding debts, economically healthy service area, very strong management, evidenced by an experienced and proactive team that historically maintained excellent financial metrics.

Frank R. Bowerman Landfill: In late October 2020, OC Waste & Recycling experienced extensive fire damage at the Frank R. Bowerman landfill (FRB) in Irvine. During the week of October 28, 2020, the wildfire known as the Silverado Fire burned over 12,466 acres, destroyed and damaged a total of 14 structures in Irvine and the surrounding areas, and injured two fire fighters from the Orange County Fire Authority. While its overall financial impact to OC Waste & Recycling and the FRB landfill operation cannot be fully assessed at the moment, the effects of the Silverado Fire are expected to be significant. OC Waste & Recycling has reported major damage to the landfill environmental control, and landfill infrastructures including the drainage, electrical grid, liner and stormwater structures. The FRB landfill operation has been suspended for an unknown period of time due to substantial landfill gas system and infrastructure damage, which will result in loss of revenue and high cost for repairs. OC Waste & Recycling has filed a claim to the insurance company, and reported estimated loss of over \$20,000 to the County Emergency Operations Center. However, it is unknown at this point if the potential total loss would be mitigated by recoveries through insurance, or relief from the Federal, State and local government.







*Clerk-Recorder South County Branch Office*





**Required Supplementary Information**  
**(Dollar Amounts in Thousands)**

**Orange County Employees Retirement System (OCERS)**

**Schedule of County's Proportionate Share of the Net Pension Liability <sup>(1)</sup>**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability	81.27%	79.39%	80.46%	77.91%	76.83%	76.68%
County's proportionate share of the net pension liability	\$ 4,124,932	\$ 4,919,675	\$ 3,984,401	\$ 4,044,638	\$ 4,391,967	\$ 3,897,223
Covered payroll <sup>(2)</sup>	1,313,952	1,272,895	1,247,616	1,200,243	1,118,395	1,198,458
County's proportionate share of the net pension liability as a percentage of its covered payroll <sup>(2)</sup>	<u>313.93%</u>	<u>386.49%</u>	<u>319.36%</u>	<u>336.98%</u>	<u>392.70%</u>	<u>325.19%</u>
Plan fiduciary net position as a percentage of the total pension liability <sup>(4)</sup>	76.67%	70.03%	74.93%	71.16%	67.10%	69.42%

**Schedule of County Contributions <sup>(3)</sup>**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 440,042	\$ 419,159	\$ 401,323	\$ 386,138	\$ 358,103	\$ 340,626
Contributions in relation to the actuarially determined contribution	475,676	440,634	433,098	405,494	411,426	397,044
Contribution deficiency (excess)	<u>\$ (35,634)</u>	<u>\$ (21,475)</u>	<u>\$ (31,775)</u>	<u>\$ (19,356)</u>	<u>\$ (53,323)</u>	<u>\$ (56,418)</u>
Covered payroll <sup>(2)</sup>	\$ 1,266,088	\$ 1,237,582	\$ 1,217,880	\$ 1,223,930	\$ 1,159,319	\$ 1,158,427
Contributions as a percentage of covered payroll	37.57%	35.60%	35.56%	33.13%	35.49%	34.27%

(1) Information is from OCERS' actuary report for OCERS' fiscal year ended December 31.

(2) The numbers for 2014-2015 were for covered-employee payroll, prior to GASB Statement No. 82 implementation.

(3) For the 12-month period ending on June 30, fiscal year end.

(4) In FY 19-20, the presentation of the percentages was changed from the Employer percentage to the Plan percentage.

The schedules are presented to show information for 10 years. However, a full 10-year trend is currently not available; the County will be adding years in the future.

**Orange County Extra-Help Defined Benefit Plan**

**Schedule of County's Proportionate Share of the Net Pension Liability**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
County's proportion of the net pension liability	98.12%	98.12%	98.12%	98.12%	98.12%	98.12%
County's proportionate share of the net pension liability	\$ 440	\$ 1,382	\$ 1,962	\$ 1,995	\$ 2,845	\$ 3,163
Covered payroll (1)	\$ 3,613	\$ 3,906	\$ 4,298	\$ 4,725	\$ 1,747	\$ 1,829
County's proportionate share of the net pension liability as a percentage of its covered payroll (1)	<u>12.18%</u>	<u>35.38%</u>	<u>45.65%</u>	<u>42.22%</u>	<u>162.85%</u>	<u>172.94%</u>
Plan fiduciary net position as a percentage of the total pension liability	92.18%	81.06%	76.76%	76.24%	65.89%	61.35%

**Schedule of Collective Plan Contributions**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 114	\$ 555	\$ 555	\$ 784	\$ 784	\$ 421	\$ 421
Contributions in relation to the actuarially determined contribution	114	565	545	784	784	421	421
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (10)</u>	<u>\$ 10</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Covered payroll (1)	\$ 3,613	\$ 3,906	\$ 4,298	\$ 4,725	\$ 1,747	\$ 1,829	\$ 1,876
Contributions as a percentage of covered payroll	3.16%	14.46%	12.68%	16.59%	44.88%	23.02%	22.44%

**Schedule of County Contributions**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 112	\$ 544	\$ 545	\$ 769	\$ 769	\$ 413	\$ 421
Contributions in relation to the actuarially determined contribution	112	554	535	769	769	413	421
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (10)</u>	<u>\$ 10</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Covered payroll (1)	\$ 3,613	\$ 3,906	\$ 4,298	\$ 4,725	\$ 1,747	\$ 1,829	\$ 1,876
Contributions as a percentage of covered payroll	3.10%	14.19%	12.45%	16.28%	44.02%	22.58%	22.44%

(1) The numbers for 2014 and 2015 were for covered-employee payroll, prior to GASB Statement No. 82 implementation.

The schedules are presented to show information for 10 years. However, a full 10-year trend is currently not available; the County will be adding years in the future.

**Orange County Extra-Help Defined Benefit Plan (Continued)**

**Schedule of Changes in the Collective Plan Net Pension Liability  
and Related Ratios**

	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Total Pension Liability</b>			
Service cost	\$ --	\$ --	\$ --
Interest	362	411	448
Changes of benefit terms	--	--	--
Difference between expected and actual experience	(879)	--	(127)
Changes of assumptions	(90)	--	480
Benefit payments, including refunds of member contributions	(1,101)	(1,572)	(762)
Net change in Total Pension Liability	(1,708)	(1,161)	39
Total Pension Liability-beginning	7,440	8,601	8,562
<b>Total Pension Liability-ending (a)</b>	<b>\$ 5,732</b>	<b>\$ 7,440</b>	<b>\$ 8,601</b>
<b>Plan Fiduciary Net Position</b>			
Contributions-employer	\$ 114	\$ 565	\$ 545
Contributions-member	--	--	--
Net investment income	239	436	295
Investment Expense	--	(7)	(7)
Benefit payments, including refunds of member contributions	(1,101)	(1,572)	(762)
Administrative expense <sup>(1)</sup>	--	--	--
Other	1	7	3
Net change in Plan Fiduciary Net Position	(747)	(571)	74
Plan Fiduciary Net Position-beginning	6,031	6,602	6,528
Plan Fiduciary Net Position-ending (b)	<b>\$ 5,284</b>	<b>\$ 6,031</b>	<b>\$ 6,602</b>
<b>Plan Net Pension Liability-ending (a) – (b)</b>	<b>\$ 448</b>	<b>\$ 1,409</b>	<b>\$ 1,999</b>
<b>Plan Fiduciary Net Position as a percentage of the Total Pension Liability</b>	92.18%	81.06%	76.76%
<b>Covered payroll <sup>(2)</sup></b>	<b>\$ 3,613</b>	<b>\$ 3,906</b>	<b>\$ 4,298</b>
<b>Plan Net Pension Liability as a percentage of covered payroll <sup>(2)</sup></b>	12.40%	36.07%	46.51%

(1) Administrative expense does not round up to \$1 in thousands.

(2) The numbers for 2014 and 2015 were for covered-employee payroll, prior to GASB Statement No. 82 implementation.

The schedule is presented to show information for 10 years. However, a full 10-year trend is currently not available; the County will be adding years in the future.

2017	2016	2015	2014	
				<b>Total Pension Liability</b>
\$ --	\$ --	\$ --	\$ --	Service cost
436	435	271	282	Interest
--	--	--	--	Changes of benefit terms
--	73	--	--	Difference between expected and actual experience
--	73	--	--	Changes of assumptions
(372)	(424)	(522)	(695)	Benefit payments, including refunds of member contributions
64	157	(251)	(413)	Net change in Total Pension Liability
8,498	8,341	8,592	9,005	Total Pension Liability-beginning
<u>\$ 8,562</u>	<u>\$ 8,498</u>	<u>\$ 8,341</u>	<u>\$ 8,592</u>	<b>Total Pension Liability-ending (a)</b>
				<b>Plan Fiduciary Net Position</b>
\$ 784	\$ 784	\$ 421	\$ 421	Contributions-employer
--	--	--	--	Contributions-member
527	123	17	15	Net investment income
(5)	(4)	--	--	Investment Expense
(372)	(428)	(522)	(695)	Benefit payments, including refunds of member contributions
--	--	--	--	Administrative expense <sup>(1)</sup>
(5)	7	--	--	Other
929	482	(84)	(259)	Net change in Plan Fiduciary Net Position
5,599	5,117	5,201	5,460	Plan Fiduciary Net Position-beginning
<u>\$ 6,528</u>	<u>\$ 5,599</u>	<u>\$ 5,117</u>	<u>\$ 5,201</u>	Plan Fiduciary Net Position-ending (b)
<u>\$ 2,034</u>	<u>\$ 2,899</u>	<u>\$ 3,224</u>	<u>\$ 3,391</u>	<b>Plan Net Pension Liability-ending (a) – (b)</b>
76.24%	65.89%	61.35%	60.53%	<b>Plan Fiduciary Net Position as a percentage of the Total Pension Liability</b>
\$ 4,725	\$ 1,747	\$ 1,829	\$ 1,876	<b>Covered payroll <sup>(2)</sup></b>
43.05%	165.94%	176.27%	180.76%	<b>Plan Net Pension Liability as a percentage of covered payroll <sup>(2)</sup></b>



**Orange County Extra-Help Defined Benefit Plan (Continued)**

**Schedule of Investment Returns**

	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Actual money-weighted rate of return, net of investment expense	4.56%	6.90%	4.53%	8.51%	2.22%	0.35%	0.26%

**Notes to Schedule**

**Methods and assumptions used to determine actuarially  
determined contribution:**

Valuation date	July 1, 2019
Actuarial cost method	Projected Unit Credit (all plan benefits frozen)
Amortization method	Level dollar
Amortization period	5 years rolling (open)
Asset valuation method	Market Value of assets
Discount rate	5.25%
General Inflation	2.75%
Mortality	RPH-2014, projected generationally with mortality improvement Scale MP-2016

The schedule is presented to show information for 10 years. However, a full 10-year trend is currently not available; the County will be adding years in the future.

**Orange County Retiree Medical Plan**

**Schedule of Changes in the Collective Plan Net OPEB Liability  
and Related Ratios**

	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Total OPEB Liability</b>			
Service cost	\$ 16,501	\$ 15,982	\$ 15,479
Interest	50,298	48,442	46,589
Changes of benefit terms	5,508	--	--
Difference between expected and actual experience	(10,635)	--	--
Changes of assumptions	(17,535)	--	--
Benefit payments, including refunds of member contributions	(39,719)	(37,118)	(35,111)
Net change in Total OPEB Liability	4,418	27,306	26,957
Total OPEB Liability-beginning	721,904	694,598	667,641
<b>Total OPEB Liability-ending (a)</b>	<b>\$ 726,322</b>	<b>\$ 721,904</b>	<b>\$ 694,598</b>
<b>Plan Fiduciary Net Position</b>			
Contributions-employer	\$ 58,807	\$ 54,229	\$ 60,721
Contributions-employee	505	2,103	2,193
Net investment income	43,720	(5,746)	34,217
Benefit payments, including refunds of member contributions	(39,719)	(37,118)	(35,111)
Administrative expense	(20)	(21)	(22)
Net change in Plan Fiduciary Net Position	63,293	13,447	61,998
Plan Fiduciary Net Position-beginning	307,252	293,805	231,807
<b>Plan Fiduciary Net Position-ending (b)</b>	<b>\$ 370,545</b>	<b>\$ 307,252</b>	<b>\$ 293,805</b>
<b>Plan Net OPEB Liability-ending (a)-(b)</b>	<b>\$ 355,777</b>	<b>\$ 414,652</b>	<b>\$ 400,793</b>
<b>Plan Fiduciary Net Position as a percentage of the Total OPEB Liability</b>	51.02%	42.56%	42.30%
<b>Covered payroll <sup>(1)</sup></b>	<b>\$ 1,368,521</b>	<b>\$ 1,346,440</b>	<b>\$ 1,313,217</b>
<b>Plan Net OPEB Liability as a percentage of covered payroll</b>	26.00%	30.80%	30.52%

**Schedule of Investment Returns**

	<b>2019</b>	<b>2018</b>	<b>2017</b>
Actual money-weighted rate of return, net of investment expense	14.81%	(1.31%)	14.74%

(1) For the 12 month period ending on December 31 (measurement date and plan year).

The schedule is presented to show information for 10 years. However, a full 10-year trend is currently not available; the County will be adding years in the future.

**Orange County Retiree Medical Plan (Continued)**

**Schedule of County's Proportionate Share of the  
Net OPEB Liability**

	<b>2019</b>	<b>2018</b>	<b>2017</b>
County's proportion of the net OPEB liability	92.31%	91.78%	90.84%
County's proportionate share of the net OPEB liability	\$ 328,412	\$ 380,581	\$ 364,071
Covered payroll <sup>(1)</sup>	\$ 1,254,780	\$ 1,234,558	\$ 1,203,106
County's proportionate share of the net OPEB liability as a percentage of its covered payroll	26.17%	30.83%	30.26%
Plan fiduciary net position as a percentage of the total OPEB liability	51.02%	42.56%	42.30%

**Schedule of Collective Plan Contributions**

	<b>2019</b>	<b>2018</b>	<b>2017</b>
Actuarially determined contribution	\$ 50,037	\$ 52,554	\$ 47,006
Contributions in relation to the actuarially determined contribution	58,807	54,229	60,721
Contribution deficiency (excess)	<u>\$ (8,770)</u>	<u>\$ (1,675)</u>	<u>\$ (13,715)</u>
Covered payroll <sup>(1)</sup>	\$ 1,368,521	\$ 1,346,440	\$ 1,313,217
Contributions as a percentage of covered payroll	4.30%	4.03%	4.62%

**Schedule of County Contributions**

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Actuarially determined contribution	\$ 45,698	\$ 48,101	\$ 42,716
Contributions in relation to the actuarially determined contribution	50,466	52,349	46,005
Contribution deficiency (excess)	<u>\$ (4,768)</u>	<u>\$ (4,248)</u>	<u>\$ (3,289)</u>
Covered payroll <sup>(2)</sup>	\$ 1,293,186	\$ 1,254,706	\$ 1,220,638
Contributions as a percentage of covered payroll	3.90%	4.17%	3.77%

(1) For the 12 month period ending on December 31 (measurement date and plan year).

(2) For the 12 month period ending on June 30, fiscal year end.

The schedule is presented to show information for 10 years. However, a full 10-year trend is currently not available; the County will be adding years in the future.

**Orange County Retiree Medical Plan (Continued)**

**Notes to Schedule**

**Methods and assumptions used to determine contribution rates:**

Valuation date	June 30, 2017
Actuarial cost method	Entry age
Amortization method	Level percent of payroll, closed
Remaining amortization period	16 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Investment rate of return	7.00%, net of investment expenses, including inflation
Mortality	OCERS 2014-2016 Experience Study projected generationally with modified mortality improvement Scale MP-2016
Grant increase rates	5% for AFSCME, 3% for others
Medical Trend	7.5% initial (6.5% Medicare) decreasing to 4.0% in 2076 and later





*County Administration South*







## **NONMAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

These Funds are used to account for the proceeds of specific revenue sources (other than the Permanent Fund or for major capital projects) that have either legal or operational requirements to restrict expenditures for specified purposes.

#### **Parking Facilities**

This Fund is used to account for revenues and expenditures related to parking facilities. This includes costs to lease parking spaces for County staff, costs and revenue from the Manchester lot, interest revenue, and the County's operating and maintenance costs.

#### **Service Areas, Lighting, Maintenance and Assessment Districts**

This group of Funds is used to account for the construction of public facilities from the proceeds of various Mello-Roos districts (also known as Community Facilities Districts) bond issues, special assessment district bond issues, and interfund transfers from County Service Area operating funds. Upon completion of construction, the public facilities are transferred to the Special Assessment and Community Facilities Districts. It is also used to account for local park and recreation facilities, highway lighting, and street sweeping services within unincorporated areas of the County. Revenues consist primarily of property taxes and State grants.

#### **Other Environmental Management**

This group of Funds is used to account for Local Redevelopment Authority activities, fees from violations of fish and game laws, usage of various State tidelands held in trust by the County, registration of off-highway vehicles, and motor vehicle fees levied by the South Coast Air Quality Management District.

#### **Tobacco Settlement**

This Fund accounts for Tobacco Settlement monies allocated to the County from the State of California, pursuant to the Master Settlement Agreement concluded on November 23, 1998 between the major tobacco companies and 46 States (including California), the District of Columbia and four U.S. Territories. On November 7, 2000, Orange County voters passed Measure H. This measure requires the County to utilize its share of the national tobacco litigation settlement revenues in the following percentages:

- 80% for specified health care services
- 20% for public safety

#### **Community and Welfare Services**

This group of Funds is used to account for the Orange County Workforce Innovation and Opportunity Act, Welfare-to-Work, Shelter Care Facilities, In Home Supportive Services, Housing and Community Development, Substance Abuse Treatment, and Other Community and Welfare Social Programs. Revenues consist primarily of Federal grants passed through the State, as well as State grants.

#### **OC Parks**

This Fund accounts for the development and maintenance of County tidelands and related aquatic recreational facilities, as well as the acquisition, operation and maintenance of County beaches, inland, regional park facilities and community park sites in the unincorporated areas. Revenues consist primarily of property taxes, State aid, lease and concession revenues, and park and recreation fees.

#### **OC Dana Point Harbor**

This Fund accounts for monies received primarily through rent and concession revenues which are dedicated to providing public coastal access, environmental stewardship, and a diverse regional recreational facility so users and visitors may experience the Dana Point Harbor resource in a safe and enjoyable way. The Board approved a lease agreement with Dana Point Harbor Partners to renovate and operate the Dana Point Harbor. For additional information regarding Dana Point Harbor, refer to Note 5, Service Concession Arrangements.

Housing Asset

The Orange County Development Agency (OCDA) was dissolved effective February 1, 2012 in accordance with Health and Safety Code 34172. The Orange County Housing Authority assumed the housing functions previously performed by OCDA. The Housing Asset Fund was established and the housing assets from the OCDA Low and Moderate Income Housing Fund were transferred into the Fund.

OC Public Libraries

This Fund accounts for library services for the unincorporated areas as well as some of the incorporated areas within the County. Property taxes provide most of the fund's revenue. Licenses, permits, Federal and State aid, and charges for services make up the remaining revenue.

Health Care Programs

This group of Funds is used to account for Board-approved Realignment Reserves for Health Care, Medi-Cal Mental Health Managed Care programs, Medi-Cal Administrative Activities and Targeted Case Management, Bioterrorism Preparedness grant funds, Emergency Medical Services allocations, and other purpose-restricted revenues related to health care programs. Revenues consist primarily of State grants and allocations, and Federal grants passed through the State.

Roads

This Fund accounts for proceeds restricted for the maintenance and construction of roadways, and for specialized engineering services to other governmental units and the public. Revenues consist primarily of the County's share of State highway users' taxes, and SB1 related transportation taxes and fees, Federal funds, and charges for engineering services provided.

Orange County Housing Authority

This Fund is used to account for revenues received from the Federal Government for Section 8 Rental Assistance Program expenditures. This program assists low-income families to obtain decent, safe, and sanitary housing through a system of rental subsidies.

Other Governmental Resources

This group of Funds is used to account for fees charged for property characteristics information that are purpose-restricted for technological and capital acquisitions and/or improvements.

**NONMAJOR GOVERNMENTAL FUNDS (Continued)**

**DEBT SERVICE FUNDS**

These Funds are used to account for the accumulation and disbursement of taxes and other revenues for the periodic payment of principal and interest on general long-term debt that includes general obligation, revenue, and demand bond issues.

**Teeter Plan Notes**

This Fund accounts for the financing of the County's purchase of delinquent taxes receivable pursuant to the Teeter Plan. The Teeter Plan is an alternate secured property tax distribution plan, whereby, the County distributes 100% of the local secured levy to the taxing agencies participating in the Teeter Plan and in exchange receives the right to keep the delinquent taxes, penalties and interest.

**Pension Obligation Bonds**

This Fund is used to account for the debt service expenditures for the Orange County Taxable Pension Obligation Bonds. The Taxable Refunding Pension Obligation Bonds, Series 1997A are economically defeased and the outstanding debt service is paid through debt securities issued by Fannie Mae, along with Debt Service Funds already being held by the Trustee.

**Capital Facilities Development Corporation**

This non-budgeted Fund was established to account for the Civic Center Facilities Master Plan project and will facilitate financings, acquisitions of property, and other property related transactions for the benefit of Orange County, California.

**South Orange County Public Financing Authority**

This non-budgeted Fund was established to account for the debt service expenditures for the South Orange County Public Financing Authority (SOCPFA). On June 2, 2016, SOCPFA issued the Central Utility Facility Lease Revenue Bonds, Series 2016 to finance the acquisition, construction and installation of certain capital improvements.

**CAPITAL PROJECTS FUNDS**

These Funds are used to account for the acquisition and construction of major capital facilities (other than those financed by the proprietary funds).

**Criminal Justice Facilities**

This group of Funds is used to account for monies received from surcharges and penalty assessments on offenses used for capital improvements to court and other criminal justice facilities.

**Countywide Capital Projects Non-General Fund**

This Fund was established to budget and account for the multi-year approved capital projects funded primarily with Net County Cost or general purpose revenue.

**Capital Facilities Development Corporation Construction**

This non-budgeted Fund was established for the Civic Center Facilities Master Plan project and to account for the related construction.

**PERMANENT FUND**

A Permanent Fund is used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs, that is, for the benefit of the government or its citizenry.

Regional Park Endowment

This Fund is used to account for costs associated with the repair and maintenance of a mitigation area in Limestone Regional Park.

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS**

		Special Revenue		
	Total Nonmajor Governmental Funds	Parking Facilities	Service Areas, Lighting, Maintenance, & Assessment Districts	Other Environmental Management
<b><u>ASSETS</u></b>				
Pooled Cash/Investments	\$ 845,035	\$ 8,742	\$ 5,287	\$ 14,323
Imprest Cash Funds	45	--	--	--
Restricted Cash and Investments with Trustee	231,024	--	19,045	--
Deposits In-Lieu of Cash	367	--	--	--
Receivables				
Accounts	2,183	55	--	1
Taxes	27,220	--	20	--
Interest/Dividends	1,654	25	13	33
Deposits	59	--	--	--
Allowance for Uncollectible Receivables	(289)	(10)	--	--
Due from Other Funds	60,068	1,115	--	1
Due from Other Governmental Agencies	29,082	888	777	40
Prepaid Costs	17,597	106	--	--
Notes Receivable, Net	26,097	--	--	--
Total Assets	<u>\$ 1,240,142</u>	<u>\$ 10,921</u>	<u>\$ 25,142</u>	<u>\$ 14,398</u>
<b><u>LIABILITIES</u></b>				
Accounts Payable	\$ 25,089	\$ 1,071	\$ 3,421	\$ --
Retainage Payable	1,020	41	--	--
Salaries and Employee Benefits Payable	2,820	18	--	--
Interest Payable	51	--	--	--
Deposits from Others	57,342	--	447	--
Due to Other Funds	49,836	334	236	793
Due to Other Governmental Agencies	5,258	474	192	--
Unearned Revenue	29,548	--	--	--
Advances from Other Funds	29,867	--	--	--
Total Liabilities	<u>200,831</u>	<u>1,938</u>	<u>4,296</u>	<u>793</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Unavailable Revenue-Intergovernmental Revenues	11,516	--	--	--
Unavailable Revenue-Property Taxes	1,098	--	5	--
Unavailable Revenue-Other	27	--	--	--
Total Deferred Inflows of Resources	<u>12,641</u>	<u>--</u>	<u>5</u>	<u>--</u>
<b><u>FUND BALANCES</u></b>				
Nonspendable	17,797	106	--	--
Restricted	794,729	7,286	20,841	4,567
Assigned	214,144	1,591	--	9,038
Total Fund Balances	<u>1,026,670</u>	<u>8,983</u>	<u>20,841</u>	<u>13,605</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,240,142</u>	<u>\$ 10,921</u>	<u>\$ 25,142</u>	<u>\$ 14,398</u>

Special Revenue				
Tobacco Settlement	Community & Welfare Services	OC Parks	OC Dana Point Harbor	
				<b>ASSETS</b>
\$ 21,557	\$ 99,726	\$ 126,499	\$ 71,295	Pooled Cash/Investments
--	45	--	--	Imprest Cash Funds
--	--	--	--	Restricted Cash and Investments with Trustee
--	--	352	15	Deposits In-Lieu of Cash
--	1	1,347	119	Receivables
--	--	1,279	--	Accounts
--	177	293	167	Taxes
--	--	7	--	Interest/Dividends
--	--	--	--	Deposits
--	18,429	62	--	Allowance for Uncollectible Receivables
--	4,289	406	--	Due from Other Funds
--	349	5,841	--	Due from Other Governmental Agencies
--	5,202	--	--	Prepaid Costs
\$ 21,557	\$ 128,218	\$ 136,086	\$ 71,596	Notes Receivable, Net
				Total Assets
				<b>LIABILITIES</b>
\$ --	\$ 2,532	\$ 3,860	\$ --	Accounts Payable
--	--	423	1	Retainage Payable
--	46	1,043	--	Salaries and Employee Benefits Payable
--	--	--	--	Interest Payable
--	1	3,211	392	Deposits from Others
3,948	16,409	2,051	951	Due to Other Funds
--	670	20	--	Due to Other Governmental Agencies
--	105	623	5	Unearned Revenue
--	3,867	--	--	Advances from Other Funds
3,948	23,630	11,231	1,349	Total Liabilities
				<b>DEFERRED INFLOWS OF RESOURCES</b>
--	997	178	--	Unavailable Revenue-Intergovernmental Revenues
--	--	678	--	Unavailable Revenue-Property Taxes
--	--	--	--	Unavailable Revenue-Other
--	997	856	--	Total Deferred Inflows of Resources
				<b>FUND BALANCES</b>
--	349	5,841	--	Nonspendable
17,609	70,774	105,583	70,247	Restricted
--	32,468	12,575	--	Assigned
17,609	103,591	123,999	70,247	Total Fund Balances
\$ 21,557	\$ 128,218	\$ 136,086	\$ 71,596	Total Liabilities, Deferred Inflows of Resources, and Fund Balances

**COMBINING BALANCE SHEET (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**

	Special Revenue			
	Housing Asset	OC Public Libraries	Health Care Programs	Roads
<b><u>ASSETS</u></b>				
Pooled Cash/Investments	\$ 11,249	\$ 77,101	\$ 65,121	\$ 188,893
Imprest Cash Funds	--	--	--	--
Restricted Cash and Investments with Trustee	--	--	--	--
Deposits In-Lieu of Cash	--	--	--	--
Receivables				
Accounts	--	68	41	165
Taxes	--	797	--	--
Interest/Dividends	26	171	54	443
Deposits	--	--	--	52
Allowance for Uncollectible Receivables	--	--	--	(121)
Due from Other Funds	19	49	908	988
Due from Other Governmental Agencies	--	9	331	13,696
Prepaid Costs	--	5,591	--	3,783
Notes Receivable, Net	19,569	--	--	--
Total Assets	<u>\$ 30,863</u>	<u>\$ 83,786</u>	<u>\$ 66,455</u>	<u>\$ 207,899</u>
<b><u>LIABILITIES</u></b>				
Accounts Payable	\$ 5	\$ 185	\$ --	\$ 5,138
Retainage Payable	--	9	--	54
Salaries and Employee Benefits Payable	--	871	--	555
Interest Payable	--	--	--	--
Deposits from Others	12	409	--	52,870
Due to Other Funds	196	792	8,655	3,474
Due to Other Governmental Agencies	--	--	3,338	564
Unearned Revenue	--	15	5,812	20,786
Advances from Other Funds	--	--	--	--
Total Liabilities	<u>213</u>	<u>2,281</u>	<u>17,805</u>	<u>83,441</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Unavailable Revenue-Intergovernmental Revenues	--	--	587	9,748
Unavailable Revenue-Property Taxes	--	415	--	--
Unavailable Revenue-Other	--	--	--	--
Total Deferred Inflows of Resources	<u>--</u>	<u>415</u>	<u>587</u>	<u>9,748</u>
<b><u>FUND BALANCES</u></b>				
Nonspendable	--	5,591	--	3,783
Restricted	30,650	75,499	34,475	110,927
Assigned	--	--	13,588	--
Total Fund Balances	<u>30,650</u>	<u>81,090</u>	<u>48,063</u>	<u>114,710</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 30,863</u>	<u>\$ 83,786</u>	<u>\$ 66,455</u>	<u>\$ 207,899</u>

Special Revenue		Debt Service		
Orange County Housing Authority	Other Governmental Resources	Teeter Plan Notes	Pension Obligation Bonds	
				<b><u>ASSETS</u></b>
\$ 8,547	\$ 1,935	\$ 71,339	\$ 5	Pooled Cash/Investments
--	--	--	--	Imprest Cash Funds
7,377	--	51	18,744	Restricted Cash and Investments with Trustee
--	--	--	--	Deposits In-Lieu of Cash
386	--	--	--	Receivables
--	--	25,124	--	Accounts
18	3	177	--	Taxes
--	--	--	--	Interest/Dividends
(158)	--	--	--	Deposits
11	--	--	--	Allowance for Uncollectible Receivables
1,281	--	7,243	--	Due from Other Funds
1,927	--	--	--	Due from Other Governmental Agencies
1,326	--	--	--	Prepaid Costs
\$ 20,715	\$ 1,938	\$ 103,934	\$ 18,749	Notes Receivable, Net
				Total Assets
				<b><u>LIABILITIES</u></b>
\$ 755	\$ --	\$ 77	\$ --	Accounts Payable
--	--	--	--	Retainage payable
287	--	--	--	Salaries and Employee Benefits Payable
--	--	51	--	Interest Payable
--	--	--	--	Deposits from Others
2,252	--	9,233	--	Due to Other Funds
--	--	--	--	Due to Other Governmental Agencies
2,202	--	--	--	Unearned Revenue
--	--	--	--	Advances from Other Funds
5,496	--	9,361	--	Total Liabilities
				<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>
6	--	--	--	Unavailable Revenue-Intergovernmental Revenues
--	--	--	--	Unavailable Revenue-Property Taxes
--	--	--	--	Unavailable Revenue-Other
6	--	--	--	Total Deferred Inflows of Resources
				<b><u>FUND BALANCES</u></b>
1,927	--	--	--	Nonspendable
13,286	1,938	25,124	18,749	Restricted
--	--	69,449	--	Assigned
15,213	1,938	94,573	18,749	Total Fund Balances
\$ 20,715	\$ 1,938	\$ 103,934	\$ 18,749	Total Liabilities, Deferred Inflows of Resources, and Fund Balances



**COMBINING BALANCE SHEET (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**

	Debt Service		Capital Projects
	Capital Facilities Development Corporation	South OC Public Financing Authority	Criminal Justice Facilities
<b><u>ASSETS</u></b>			
Pooled Cash/Investments	\$ --	\$ --	\$ 18,316
Imprest Cash Funds	--	--	--
Restricted Cash and Investments with Trustee	24,763	149	--
Deposits In-Lieu of Cash	--	--	--
Receivables			
Accounts	--	--	--
Taxes	--	--	--
Interest/Dividends	--	--	53
Deposits	--	--	--
Allowance for Uncollectible Receivables	--	--	--
Due from Other Funds	--	--	17,305
Due from Other Governmental Agencies	--	--	122
Prepaid Costs	--	--	--
Notes Receivable, Net	--	--	--
Total Assets	<u>\$ 24,763</u>	<u>\$ 149</u>	<u>\$ 35,796</u>
<b><u>LIABILITIES</u></b>			
Accounts Payable	\$ --	\$ --	\$ 2,409
Retainage payable	--	--	492
Salaries and Employee Benefits Payable	--	--	--
Interest Payable	--	--	--
Deposits from Others	--	--	--
Due to Other Funds	--	--	32
Due to Other Governmental Agencies	--	--	--
Unearned Revenue	--	--	--
Advances from Other Funds	--	--	26,000
Total Liabilities	<u>--</u>	<u>--</u>	<u>28,933</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Unavailable Revenue-Intergovernmental Revenues	--	--	--
Unavailable Revenue-Property Taxes	--	--	--
Unavailable Revenue-Other	--	--	27
Total Deferred Inflows of Resources	<u>--</u>	<u>--</u>	<u>27</u>
<b><u>FUND BALANCES</u></b>			
Nonspendable	--	--	--
Restricted	24,763	149	6,836
Assigned	--	--	--
Total Fund Balances	<u>24,763</u>	<u>149</u>	<u>6,836</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 24,763</u>	<u>\$ 149</u>	<u>\$ 35,796</u>

Capital Projects		Permanent	
Countywide Capital Projects Non-General Fund	Capital Facilities Development Corporation Construction	Regional Park Endowment	
			<b>ASSETS</b>
\$ 54,734	\$ --	\$ 366	Pooled Cash/Investments
--	--	--	Imprest Cash Funds
--	160,895	--	Restricted Cash and Investments with Trustee
--	--	--	Deposits In-Lieu of Cash
--	--	--	Receivables
--	--	--	Accounts
--	--	--	Taxes
--	--	1	Interest/Dividends
--	--	--	Deposits
--	--	--	Allowance for Uncollectible Receivables
21,181	--	--	Due from Other Funds
--	--	--	Due from Other Governmental Agencies
--	--	--	Prepaid Costs
--	--	--	Notes Receivable, Net
<u>\$ 75,915</u>	<u>\$ 160,895</u>	<u>\$ 367</u>	Total Assets
			<b>LIABILITIES</b>
\$ --	\$ 5,636	\$ --	Accounts Payable
--	--	--	Retainage payable
--	--	--	Salaries and Employee Benefits Payable
--	--	--	Interest Payable
--	--	--	Deposits from Others
480	--	--	Due to Other Funds
--	--	--	Due to Other Governmental Agencies
--	--	--	Unearned Revenue
--	--	--	Advances from Other Funds
<u>480</u>	<u>5,636</u>	<u>--</u>	Total Liabilities
			<b>DEFERRED INFLOWS OF RESOURCES</b>
--	--	--	Unavailable Revenue-Intergovernmental Revenues
--	--	--	Unavailable Revenue-Property Taxes
--	--	--	Unavailable Revenue-Other
<u>--</u>	<u>--</u>	<u>--</u>	Total Deferred Inflows of Resources
			<b>FUND BALANCES</b>
--	--	200	Nonspendable
--	155,259	167	Restricted
75,435	--	--	Assigned
<u>75,435</u>	<u>155,259</u>	<u>367</u>	Total Fund Balances
<u>\$ 75,915</u>	<u>\$ 160,895</u>	<u>\$ 367</u>	Total Liabilities, Deferred Inflows of Resources, and Fund Balances

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS**

		Special Revenue		
	Total Nonmajor Governmental Funds	Parking Facilities	Service Area, Lighting, Maintenance, & Assessment Districts	Other Environmental Management
Revenues				
Taxes	\$ 159,298	\$ --	\$ 708	\$ --
Licenses, Permits, and Franchises	843	--	--	--
Fines, Forfeitures, and Penalties	14,792	--	--	--
Use of Money and Property	51,693	11,275	1,021	1,103
Intergovernmental	347,795	1,624	780	2,775
Charges for Services	45,533	1,033	7	301
Other	34,267	--	--	216
Total Revenues	<u>654,221</u>	<u>13,932</u>	<u>2,516</u>	<u>4,395</u>
Expenditures				
Current				
General Government	47,062	--	45,907	803
Public Protection	216	--	--	182
Public Ways and Facilities	103,859	13,691	846	1,564
Health and Sanitation	644	--	--	--
Public Assistance	223,317	--	--	--
Education	47,702	--	--	--
Recreation and Cultural Services	119,379	--	--	--
Capital Outlay	94,255	1,735	2	--
Debt Service				
Principal Retirement	83,022	--	--	--
Interest	32,258	--	--	--
Total Expenditures	<u>751,714</u>	<u>15,426</u>	<u>46,755</u>	<u>2,549</u>
Excess (Deficit) of Revenues Over Expenditures	(97,493)	(1,494)	(44,239)	1,846
Other Financing Sources (Uses)				
Transfers In	168,488	--	100	355
Transfers Out	(150,468)	(76)	--	--
Debt Issued	83,708	--	--	--
Total Other Financing Sources (Uses)	<u>101,728</u>	<u>(76)</u>	<u>100</u>	<u>355</u>
Net Change in Fund Balances	4,235	(1,570)	(44,139)	2,201
Fund Balances-Beginning of Year	1,022,435	10,553	64,980	11,404
Fund Balances-End of Year	<u>\$ 1,026,670</u>	<u>\$ 8,983</u>	<u>\$ 20,841</u>	<u>\$ 13,605</u>

Special Revenue				
Tobacco Settlement	Community & Welfare Services	OC Parks	OC Dana Point Harbor	
\$ --	\$ --	\$ 97,937	\$ --	Revenues
--	681	162	--	Taxes
--	--	58	2	Licenses, Permits, and Franchises
296	2,515	14,402	3,827	Fines, Forfeitures, and Penalties
--	26,048	793	26	Use of Money and Property
--	3,123	12,162	67	Intergovernmental
29,607	639	1,930	102	Charges for Services
29,903	33,006	127,444	4,024	Other
				Total Revenues
				Expenditures
				Current
10	--	--	--	General Government
--	34	--	--	Public Protection
--	--	--	--	Public Ways and Facilities
--	--	--	--	Health and Sanitation
--	24,222	--	--	Public Assistance
--	--	--	--	Education
--	--	112,880	6,499	Recreation and Cultural Services
--	--	11,638	--	Capital Outlay
--	--	--	--	Debt Service
--	--	--	--	Principal Retirement
--	--	--	--	Interest
10	24,256	124,518	6,499	Total Expenditures
				Excess (Deficit) of Revenues
29,893	8,750	2,926	(2,475)	Over Expenditures
				Other Financing Sources (Uses)
10	62,925	--	--	Transfers In
(29,658)	(21,936)	(1,326)	(1)	Transfers Out
--	--	--	--	Debt Issued
(29,648)	40,989	(1,326)	(1)	Total Other Financing Sources (Uses)
				Net Change in Fund Balances
245	49,739	1,600	(2,476)	
17,364	53,852	122,399	72,723	Fund Balances-Beginning of Year
\$ 17,609	\$ 103,591	\$ 123,999	\$ 70,247	Fund Balances-End of Year

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES (Continued)  
NONMAJOR GOVERNMENTAL FUNDS**

	Special Revenue			
	Housing Asset	OC Public Libraries	Health Care Programs	Roads
<b>Revenues</b>				
Taxes	\$ --	\$ 60,653	\$ --	\$ --
Licenses, Permits, and Franchises	--	--	--	--
Fines, Forfeitures, and Penalties	--	9	7,222	3
Use of Money and Property	436	1,657	1,225	3,652
Intergovernmental	--	439	14,394	100,522
Charges for Services	--	497	986	27,002
Other	--	571	--	1,100
Total Revenues	436	63,826	23,827	132,279
<b>Expenditures</b>				
Current				
General Government	--	--	--	--
Public Protection	--	--	--	--
Public Ways and Facilities	--	--	--	87,758
Health and Sanitation	--	--	644	--
Public Assistance	719	--	--	--
Education	--	47,702	--	--
Recreation and Cultural Services	--	--	--	--
Capital Outlay	--	--	--	8,220
Debt Service				
Principal Retirement	--	15	--	--
Interest	--	1	--	--
Total Expenditures	719	47,718	644	95,978
Excess (Deficit) of Revenues Over Expenditures	(283)	16,108	23,183	36,301
<b>Other Financing Sources (Uses)</b>				
Transfers In	--	--	1,265	--
Transfers Out	--	(101)	(20,602)	(2,589)
Debt Issued	--	--	--	--
Total Other Financing Sources (Uses)	--	(101)	(19,337)	(2,589)
Net Change in Fund Balances	(283)	16,007	3,846	33,712
Fund Balances-Beginning of Year	30,933	65,083	44,217	80,998
Fund Balances-End of Year	\$ 30,650	\$ 81,090	\$ 48,063	\$ 114,710

Special Revenue		Debt Service		
Orange County Housing Authority	Other Governmental Resources	Teeter Plan Notes	Pension Obligation Bonds	
\$ --	\$ --	\$ --	\$ --	Revenues
--	--	--	--	Taxes
--	--	6,676	--	Licenses, Permits, and Franchises
221	40	2,117	536	Fines, Forfeitures, and Penalties
199,213	--	--	--	Use of Money and Property
--	127	--	--	Intergovernmental
102	--	--	--	Charges for Services
199,536	167	8,793	536	Other
				Total Revenues
				Expenditures
				Current
--	1	275	2	General Government
--	--	--	--	Public Protection
--	--	--	--	Public Ways and Facilities
--	--	--	--	Health and Sanitation
198,376	--	--	--	Public Assistance
--	--	--	--	Education
--	--	--	--	Recreation and Cultural Services
--	--	--	--	Capital Outlay
--	--	78,554	2,478	Debt Service
--	--	1,263	12,022	Principal Retirement
198,376	1	80,092	14,502	Interest
				Total Expenditures
1,160	166	(71,299)	(13,966)	Excess (Deficit) of Revenues
				Over Expenditures
--	1	--	--	Other Financing Sources (Uses)
(44)	(17)	(9,230)	--	Transfers In
--	--	83,708	--	Transfers Out
(44)	(16)	74,478	--	Debt Issued
				Total Other Financing Sources (Uses)
1,116	150	3,179	(13,966)	Net Change in Fund Balances
14,097	1,788	91,394	32,715	Fund Balances-Beginning of Year
\$ 15,213	\$ 1,938	\$ 94,573	\$ 18,749	Fund Balances-End of Year

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES (Continued)  
NONMAJOR GOVERNMENTAL FUNDS**

	Debt Service		Capital Projects
	Capital Facilities Development Corporation	South OC Public Financing Authority	Criminal Justice Facilities
Revenues			
Taxes	\$ --	\$ --	\$ --
Licenses, Permits, and Franchises	--	--	--
Fines, Forfeitures, and Penalties	--	--	822
Use of Money and Property	1,201	7	575
Intergovernmental	--	--	1,181
Charges for Services	--	--	228
Other	--	--	--
Total Revenues	<u>1,201</u>	<u>7</u>	<u>2,806</u>
Expenditures			
Current			
General Government	--	64	--
Public Protection	--	--	--
Public Ways and Facilities	--	--	--
Health and Sanitation	--	--	--
Public Assistance	--	--	--
Education	--	--	--
Recreation and Cultural Services	--	--	--
Capital Outlay	--	--	23,406
Debt Service			
Principal Retirement	--	1,975	--
Interest	16,461	2,511	--
Total Expenditures	<u>16,461</u>	<u>4,550</u>	<u>23,406</u>
Excess (Deficit) of Revenues Over Expenditures	(15,260)	(4,543)	(20,600)
Other Financing Sources (Uses)			
Transfers In	--	4,484	14,958
Transfers Out	(36)	(89)	(255)
Debt Issued	--	--	--
Total Other Financing Sources (Uses)	<u>(36)</u>	<u>4,395</u>	<u>14,703</u>
Net Change in Fund Balances	(15,296)	(148)	(5,897)
Fund Balances-Beginning of Year	40,059	297	12,733
Fund Balances-End of Year	\$ 24,763	\$ 149	\$ 6,836

Capital Projects		Permanent	
Countywide Capital Projects Non- General Fund	Capital Facilities Development Corporation Construction	Regional Park Endowment	
\$ --	\$ --	\$ --	Revenues
--	--	--	Taxes
--	--	--	Licenses, Permits, and Franchises
694	4,885	8	Fines, Forfeitures, and Penalties
--	--	--	Use of Money and Property
--	--	--	Intergovernmental
--	--	--	Charges for Services
--	--	--	Other
694	4,885	8	Total Revenues
			Expenditures
			Current
--	--	--	General Government
--	--	--	Public Protection
--	--	--	Public Ways and Facilities
--	--	--	Health and Sanitation
--	--	--	Public Assistance
--	--	--	Education
--	--	--	Recreation and Cultural Services
118	49,136	--	Capital Outlay
			Debt Service
--	--	--	Principal Retirement
--	--	--	Interest
118	49,136	--	Total Expenditures
			Excess (Deficit) of Revenues
576	(44,251)	8	Over Expenditures
			Other Financing Sources (Uses)
84,354	36	--	Transfers In
(64,508)	--	--	Transfers Out
--	--	--	Debt Issued
19,846	36	--	Total Other Financing Sources (Uses)
			Net Change in Fund Balances
20,422	(44,215)	8	
55,013	199,474	359	Fund Balances-Beginning of Year
\$ 75,435	\$ 155,259	\$ 367	Fund Balances-End of Year



County of Orange  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2020  
(Dollar Amounts in Thousands)

**BUDGETARY COMPARISON SCHEDULES**  
**NONMAJOR GOVERNMENTAL FUNDS-SPECIAL REVENUE**

	* Original Budget	* Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
<b><u>Parking Facilities</u></b>				
<b>Revenues and Other Financing Sources</b>				
Use of Money and Property	\$ 6,850	\$ 6,850	\$ 5,746	\$ (1,104)
Intergovernmental	--	369	444	75
Charges for Services	125	125	1,033	908
Total Revenues and Other Financing Sources	6,975	7,344	7,223	(121)
<b>Expenditures and Other Financing Uses</b>				
Public Ways and Facilities:				
Parking Facilities	8,282	9,645	8,416	1,229
Total Expenditures and Other Financing Uses	8,282	9,645	8,416	1,229
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(1,307)	(2,301)	(1,193)	\$ 1,108
Fund Balances-Beginning of Year	2,790	2,790	2,790	
Fund Balances-End of Year	\$ 1,483	\$ 489	\$ 1,597	
<b><u>Service Area, Lighting, Maintenance, and Assessment Districts</u></b>				
<b>Revenues and Other Financing Sources</b>				
Taxes	\$ 668	\$ 668	\$ 708	\$ 40
Use of Money and Property	1,127	1,477	999	(478)
Intergovernmental	3	3	3	--
Charges for Services	29	29	7	(22)
Other	2	2	--	(2)
Transfers In	--	878	877	(1)
Total Revenues and Other Financing Sources	1,829	3,057	2,594	(463)
<b>Expenditures and Other Financing Uses</b>				
General Government:				
Special Assessment-Top of the World Improvement	61	61	19	42
CFD 2016-1 RMV (Village of Esencia) Construction	92	1,628	1,317	311
CFD 2017-1 RMV (Village of Esencia) Construction	40,278	43,360	43,360	--
Public Ways and Facilities:				
North Tustin Landscaping and Lighting Assessment District	2,115	2,115	703	1,412
County Service Area No. 13-La Mirada	8	21	8	13
County Service Area No. 22-East Yorba Linda	123	211	136	75
Total Expenditures and Other Financing Uses	42,677	47,396	45,543	1,853
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(40,848)	(44,339)	(42,949)	\$ 1,390
Fund Balances-Beginning of Year	63,746	63,746	63,746	
Fund Balances-End of Year	\$ 22,898	\$ 19,407	\$ 20,797	
<b><u>Other Environmental Management</u></b>				
<b>Revenues and Other Financing Sources</b>				
Use of Money and Property	\$ 520	\$ 520	\$ 1,035	\$ 515
Intergovernmental	2,191	2,777	2,774	(3)
Charges for Services	325	325	301	(24)
Other	--	--	216	216
Transfers In	--	360	355	(5)
Total Revenues and Other Financing Sources	3,036	3,982	4,681	699
<b>Expenditures and Other Financing Uses</b>				
General Government:				
Real Estate Development Program	1,629	1,989	765	1,224
Air Quality Improvement	199	199	38	161
Public Protection:				
Survey Monument Preservation	259	259	182	77
Public Ways and Facilities:				
El Toro Improvement Fund	4,080	5,243	1,565	3,678
Total Expenditures and Other Financing Uses	6,167	7,690	2,550	5,140
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(3,131)	(3,708)	2,131	\$ 5,839
Fund Balances-Beginning of Year	11,350	11,350	11,350	
Fund Balances-End of Year	\$ 8,219	\$ 7,642	\$ 13,481	

\* Budgeted amounts, which include carried forward prior year encumbrance, may differ from the adopted budget.

Supplemental Information  
(Dollar Amounts in Thousands)

**BUDGETARY COMPARISON SCHEDULES  
NONMAJOR GOVERNMENTAL FUNDS-SPECIAL REVENUE (Continued)**

	* Original Budget	* Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
<b><u>Tobacco Settlement</u></b>				
<b>Revenues and Other Financing Sources</b>				
Other	\$ 26,245	\$ 26,245	\$ 29,606	\$ 3,361
Total Revenues and Other Financing Sources	26,245	26,245	29,606	3,361
<b>Expenditures and Other Financing Uses</b>				
General Government:				
Orange County Tobacco Settlement Fund	38,247	43,559	29,324	14,235
Total Expenditures and Other Financing Uses	38,247	43,559	29,324	14,235
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(12,002)	(17,314)	282	\$ 17,596
Fund Balances-Beginning of Year	17,314	17,314	17,314	
Fund Balances-End of Year	\$ 5,312	\$ --	\$ 17,596	
<b><u>Community and Welfare Services</u></b>				
<b>Revenues and Other Financing Sources</b>				
Licenses, Permits, and Franchises	\$ 800	\$ 800	\$ 681	\$ (119)
Use of Money and Property	1,416	1,416	2,036	620
Intergovernmental	37,046	36,796	25,633	(11,163)
Charges for Services	3,352	3,296	3,128	(168)
Other	218	218	639	421
Transfers In	23,143	64,639	62,923	(1,716)
Total Revenues and Other Financing Sources	65,975	107,165	95,040	(12,125)
<b>Expenditures and Other Financing Uses</b>				
Public Protection:				
OC Animal Care Center Donations	155	204	142	62
OC Animal Shelter Construction Fund	15,510	15,509	15,328	181
Public Assistance:				
MHSA Housing Fund	1,004	37,019	4,517	32,502
Dispute Resolution Program	1,031	1,062	724	338
Domestic Violence Program	1,151	1,135	822	313
Facilities Development and Maintenance	2,573	2,573	1,625	948
Workforce Investment Act	19,035	18,841	9,910	8,931
County Executive Office-Single Family Housing	2,525	3,525	3,502	23
OC Housing	9,071	9,589	4,896	4,693
Strategic Priority Affordable Housing	101	150	50	100
In-Home Support Services Public Authority	1,823	2,070	1,824	246
SSA Donations and Fees	1,109	1,109	978	131
SSA Wraparound	29,390	29,390	14,544	14,846
CallHome Program Reuse Fund	1,098	1,119	--	1,119
Santa Ana Regional Center Lease Conveyance	1,700	1,700	1,700	--
Total Expenditures and Other Financing Uses	87,276	124,995	60,562	64,433
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(21,301)	(17,830)	34,478	\$ 52,308
Fund Balances-Beginning of Year	73,202	73,202	73,202	
Fund Balances-End of Year	\$ 51,901	\$ 55,372	\$ 107,680	
<b><u>OC Parks</u></b>				
<b>Revenues and Other Financing Sources</b>				
Taxes	\$ 94,540	\$ 94,540	\$ 97,956	\$ 3,416
Licenses, Permits, and Franchises	270	270	162	(108)
Fines, Forfeitures, and Penalties	50	50	58	8
Use of Money and Property	10,941	10,941	13,921	2,980
Intergovernmental	445	445	965	520
Charges for Services	13,870	13,870	12,162	(1,708)
Other	2,735	4,056	3,386	(670)
Transfers In	31,778	27,820	9,200	(18,620)
Total Revenues and Other Financing Sources	154,629	151,992	137,810	(14,182)
<b>Expenditures and Other Financing Uses</b>				
Recreation and Cultural Services:				
County Tidelands-Newport Bay	6,641	7,679	6,653	1,026
OC Parks	159,996	164,491	115,676	48,815
OC Parks Capital	48,546	45,623	12,456	33,167
Total Expenditures and Other Financing Uses	215,183	217,793	134,785	83,008
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(60,554)	(65,801)	3,025	\$ 68,826
Fund Balances-Beginning of Year	119,753	119,753	119,753	
Fund Balances-End of Year	\$ 59,199	\$ 53,952	\$ 122,778	

County of Orange  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2020  
(Dollar Amounts in Thousands)

BUDGETARY COMPARISON SCHEDULES  
NONMAJOR GOVERNMENTAL FUNDS-SPECIAL REVENUE (Continued)

	* Original Budget	* Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
<b>OC Dana Point Harbor</b>				
<b>Revenues and Other Financing Sources</b>				
Fines, Forfeitures and Penalties	\$ --	\$ --	\$ 2	\$ 2
Use of Money and Property	2,841	2,841	3,578	737
Intergovernmental	--	--	26	26
Charges for Services	--	--	67	67
Other	1	1	102	101
Total Revenues and Other Financing Sources	2,842	2,842	3,775	933
<b>Expenditures and Other Financing Uses</b>				
Recreation and Cultural Services:				
OC Dana Point Harbor	21,423	21,423	6,500	14,923
Total Expenditures and Other Financing Uses	21,423	21,423	6,500	14,923
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(18,581)	(18,581)	(2,725)	\$ 15,856
Fund Balances-Beginning of Year	72,365	72,365	72,365	
Fund Balances-End of Year	\$ 53,784	\$ 53,784	\$ 69,640	
<b>Housing Asset</b>				
<b>Revenues and Other Financing Sources</b>				
Use of Money and Property	\$ 267	\$ 267	\$ 530	\$ 263
Other	--	--	(137)	(137)
Total Revenues and Other Financing Sources	267	267	393	126
<b>Expenditures and Other Financing Uses</b>				
Public Assistance:				
Orange County Development Agency Housing Asset	11,630	11,754	719	11,035
Total Expenditures and Other Financing Uses	11,630	11,754	719	11,035
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(11,363)	(11,487)	(326)	\$ 11,161
Fund Balances-Beginning of Year	30,881	30,881	30,881	
Fund Balances-End of Year	\$ 19,518	\$ 19,394	\$ 30,555	
<b>OC Public Libraries</b>				
<b>Revenues and Other Financing Sources</b>				
Taxes	\$ 57,135	\$ 57,135	\$ 60,648	\$ 3,513
Fines, Forfeitures, and Penalties	12	12	9	(3)
Use of Money and Property	900	1,190	1,321	131
Intergovernmental	530	530	439	(91)
Charges for Services	966	676	497	(179)
Other	1,072	1,072	572	(500)
Transfers In	1,543	3,717	3,717	--
Total Revenues and Other Financing Sources	62,158	64,332	67,203	2,871
<b>Expenditures and Other Financing Uses</b>				
Education:				
OC Public Libraries-Capital	5,456	8,170	94	8,076
OC Public Libraries	63,134	66,307	51,577	14,730
Total Expenditures and Other Financing Uses	68,590	74,477	51,671	22,806
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(6,432)	(10,145)	15,532	\$ 25,677
Fund Balances-Beginning of Year	64,338	64,338	64,338	
Fund Balances-End of Year	\$ 57,906	\$ 54,193	\$ 79,870	

\* Budgeted amounts, which include carried forward prior year encumbrance, may differ from the adopted budget.

**BUDGETARY COMPARISON SCHEDULES**  
**NONMAJOR GOVERNMENTAL FUNDS-SPECIAL REVENUE (Continued)**

	* Original Budget	* Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
<b>Health Care Programs</b>				
<b>Revenues and Other Financing Sources</b>				
Fines, Forfeitures, and Penalties	\$ 8,093	\$ 8,093	\$ 7,221	\$ (872)
Use of Money and Property	359	359	384	25
Intergovernmental	4,813	24,023	14,768	(9,255)
Charges for Services	1,100	1,100	986	(114)
Other	403	403	--	(403)
Transfers In	1,100	3,477	1,243	(2,234)
Total Revenues and Other Financing Sources	15,868	37,455	24,602	(12,853)
<b>Expenditures and Other Financing Uses</b>				
Health and Sanitation:				
Medi-Cal Administrative Activities Targeted Case Management	1,166	1,166	750	416
Emergency Medical Services	8,196	8,196	6,950	1,246
HCA Purpose Restricted Revenues	2,965	4,965	885	4,080
HCA Interest Bearing Purpose Restricted Revenues	109	17,933	6,382	11,551
HCA Realignment	6,943	6,943	--	6,943
Bioterrorism Center for Disease Control	3,794	5,557	5,552	5
Total Expenditures and Other Financing Uses	23,173	44,760	20,519	24,241
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(7,305)	(7,305)	4,083	\$ 11,388
Fund Balances-Beginning of Year	44,337	44,337	44,337	
Fund Balances-End of Year	\$ 37,032	\$ 37,032	\$ 48,420	
<b>Roads</b>				
<b>Revenues and Other Financing Sources</b>				
Licenses, Permits, and Franchises	\$ --	\$ --	\$ 5	\$ 5
Fines, Forfeitures, and Penalties	4	4	3	(1)
Use of Money and Property	1,010	1,010	2,822	1,812
Intergovernmental	125,525	125,525	103,828	(21,697)
Charges for Services	23,562	23,562	27,123	3,561
Other	40,775	45,811	1,172	(44,639)
Transfers In	20,176	20,176	20,176	--
Total Revenues and Other Financing Sources	211,052	216,088	155,129	(60,959)
<b>Expenditures and Other Financing Uses</b>				
Public Ways and Facilities:				
OC Road	111,967	115,903	91,190	24,713
Foothill Circulation Phasing Plan	291	291	54	237
South County Roadway Improve Prog (SCRIP)	17,500	17,500	5,038	12,462
OC Road-Capital Improvement	84,452	84,452	22,626	61,826
Total Expenditures and Other Financing Uses	214,210	218,146	118,908	99,238
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(3,158)	(2,058)	36,221	\$ 38,279
Fund Balances-Beginning of Year	82,911	82,911	82,911	
Fund Balances-End of Year	\$ 79,753	\$ 80,853	\$ 119,132	

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**BUDGETARY COMPARISON SCHEDULES**  
**NONMAJOR GOVERNMENTAL FUNDS-SPECIAL REVENUE (Continued)**

	* Original Budget	* Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
<b><u>Orange County Housing Authority</u></b>				
<b>Revenues and Other Financing Sources</b>				
Use of Money and Property	\$ 193	\$ 193	\$ 186	\$ (7)
Intergovernmental	175,301	193,547	199,499	5,952
Charges for Services	3	3	--	(3)
Other	375	375	179	(196)
Total Revenues and Other Financing Sources	<u>175,872</u>	<u>194,118</u>	<u>199,864</u>	<u>5,746</u>
<b>Expenditures and Other Financing Uses</b>				
Public Assistance:				
Orange County Housing Authority-Operating Reserve	4,301	4,344	558	3,786
Orange County Housing Authority	182,031	198,798	197,862	936
Total Expenditures and Other Financing Uses	<u>186,332</u>	<u>203,142</u>	<u>198,420</u>	<u>4,722</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(10,460)	(9,024)	1,444	<u>\$ 10,468</u>
Fund Balances-Beginning of Year	13,782	13,782	13,782	
Fund Balances-End of Year	<u>\$ 3,322</u>	<u>\$ 4,758</u>	<u>\$ 15,226</u>	
<b><u>Other Governmental Resources</u></b>				
<b>Revenues and Other Financing Sources</b>				
Use of Money and Property	\$ 17	\$ 17	\$ 20	\$ 3
Charges for Services	200	200	127	(73)
Total Revenues and Other Financing Sources	<u>217</u>	<u>217</u>	<u>147</u>	<u>(70)</u>
<b>Expenditures and Other Financing Uses</b>				
General Government:				
Remittance Processing Equipment Replacement	301	301	1	300
Assessor Property Characteristic	550	550	--	550
Total Expenditures and Other Financing Uses	<u>851</u>	<u>851</u>	<u>1</u>	<u>850</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(634)	(634)	146	<u>\$ 780</u>
Fund Balances-Beginning of Year	1,783	1,783	1,783	
Fund Balances-End of Year	<u>\$ 1,149</u>	<u>\$ 1,149</u>	<u>\$ 1,929</u>	

\* Budgeted amounts, which include carried forward prior year encumbrance, may differ from the adopted budget.

**BUDGETARY COMPARISON SCHEDULES  
NONMAJOR GOVERNMENTAL FUNDS-DEBT SERVICE**

	* Original Budget	* Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
<b><u>Teeter Plan Notes</u></b>				
<b>Revenues and Other Financing Sources</b>				
Fines, Forfeitures, and Penalties	\$ 9,500	\$ 9,500	\$ 6,926	\$ (2,574)
Use of Money and Property	1,000	1,000	1,813	813
Bond Issuance Proceeds	32,395	78,834	83,708	4,874
Total Revenues and Other Financing Sources	42,895	89,334	92,447	3,113
<b>Expenditures and Other Financing Uses</b>				
General Government:				
Teeter Series A Debt Service	52,125	98,564	89,322	9,242
Total Expenditures and Other Financing Uses	52,125	98,564	89,322	9,242
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(9,230)	(9,230)	3,125	\$ 12,355
Fund Balances-Beginning of Year	87,041	87,041	87,041	
Fund Balances-End of Year	\$ 77,811	\$ 77,811	\$ 90,166	
<b><u>Pension Obligation Bonds</u></b>				
<b>Revenues and Other Financing Sources</b>				
Use of Money and Property	\$ 8,081	\$ 8,081	\$ 8,082	\$ 1
Total Revenues and Other Financing Sources	8,081	8,081	8,082	1
<b>Expenditures and Other Financing Uses</b>				
General Government:				
Pension Obligation Bonds Debt Service	14,540	14,540	14,502	38
Total Expenditures and Other Financing Uses	14,540	14,540	14,502	38
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(6,459)	(6,459)	(6,420)	\$ 39
Fund Balances-Beginning of Year	14,859	14,859	14,859	
Fund Balances-End of Year	\$ 8,400	\$ 8,400	\$ 8,439	

\* Budgeted amounts, which include carried forward prior year encumbrance, may differ from the adopted budget.

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**BUDGETARY COMPARISON SCHEDULES**  
**NONMAJOR GOVERNMENTAL FUNDS-CAPITAL PROJECTS**

	* Original Budget	* Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
<b><u>Criminal Justice Facilities</u></b>				
<b>Revenues and Other Financing Sources</b>				
Fines, Forfeitures, and Penalties	\$ 4,800	\$ 1,000	\$ 822	\$ (178)
Use of Money and Property	200	200	491	291
Intergovernmental	52,454	53,635	1,181	(52,454)
Charges for Services	--	--	228	228
Transfers In	48,227	37,641	28,458	(9,183)
Total Revenues and Other Financing Sources	105,681	92,476	31,180	(61,296)
<b>Expenditures and Other Financing Uses</b>				
Public Protection:				
Criminal Justice Facilities Accumulated Capital Outlay	19,753	24,277	9,138	15,139
Courthouse Temporary Construction	273	--	--	--
Sheriff-Coroner Construction and Facility Development	105,150	97,650	17,599	80,051
Total Expenditures and Other Financing Uses	125,176	121,927	26,737	95,190
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(19,495)	(29,451)	4,443	<u>\$ 33,894</u>
Fund Balances-Beginning of Year	29,451	29,451	29,451	
Fund Balances-End of Year	<u>\$ 9,956</u>	<u>\$ --</u>	<u>\$ 33,894</u>	
<b><u>Countywide Capital Projects Non-General Fund</u></b>				
<b>Revenues and Other Financing Sources</b>				
Charges for Services	--	--	2,855	2,855
Transfers In	29,870	82,602	81,391	(1,211)
Bond Issuance Proceeds	--	--	89	89
Total Revenues and Other Financing Sources	29,870	82,602	84,335	1,733
<b>Expenditures and Other Financing Uses</b>				
General Government:				
Countywide Capital Projects Non-General	56,868	82,183	57,318	24,865
Countywide IT Projects Non-General	3,207	7,850	6,570	1,280
Total Expenditures and Other Financing Uses	60,075	90,033	63,888	26,145
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(30,205)	(7,431)	20,447	<u>\$ 27,878</u>
Fund Balances-Beginning of Year	54,982	54,982	54,982	
Fund Balances-End of Year	<u>\$ 24,777</u>	<u>\$ 47,551</u>	<u>\$ 75,429</u>	

\* Budgeted amounts, which include carried forward prior year encumbrance, may differ from the adopted budget.

**BUDGETARY COMPARISON SCHEDULE  
NONMAJOR GOVERNMENTAL FUNDS-PERMANENT FUND**

	* Original Budget	* Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
<b><u>Regional Park Endowment</u></b>				
<b>Revenues and Other Financing Sources</b>				
Use of Money and Property	\$ 8	\$ 8	\$ 7	\$ (1)
Total Revenues and Other Financing Sources	<u>8</u>	<u>8</u>	<u>7</u>	<u>(1)</u>
<b>Expenditures and Other Financing Uses</b>				
Recreation and Cultural Services:				
Limestone Regional Park Mitigation Maintenance Endowment	8	8	--	8
Total Expenditures and Other Financing Uses	<u>8</u>	<u>8</u>	<u>--</u>	<u>8</u>
Excess (Deficit) of Revenues and Other Financing Sources				
Over Expenditures and Other Financing Uses	--	--	7	<u>\$ 7</u>
Fund Balances-Beginning of Year	200	200	200	
Fund Balances-End of Year	<u>\$ 200</u>	<u>\$ 200</u>	<u>\$ 207</u>	

\* Budgeted amounts, which include carried forward prior year encumbrance, may differ from the adopted budget.





### **INTERNAL SERVICE FUNDS**

These Funds are used to account for the financing of goods or services provided by one County department or agency to other County departments or agencies, on a cost-reimbursement basis.

#### **Health and Other Self-Insured Employee Benefits**

These Funds are used to account for the County's self-funded health insurance programs, group salary continuance plan, group dental insurance programs, wellness program, and flexible spending accounts.

#### **Insured Health Plans**

This Fund is used to account for the fully insured health plans for the County employees and retirees.

#### **Life Insurance**

This Fund is used to account for the County's life insurance and accidental death and dismemberment insurance for employees.

#### **Workers' Compensation**

This Fund is used to account for the County's self-funded workers' compensation insurance program.

#### **Unemployment Insurance**

This Fund is used to account for the County's self-funded unemployment insurance program.

#### **Property and Casualty Risk**

This Fund is used to account for the County's self-funded property and casualty risk insurance program.

#### **Transportation**

This Fund is used to account for motor pool repair and maintenance, and for other transportation services, which are provided to departments and agencies on a cost-reimbursement basis.

#### **Reprographics**

This Fund is used to account for printing and graphic services, which are provided to departments and agencies on a cost-reimbursement basis.

#### **Information and Technology**

This Fund is used to account for applications development and support, voice and data services, and desktop support to departments and agencies on a cost-reimbursement basis.

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COMBINING STATEMENT OF NET POSITION  
INTERNAL SERVICE FUNDS

	Total	Health and Other Self-Insured Employee Benefits	Insured Health Plans	Life Insurance	Workers' Compensation
<b>ASSETS</b>					
Current Assets					
Pooled Cash/Investments	\$ 310,387	\$ 35,441	\$ 6,697	\$ 81	\$ 125,394
Cash/Cash Equivalents	403	403	--	--	--
Imprest Cash Funds	8	--	--	--	--
Receivables					
Accounts	1,171	1,061	30	--	--
Interest/Dividends	627	82	--	--	257
Allowance for Uncollectible Receivables	(107)	--	--	--	--
Due from Other Funds	3,023	41	31	--	146
Due from Component Unit	2	--	--	--	--
Due from Other Governmental Agencies	422	168	--	--	85
Inventory of Materials and Supplies	182	--	--	--	--
Prepaid Costs	2,603	--	--	--	329
Total Current Assets	318,721	37,196	6,758	81	126,211
Noncurrent Assets					
Capital Assets					
Construction in Progress	1,499	--	--	--	--
Intangible Assets-Amortizable	118	--	--	--	118
Accumulated Amortization	(63)	--	--	--	(63)
Structures and Improvements	18,494	--	--	--	--
Accumulated Depreciation	(7,575)	--	--	--	--
Equipment	150,003	59	--	--	--
Accumulated Depreciation	(104,422)	--	--	--	--
Total Capital Assets	58,054	59	--	--	55
Total Assets	376,775	37,255	6,758	81	126,266
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred Outflows of Resources Related to Pension	9,237	--	--	--	1,842
Deferred Outflows of Resources Related to OPEB	353	--	--	--	129
Total Deferred Outflows of Resources	9,590	--	--	--	1,971
<b>LIABILITIES</b>					
Current Liabilities					
Accounts Payable	11,512	620	--	--	2,106
Retainage Payable	23	--	--	--	--
Salaries and Employee Benefits Payable	786	--	--	--	82
Due to Other Funds	3,503	98	2	--	15
Insurance Claims Payable	57,917	11,302	--	--	31,435
Compensated Employee Absences Payable	1,339	--	--	--	136
Capital Lease Obligations Payable	627	--	--	--	--
Total Current Liabilities	75,707	12,020	2	--	33,774
Noncurrent Liabilities					
Insurance Claims Payable	165,758	--	--	--	124,866
Compensated Employee Absences Payable	1,091	--	--	--	60
Capital Lease Obligations Payable	1,482	--	--	--	--
Net Pension Liability	39,584	--	--	--	7,676
Net OPEB Liability	4,053	--	--	--	1,463
Total Noncurrent Liabilities	211,968	--	--	--	134,065
Total Liabilities	287,675	12,020	2	--	167,839
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Inflows of Resources Related to Pension	6,371	--	--	--	1,546
Deferred Inflows of Resources Related to OPEB	393	--	--	--	145
Total Deferred Inflows of Resources	6,764	--	--	--	1,691
<b>NET POSITION</b>					
Net Investment in Capital Assets	55,933	59	--	--	55
Unrestricted	35,993	25,176	6,756	81	(41,348)
Total Net Position	\$ 91,926	\$ 25,235	\$ 6,756	\$ 81	\$ (41,293)

Supplemental Information  
(Dollar Amounts in Thousands)

Unemployment Insurance	Property & Casualty Risk	Transportation	Reprographics	Information & Technology	
					<b>ASSETS</b>
					Current Assets
\$ 6,899	\$ 78,444	\$ 33,913	\$ 4,778	\$ 18,740	Pooled Cash/Investments
--	--	--	--	--	Cash/Cash Equivalents
--	5	--	--	3	Imprest Cash Funds
--	4	55	--	21	Receivables
16	167	58	8	39	Accounts
--	--	(55)	--	(52)	Interest/Dividends
--	303	1,613	19	870	Allowance for Uncollectible Receivables
--	--	--	--	2	Due from Other Funds
--	15	4	--	150	Due from Component Unit
--	--	182	--	--	Due from Other Governmental Agencies
--	160	829	134	1,151	Inventory of Materials and Supplies
6,915	79,098	36,599	4,939	20,924	Prepaid Costs
					Total Current Assets
					Noncurrent Assets
--	--	--	--	1,499	Capital Assets
--	--	--	--	--	Construction in Progress
--	--	--	--	--	Intangible Assets-Amortizable
--	--	--	--	--	Accumulated Amortization
--	--	9,798	559	8,137	Structures and Improvements
--	--	(5,886)	(54)	(1,635)	Accumulated Depreciation
--	--	62,117	4,778	83,049	Equipment
--	--	(29,883)	(1,647)	(72,892)	Accumulated Depreciation
--	--	36,146	3,636	18,158	Total Capital Assets
6,915	79,098	72,745	8,575	39,082	Total Assets
					<b>DEFERRED OUTFLOWS OF RESOURCES</b>
--	610	2,854	548	3,383	Deferred Outflows of Resources Related to Pension
--	18	87	14	105	Deferred Outflows of Resources Related to OPEB
--	628	2,941	562	3,488	Total Deferred Outflows of Resources
					<b>LIABILITIES</b>
					Current Liabilities
--	1,896	203	34	6,653	Accounts Payable
--	--	1	1	21	Retainage Payable
--	50	262	53	339	Salaries and Employee Benefits Payable
28	18	263	301	2,778	Due to Other Funds
560	14,620	--	--	--	Insurance Claims Payable
--	113	398	61	631	Compensated Employee Absences Payable
--	--	--	627	--	Capital Lease Obligations Payable
588	16,697	1,127	1,077	10,422	Total Current Liabilities
					Noncurrent Liabilities
--	40,892	--	--	--	Insurance Claims Payable
--	76	360	25	570	Compensated Employee Absences Payable
--	--	--	1,482	--	Capital Lease Obligations Payable
--	2,929	12,834	2,510	13,635	Net Pension Liability
--	217	1,025	164	1,184	Net OPEB Liability
--	44,114	14,219	4,181	15,389	Total Noncurrent Liabilities
588	60,811	15,346	5,258	25,811	Total Liabilities
					<b>DEFERRED INFLOWS OF RESOURCES</b>
--	441	1,942	350	2,092	Deferred Inflows of Resources Related to Pension
--	19	95	16	118	Deferred Inflows of Resources Related to OPEB
--	460	2,037	366	2,210	Total Deferred Inflows of Resources
					<b>NET POSITION</b>
--	--	36,146	1,527	18,146	Net Investment in Capital Assets
6,327	18,455	22,157	1,986	(3,597)	Unrestricted
\$ 6,327	\$ 18,455	\$ 58,303	\$ 3,513	\$ 14,549	Total Net Position

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COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
INTERNAL SERVICE FUNDS

	Total	Health and Other Self-Insured Employee Benefits	Insured Health Plans	Life Insurance	Workers' Compensation
Operating Revenues					
Use of Money and Property	\$ 1,525	\$ --	\$ --	\$ --	\$ --
Charges for Services	120,249	1,802	--	--	--
Insurance Premiums	340,288	68,001	179,775	837	61,474
Total Operating Revenues	462,062	69,803	179,775	837	61,474
Operating Expenses					
Salaries and Employee Benefits	26,473	--	--	--	2,825
Services and Supplies	28,478	2,094	--	--	338
Professional Services	59,402	4,597	5	--	5,885
Operating Leases	3,737	1	--	--	42
Insurance Claims and Premiums	312,971	69,086	180,404	861	42,246
Taxes and Other Fees	4	--	--	--	--
Depreciation/Amortization	18,233	--	--	--	24
Total Operating Expenses	449,298	75,778	180,409	861	51,360
Operating Income (Loss)	12,764	(5,975)	(634)	(24)	10,114
Nonoperating Revenues (Expenses)					
Intergovernmental Revenues	2,001	834	--	--	88
Interest and Investment Income	6,327	805	140	2	2,515
Interest Expense	(75)	--	--	--	--
Gain (Loss) on Disposition of Capital Assets	(109)	--	--	--	--
Other Taxes	9	--	--	--	--
Other Revenue (Expense)	5,893	4,468	--	--	367
Total Nonoperating Revenues	14,046	6,107	140	2	2,970
Income (Loss) Before Contributions and Transfers	26,810	132	(494)	(22)	13,084
Capital Contributions	220	--	--	--	--
Transfers In	10,261	997	5	--	80
Transfers Out	(708)	--	(150)	(2)	--
Change in Net Position	36,583	1,129	(639)	(24)	13,164
Net Position-Beginning of Year	55,343	24,106	7,395	105	(54,457)
Net Position-End of Year	\$ 91,926	\$ 25,235	\$ 6,756	\$ 81	\$ (41,293)

Supplemental Information  
(Dollar Amounts in Thousands)

Unemployment Insurance	Property & Casualty Risk	Transportation	Reprographics	Information & Technology	
\$ --	\$ --	\$ --	\$ --	\$ 1,525	Operating Revenues
--	--	28,023	5,335	85,089	Use of Money and Property
--	30,201	--	--	--	Charges for Services
--	30,201	28,023	5,335	86,614	Insurance Premiums
					Total Operating Revenues
--	1,635	9,158	1,820	11,035	Operating Expenses
--	8,644	9,054	1,927	6,421	Salaries and Employee Benefits
46	659	2,257	221	45,732	Services and Supplies
--	90	34	341	3,229	Professional Services
376	19,998	--	--	--	Operating Leases
--	--	2	2	--	Insurance Claims and Premiums
--	--	7,199	301	10,709	Taxes and Other Fees
422	31,026	27,704	4,612	77,126	Depreciation/Amortization
(422)	(825)	319	723	9,488	Total Operating Expenses
					Operating Income (Loss)
--	4	53	18	1,004	Nonoperating Revenues (Expenses)
161	1,634	638	91	341	Intergovernmental Revenues
--	--	--	(75)	--	Interest and Investment Income
--	--	681	--	(790)	Interest Expense
--	--	9	--	--	Gain (Loss) on Disposition of Capital Assets
--	909	28	125	(4)	Other Taxes
161	2,547	1,409	159	551	Other Revenue (Expense)
					Total Nonoperating Revenues
(261)	1,722	1,728	882	10,039	Income (Loss) Before Contributions and Transfers
--	--	--	--	220	Capital Contributions
--	--	9,179	--	--	Transfers In
--	--	(224)	--	(332)	Transfers Out
(261)	1,722	10,683	882	9,927	Change in Net Position
6,588	16,733	47,620	2,631	4,622	Net Position-Beginning of Year
\$ 6,327	\$ 18,455	\$ 58,303	\$ 3,513	\$ 14,549	Net Position-End of Year

County of Orange  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2020  
(Dollar Amounts in Thousands)

COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS

	Total	Health and Other Self-Insured Employee Benefits	Insured Health Plans	Life Insurance	Workers' Compensation
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from Customers	\$ 36,156	\$ 880	\$ --	\$ --	\$ 259
Cash Received for Premiums Within the County's Entity	340,288	68,001	179,775	837	61,474
Payments to Suppliers for Goods and Services	(399,960)	(79,175)	(180,409)	(861)	(41,213)
Payments to Employees for Services	(27,616)	--	--	--	(2,972)
Payments for Interfund Services	(229)	--	--	--	(89)
Receipts for Interfund Services	87,234	233	16	--	--
Payment for Taxes and Other Fees	(4)	--	--	--	--
Other Operating Receipts	5,897	4,468	--	--	367
Other Operating Payments	(3,751)	(1)	(10)	--	(42)
Net Cash Provided (Used) by Operating Activities	38,015	(5,594)	(628)	(24)	17,784
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers In	10,261	997	5	--	80
Transfers Out	(708)	--	(150)	(2)	--
Intergovernmental Revenues	2,001	834	--	--	88
Other Taxes	9	--	--	--	--
Net Cash Provided (Used) by Noncapital Financing Activities	11,563	1,831	(145)	(2)	168
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition of Capital Assets	(11,071)	(59)	--	--	--
Principal Paid on Capital Lease Obligations	(609)	--	--	--	--
Interest Paid on Capital Lease Obligations	(75)	--	--	--	--
Proceeds (Loss) from Sale of Capital Assets	(109)	--	--	--	--
Net Cash Used by Capital and Related Financing Activities	(11,864)	(59)	--	--	--
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
Interest on Investments	6,600	867	140	2	2,608
Net Cash Provided by Investing Activities	6,600	867	140	2	2,608
Net Increase (Decrease) in Cash and Cash Equivalents	44,314	(2,955)	(633)	(24)	20,560
Cash and Cash Equivalents-Beginning of Year	266,484	38,799	7,330	105	104,834
Cash and Cash Equivalents-End of Year	\$ 310,798	\$ 35,844	\$ 6,697	\$ 81	\$ 125,394
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>					
Operating Income (Loss)	\$ 12,764	\$ (5,975)	\$ (634)	\$ (24)	\$ 10,114
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation/Amortization	18,233	--	--	--	24
Other Revenue	5,893	4,468	--	--	367
(Increases) Decreases In:					
Accounts Receivable, Net of Allowances	(675)	(1,010)	(10)	--	322
Due from Other Funds	(781)	137	14	--	(92)
Due from Component Unit	(2)	--	--	--	--
Due from Other Governmental Agencies	136	88	--	--	(63)
Inventory of Materials and Supplies	209	--	--	--	--
Prepaid Costs	(491)	--	--	--	(36)
Deferred Outflows of Resources Related to Pension	5,949	--	--	--	2,422
Deferred Outflows of Resources Related to OPEB	166	--	--	--	61
Increases (Decreases) In:					
Accounts Payable	(2,427)	186	--	--	499
Salaries and Employee Benefits Payable	234	--	--	--	12
Due to Other Funds	2,699	96	2	--	3
Due to Other Governmental Agencies	(3)	--	--	--	--
Insurance Claims Payable	3,603	(3,584)	--	--	6,793
Capital Lease Obligations Payable	(610)	--	--	--	--
Compensated Employee Absences Payable	200	--	--	--	(33)
Net Pension Liability	(10,288)	--	--	--	(3,790)
Net OPEB Liability	(674)	--	--	--	(249)
Deferred Inflows of Resources Related to Pension	3,487	--	--	--	1,285
Deferred Inflows of Resources Related to OPEB	393	--	--	--	145
Total Adjustments	25,251	381	6	--	7,670
Net Cash Provided (Used) by Operating Activities	\$ 38,015	\$ (5,594)	\$ (628)	\$ (24)	\$ 17,784
<b>Reconciliation of Cash and Cash Equivalents to Statement of Net Position</b>					
Pooled Cash/Investments	\$ 310,387	\$ 35,441	\$ 6,697	\$ 81	\$ 125,394
Cash/Cash Equivalents	403	403	--	--	--
Imprest Cash Funds	8	--	--	--	--
Total Cash and Cash Equivalents	\$ 310,798	\$ 35,844	\$ 6,697	\$ 81	\$ 125,394

Supplemental Information  
(Dollar Amounts in Thousands)

Unemployment Insurance	Property & Casualty Risk	Transportation	Reprographics	Information & Technology	
\$ --	\$ 4	\$ 28,028	\$ 5,335	\$ 1,650	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>
--	30,201	--	--	--	Receipts from Customers
(799)	(28,489)	(11,136)	(2,237)	(55,641)	Cash Received for Premiums Within the County's Entity
--	(1,654)	(9,348)	(2,418)	(11,224)	Payments to Suppliers for Goods and Services
--	(46)	(63)	(31)	--	Payments to Employees for Services
2	--	--	--	86,983	Payments for Interfund Services
--	--	(2)	(2)	--	Receipts for Interfund Services
--	909	28	125	--	Payment for Taxes and Other Fees
--	(90)	(34)	(341)	(3,233)	Other Operating Receipts
(797)	835	7,473	431	18,535	Other Operating Payments
					Net Cash Provided (Used) by Operating Activities
--	--	9,179	--	--	<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>
--	--	(224)	--	(332)	Transfers In
--	4	53	18	1,004	Transfers Out
--	--	9	--	--	Intergovernmental Revenues
--	4	9,017	18	672	Other Taxes
					Net Cash Provided (Used) by Noncapital Financing Activities
--	--	(5,873)	614	(5,753)	<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>
--	--	--	(609)	--	Acquisition of Capital Assets
--	--	--	(75)	--	Principal Paid on Capital Lease Obligations
--	--	681	--	(790)	Interest Paid on Capital Lease Obligations
--	--	(5,192)	(70)	(6,543)	Proceeds (Loss) from Sale of Capital Assets
					Net Cash Used by Capital and Related Financing Activities
174	1,721	648	97	343	<b>CASH FLOW FROM INVESTING ACTIVITIES</b>
174	1,721	648	97	343	Interest on Investments
					Net Cash Provided by Investing Activities
(623)	2,560	11,946	476	13,007	Net Increase (Decrease) in Cash and Cash Equivalents
7,522	75,889	21,967	4,302	5,736	Cash and Cash Equivalents-Beginning of Year
\$ 6,899	\$ 78,449	\$ 33,913	\$ 4,778	\$ 18,743	Cash and Cash Equivalents-End of Year
\$ (422)	\$ (825)	\$ 319	\$ 723	\$ 9,488	<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>
--	--	7,199	301	10,709	Operating Income (Loss)
--	909	28	125	(4)	Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:
--	--	(1)	--	24	Depreciation/Amortization
--	(60)	(57)	(19)	(704)	Other Revenue
--	--	--	--	(2)	(Increases) Decreases In:
--	4	6	--	101	Accounts Receivable, Net of Allowances
--	--	209	--	--	Due from Other Funds
--	(18)	(147)	16	(306)	Due from Component Unit
--	301	1,434	264	1,528	Due from Other Governmental Agencies
--	8	40	7	50	Inventory of Materials and Supplies
--	59	114	(103)	(3,182)	Prepaid Costs
--	14	70	19	119	Deferred Outflows of Resources Related to Pension
2	14	(6)	(12)	2,600	Deferred Outflows of Resources Related to OPEB
--	--	(1)	(2)	--	Increases (Decreases) In:
(377)	771	--	--	--	Accounts Payable
--	--	--	(610)	--	Salaries and Employee Benefits Payable
--	3	(24)	11	243	Due to Other Funds
--	(502)	(2,484)	(420)	(3,092)	Due to Other Governmental Agencies
--	(32)	(163)	(27)	(203)	Insurance Claims Payable
--	170	842	142	1,048	Capital Lease Obligations Payable
--	19	95	16	118	Compensated Employee Absences Payable
(375)	1,660	7,154	(292)	9,047	Net Pension Liability
(797)	835	7,473	431	18,535	Net OPEB Liability
					Deferred Inflows of Resources Related to Pension
					Deferred Inflows of Resources Related to OPEB
					Total Adjustments
					Net Cash Provided (Used) by Operating Activities
\$ 6,899	\$ 78,444	\$ 33,913	\$ 4,778	\$ 18,740	<b>Reconciliation of Cash and Cash Equivalents to Statement of Net Position</b>
--	--	--	--	--	Pooled Cash/Investments
--	5	--	--	3	Cash/Cash Equivalents
\$ 6,899	\$ 78,449	\$ 33,913	\$ 4,778	\$ 18,743	Imprest Cash Funds
					Total Cash and Cash Equivalents



## **FIDUCIARY FUNDS**

Fiduciary Funds are used to account for assets held by the County in a trustee or agency capacity on behalf of outside parties, including employees, individuals, private organizations, or other governments. These Funds cannot be used to support the County's programs. When these assets are held under a formal trust agreement, a trust Fund is used. Agency Funds are generally used to account for assets that the County holds on behalf of others as their agent in a purely custodial capacity.

### **PRIVATE-PURPOSE TRUST FUNDS**

#### **Public Administration Trust Funds**

These Funds are used to account for trust arrangements where the principal and income benefit individuals, private organizations, or other governments. Examples of private-purpose trusts include unidentified funds, unclaimed prisoner funds, decedents' property held for escheatment, and various funding services to finance permanent supportive & affordable housing.

#### **Orange County Redevelopment Successor Agency (Successor Agency)**

The Orange County Development Agency (OCDA) was dissolved effective February 1, 2012 in accordance with ABx1 26. A successor agency was designated as the successor entity to the former redevelopment agency in accordance with Health and Safety Code 34173. The Orange County Redevelopment Successor Agency holds the assets of the dissolved OCDA pending liquidation and distribution.

## **PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS**

#### **Extra-Help Defined Benefit Plan**

This Fund is used to account for the retirement plan for employees working less than half-time or as extra-help. This retirement plan was closed to new participants as of February 28, 2002. The eligible employees of these plans are not covered by OCERS.

#### **Extra-Help Defined Contribution Plan**

This Fund is used to account for the defined contribution retirement plan for extra-help and part-time employees. This plan replaced the Extra-Help Defined Benefit Retirement Plan and was effective for new employees on March 1, 2002. Effective February 10, 2015, the plan also includes new employees who have attained age 60 at date of hire, who waive membership in OCERS, and do not have funds on deposit with OCERS and otherwise meet the requirements under OCERS' regulations and state law to waive membership in OCERS. The eligible employees of these plans are not covered by OCERS.

#### **401(a) Defined Contribution Plan**

This Fund accounts for the 401(a) defined contribution plan, which was established in January 1999 for eligible employees, including the members of the Board, certain executive managers, certain administrative managers once classified as confidential and grandfathered in the plan, attorneys represented by the Orange County Attorney's Association and certain other employee classifications as defined in the plan document. The plan was closed to the attorneys effective June 24, 2005. The plan was closed to new administrative managers and to all grandfathered administrative managers, effective June 23, 2016 and December 28, 2012, respectively.

#### **1.62% at 65 Retirement, 401(a) Defined Contribution Plan**

This Fund is used to account for the matching 401(a) employer contributions for eligible employees in the "1.62% at 65" Retirement (OCERS) formula who voluntarily contribute to the "1.62% at 65" Retirement, 457(b) defined contribution plan. The Plan was established on May 7, 2010.

Retiree Medical Plan (Combined 401h and 115 Trust)

This Fund is used to account for the annual required contributions, benefit payments, and investment losses and gains in the Retiree Medical Trust (Trust) which was established effective July 2, 2007. The Trust was established exclusively for the Retiree Medical Plan (Plan) which is a cost-sharing multiple-employer defined benefit other postemployment benefit plan that was established on August 1, 1993 for eligible employees as defined in the plan document. The Trust and the 401(h) account with OCERS represents the Plan reported here. The Plan is reported as of December 31.

Health Reimbursement Arrangement (HRA) Plan

This Fund is used to account for the employer contributions to the HRA, a defined contribution plan, which became effective on June 24, 2008 for eligible employees, including employees represented by the Association of Orange County Deputy Sheriffs and Law Enforcement Management employees as defined in the plan document. The HRA was amended and restated on June 1, 2016 to provide for the transition of the Orange County Attorney's Association to the HRA Plan in July 2016.

**AGENCY FUNDS**

Unapportioned Tax and Interest Funds

This group of Funds is used to account for the collection of property taxes, and later distribution of such taxes, as well as the interest earned on them. Included are taxes collected by the County for other governmental units using the County treasury, as well as governmental units not using the County treasury, such as cities.

Departmental Funds

This group of Funds is used by certain County officers to hold various types of cash receipts and deposits in a fiduciary capacity. Disbursements are made from these Funds.

**COMBINING STATEMENT OF FIDUCIARY NET POSITION  
PRIVATE-PURPOSE TRUST FUNDS**

	Total	Public Administration Trust Funds	Orange County Redevelopment Successor Agency
<b><u>ASSETS</u></b>			
Pooled Cash/Investments	\$ 75,504	\$ 73,613	\$ 1,891
Restricted Cash and Investments			
Restricted Investments with Trustee	4,673	--	4,673
Receivables			
Interest/Dividends	180	175	5
Due from Other Governmental Agencies	9	9	--
Total Assets	<u>80,366</u>	<u>73,797</u>	<u>6,569</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Deferred Charge on Refunding	151	--	151
Total Deferred Outflows of Resources	<u>151</u>	<u>--</u>	<u>151</u>
<b><u>LIABILITIES</u></b>			
Bonds Payable	13,783	--	13,783
Interest Payable	184	--	184
Due to Other Governmental Agencies	7	2	5
Total Liabilities	<u>13,974</u>	<u>2</u>	<u>13,972</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Deferred Charge on Refunding	61	--	61
Total Deferred Inflows of Resources	<u>61</u>	<u>--</u>	<u>61</u>
<b><u>NET POSITION</u></b>			
Restricted for Private-Purpose Trust Funds	66,482	73,795	(7,313)
Net Position (Deficit)	<u>\$ 66,482</u>	<u>\$ 73,795</u>	<u>\$ (7,313)</u>

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
PRIVATE-PURPOSE TRUST FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

	Total	Public Administration Trust Funds	Orange County Redevelopment Successor Agency
Additions:			
Contributions to Private-Purpose Trust	\$ 90,769	\$ 90,769	\$ --
Intergovernmental Revenues	4,173	--	4,173
Interest and Investment Income	2,171	2,061	110
Less: Investment Expense	(39)	(38)	(1)
Total Additions	<u>97,074</u>	<u>92,792</u>	<u>4,282</u>
Deductions:			
Distributions from Private-Purpose Trust	77,696	77,696	--
Professional Services	142	50	92
Tax Pass-Throughs	250	--	250
Interest Expense	412	--	412
Total Deductions	<u>78,500</u>	<u>77,746</u>	<u>754</u>
Change in Net Position	18,574	15,046	3,528
Net Position (Deficit)-Beginning of Year	47,908	58,749	(10,841)
Net Position (Deficit)-End of Year	<u><u>\$ 66,482</u></u>	<u><u>\$ 73,795</u></u>	<u><u>\$ (7,313)</u></u>

**COMBINING STATEMENT OF FIDUCIARY NET POSITION  
PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS**

	Total	Extra-Help Defined Benefit Plan	Extra-Help Defined Contribution Plan	401(a) Defined Contribution Plan
<b><u>ASSETS</u></b>				
Pooled Cash/Investments	\$ 3,009	\$ 117	\$ --	\$ --
Restricted Cash and Investments				
Restricted Investments with Trustee	190,745	5,167	8,787	18,202
Pooled with OCERS	370,228	--	--	--
Receivables				
Investments	109	--	--	--
Interest/Dividends	23	--	--	--
Due from Other Governmental Agencies	1,808	--	24	36
Total Assets	<u>565,922</u>	<u>5,284</u>	<u>8,811</u>	<u>18,238</u>
<b><u>LIABILITIES</u></b>				
Salaries and Employee Benefits Payable	3,908	--	--	--
Total Liabilities	<u>3,908</u>	<u>--</u>	<u>--</u>	<u>--</u>
<b><u>NET POSITION</u></b>				
Restricted for Pension and OPEB Benefits	562,014	5,284	8,811	18,238
Net Position	<u>\$ 562,014</u>	<u>\$ 5,284</u>	<u>\$ 8,811</u>	<u>\$ 18,238</u>

1.62% at 65 Retirement, 401(a) Defined Contribution Plan	Retiree Medical Plan (Combined 401(h) and 115 Trusts) *	Health Reimbursement Arrangement Plan
\$ --	\$ 2,842	\$ 50
10,681	--	147,908
--	370,228	--
--	109	--
--	23	--
111	1,251	386
<u>10,792</u>	<u>374,453</u>	<u>148,344</u>
--	3,908	--
<u>--</u>	<u>3,908</u>	<u>--</u>
10,792	370,545	148,344
<u>\$ 10,792</u>	<u>\$ 370,545</u>	<u>\$ 148,344</u>

**ASSETS**

Pooled Cash/Investments  
Restricted Cash and Investments  
    Restricted Investments with Trustee  
    Pooled with OCERS  
Receivables  
    Investments  
    Interest/Dividends  
Due from Other Governmental Agencies  
Total Assets

**LIABILITIES**

Salaries and Employee Benefits Payable  
Total Liabilities

**NET POSITION**

Restricted for Pension and OPEB Benefits  
Net Position

\* The Trust Plan is presented as of 12/31/19

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS**

	Total	Extra-Help Defined Benefit Plan	Extra-Help Defined Contribution Plan	401(a) Defined Contribution Plan
Additions:				
Contributions to Pension and Other Employee Benefits Trust:				
Employer	\$ 75,257	\$ 114	\$ --	\$ 1,165
Employee	2,313	--	1,103	--
Other Revenues	1	1	--	--
Interest and Investment Income	51,581	246	195	884
Less: Investment Expense	(321)	(7)	(7)	(17)
Total Additions	<u>128,831</u>	<u>354</u>	<u>1,291</u>	<u>2,032</u>
Deductions:				
Benefits Paid to Participants	46,292	1,101	784	1,267
Professional Services	15	--	--	--
Total Deductions	<u>46,307</u>	<u>1,101</u>	<u>784</u>	<u>1,267</u>
Change in Net Position	82,524	(747)	507	765
Net Position-Beginning of Year	479,490	6,031	8,304	17,473
Net Position-End of Year	<u>\$ 562,014</u>	<u>\$ 5,284</u>	<u>\$ 8,811</u>	<u>\$ 18,238</u>

1.62% at 65 Retirement, 401(a) Defined Contribution Plan	Retiree Medical Plan (Combined 401(h) and 115 Trusts)*	Health Reimbursement Arrangement Plan	
			Additions:
\$ 3,260	\$ 58,807	\$ 11,911	Contributions to Pension and Other
--	505	705	Employee Benefits Trust:
--	--	--	Employer
236	43,720	6,300	Employee
(20)	(5)	(265)	Other Revenues
<u>3,476</u>	<u>103,027</u>	<u>18,651</u>	Interest and Investment Income
			Less: Investment Expense
			Total Additions
41	39,719	3,380	
--	15	--	Deductions:
<u>41</u>	<u>39,734</u>	<u>3,380</u>	Benefits Paid to Participants
			Administrative Expense
			Total Deductions
3,435	63,293	15,271	
7,357	307,252	133,073	Change in Net Position
<u>\$ 10,792</u>	<u>\$ 370,545</u>	<u>\$ 148,344</u>	Net Position-Beginning of Year
			Net Position-End of Year

\* The Trust Plan is presented as of 12/31/19



**COMBINING STATEMENT OF FIDUCIARY NET POSITION  
ALL AGENCY FUNDS**

	Total	Unapportioned Tax and Interest Funds	Departmental Funds
<b><u>ASSETS</u></b>			
Pooled Cash/Investments	\$ 324,952	\$ 205,059	\$ 119,893
Cash/Cash Equivalents	260	--	260
Restricted Cash and Investments with Trustee	30,082	--	30,082
Deposits In-Lieu of Cash	50,761	--	50,761
Receivables			
Accounts	39	--	39
Taxes	381,992	381,992	--
Interest/Dividends	18,888	18,600	288
Allowance For Uncollectible Receivables	(215,627)	(215,626)	(1)
Due from Other Governmental Agencies	6,064	54	6,010
Notes Receivable	29,285	--	29,285
Total Assets	<u>626,696</u>	<u>390,079</u>	<u>236,617</u>
<b><u>LIABILITIES</u></b>			
Interest Payable	14,189	14,189	--
Deposits from Others	10,810	--	10,810
Monies Held for Others	173,757	--	173,757
Due to Other Governmental Agencies	52,051	1	52,050
Unapportioned Taxes	375,889	375,889	--
Total Liabilities	<u>626,696</u>	<u>390,079</u>	<u>236,617</u>
<b><u>NET POSITION</u></b>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>



**COMBINING STATEMENT OF CHANGES ASSETS AND LIABILITIES  
ALL AGENCY FUNDS**

<b>UNAPPORTIONED TAX AND INTEREST FUNDS</b>	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b><u>ASSETS</u></b>				
Pooled Cash/Investments	\$ 160,136	\$ 10,022,165	\$ 9,977,242	\$ 205,059
Receivables				
Taxes	349,041	20,619,607	20,586,656	381,992
Interest/Dividends	27,051	210,062	218,513	18,600
Allowance for Uncollectible Receivables	(195,913)	--	19,713	(215,626)
Due from Other Governmental Agencies	11	15,060	15,017	54
Total Assets	<u>\$ 340,326</u>	<u>\$ 30,866,894</u>	<u>\$ 30,817,141</u>	<u>\$ 390,079</u>
<b><u>LIABILITIES</u></b>				
Interest Payable	\$ 31,227	\$ 86,575	\$ 103,613	\$ 14,189
Due to Other Governmental Agencies	1	26,957	26,957	1
Unapportioned Taxes	309,098	13,437,559	13,370,768	375,889
Total Liabilities	<u>\$ 340,326</u>	<u>\$ 13,551,091</u>	<u>\$ 13,501,338</u>	<u>\$ 390,079</u>
<b><u>DEPARTMENTAL FUNDS</u></b>	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b><u>ASSETS</u></b>				
Pooled Cash/Investments	\$ 154,917	\$ 3,724,190	\$ 3,759,214	\$ 119,893
Cash/Cash Equivalents	302	23	65	260
Restricted Cash and Investments with Trustee	29,830	96,745	96,493	30,082
Deposits In-Lieu of Cash	49,812	1,680	731	50,761
Receivables				
Accounts	690	53	704	39
Interest/Dividends	621	2,987	3,320	288
Allowance for Uncollectible Receivables	(1)	--	--	(1)
Due from Other Governmental Agencies	8,290	687,852	690,132	6,010
Prepaid Costs	--	1,849	1,849	--
Notes Receivable	30,116	--	831	29,285
Total Assets	<u>\$ 274,577</u>	<u>\$ 4,515,379</u>	<u>\$ 4,553,339</u>	<u>\$ 236,617</u>
<b><u>LIABILITIES</u></b>				
Deposits From Others	\$ 20,774	\$ 23,045	\$ 33,009	\$ 10,810
Monies Held for Others	188,345	6,255,258	6,269,846	173,757
Due to Other Governmental Agencies	65,458	1,214,542	1,227,950	52,050
Total Liabilities	<u>\$ 274,577</u>	<u>\$ 7,492,845</u>	<u>\$ 7,530,805</u>	<u>\$ 236,617</u>

<b>TOTAL - ALL AGENCY FUNDS</b>	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b><u>ASSETS</u></b>				
Pooled Cash/Investments	\$ 315,053	\$ 13,746,355	\$ 13,736,456	\$ 324,952
Cash/Cash Equivalents	302	23	65	260
Restricted Cash and Investments with Trustee	29,830	96,745	96,493	30,082
Deposits In-Lieu of Cash	49,812	1,680	731	50,761
Receivables				
Accounts	690	53	704	39
Taxes	349,041	20,619,607	20,586,656	381,992
Interest/Dividends	27,672	213,049	221,833	18,888
Allowance for Uncollectible Receivables	(195,914)	--	19,713	(215,627)
Due from Other Governmental Agencies	8,301	702,912	705,149	6,064
Prepaid Costs	--	1,849	1,849	--
Notes Receivable	30,116	--	831	29,285
Total Assets	<u>\$ 614,903</u>	<u>\$ 35,382,273</u>	<u>\$ 35,370,480</u>	<u>\$ 626,696</u>
<b><u>LIABILITIES</u></b>				
Interest Payable	\$ 31,227	\$ 86,575	\$ 103,613	\$ 14,189
Deposits from Others	20,774	23,045	33,009	10,810
Monies Held for Others	188,345	6,255,258	6,269,846	173,757
Due to Other Governmental Agencies	65,459	1,241,499	1,254,907	52,051
Unapportioned Taxes	309,098	13,437,559	13,370,768	375,889
Total Liabilities	<u>\$ 614,903</u>	<u>\$ 21,043,936</u>	<u>\$ 21,032,143</u>	<u>\$ 626,696</u>





*Clerk-Recorder Honda Center Marriage Services*



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**STATISTICAL SECTION**  
**(UNAUDITED)**

The information in this section is not covered by the Independent Auditor's Report but is presented as supplemental data for the benefit of the readers of the Comprehensive Annual Financial Report. The objectives of statistical section information are to provide financial statement users with additional historical perspective, context, and detail to assist in using the information in the basic financial statements, notes to the basic financial statements, and required supplementary information to understand and assess a government's economic condition.

<u>Contents</u>	<u>Page</u>
<u>Financial Trends</u>	
These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.	198
<u>Revenue Capacity</u>	
These schedules contain trend information to help the reader assess the County's most significant local revenue source, the property tax.	210
<u>Debt Capacity</u>	
These schedules offer economic and demographic indicators to help the reader understand the environment within which the County's financial activities take place.	215
<u>Economic and Demographic Information</u>	
These schedules offer economic and demographic indicators to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.	220
<u>Operating Information</u>	
These schedules contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.	222

Source: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.



**Net Position by Component  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)**

	Fiscal Year				
	2019-20	2018-19	2017-18	2016-17 <sup>(3)</sup>	2015-16
<b>Governmental Activities</b>					
Net Investment in Capital Assets	\$ 3,319,173	\$ 3,127,371	\$ 3,031,574	\$ 2,813,296	\$ 2,707,493
Restricted for:					
Expendable					
OPEB	--	--	--	--	--
Pension Benefits	135,342	143,647	135,485	125,876	111,639
Capital Projects	162,614	212,897	123,245	164,400	10,836
Debt Service	33,179	28,370	25,792	33,409	36,380
Legally Segregated for Grants and Other Purposes	1,212,985	1,202,317	1,148,735	1,192,827	1,103,257
Regional Park Endowment	167	159	148	145	144
Nonexpendable					
Regional Park Endowment	200	200	200	196	193
Unrestricted	(3,480,608)	(3,582,580)	(3,312,306)	(3,074,958)	(2,979,945)
Total Governmental Activities Net Position	\$ 1,383,052	\$ 1,132,381	\$ 1,152,873	\$ 1,255,191	\$ 989,997
<b>Business-Type Activities</b>					
Net Investment in Capital Assets	\$ 856,250	\$ 858,924	\$ 799,668	\$ 708,286	\$ 663,280
Restricted for:					
Expendable					
Debt Service	11,591	2,029	8,672	36,181	8,499
Passenger Facility Charges					
Approved Capital Projects	8,158	3,282	12,044	2,775	14,705
Replacements and Renewals	1,000	1,000	1,000	1,000	1,000
Landfill Closure/Postclosure	27,730	28,531	26,655	28,962	33,997
Landfill Corrective Action	8,820	8,619	8,358	8,278	8,245
Wetland	879	879	879	879	879
Prima Deshecha/La Pata Closure	104	104	104	104	104
Airport <sup>(2)</sup>	--	--	--	--	--
OC Waste & Recycling <sup>(2)</sup>	--	--	--	--	--
Unrestricted	546,804	491,359	454,482	463,495	465,003
Total Business-Type Activities Net Position	\$ 1,461,336	\$ 1,394,727	\$ 1,311,862	\$ 1,249,960	\$ 1,195,712

- Notes: (1) In FY 2011-12, it was determined that the Restricted Net Position for Other Postemployment Benefits does not meet the definition of restriction and should be reported as unrestricted.
- (2) Starting in FY 2012-13, Restricted Net Position for Business-Type Activities will be shown by activity detail.
- (3) The balances shown have not been restated to include the prior period adjustments.

Fiscal Year					
2014-15 <sup>(3)</sup>	2013-14	2012-13	2011-12 <sup>(3)</sup>	2010-11	
\$ 2,670,577	\$ 2,646,812	\$ 2,563,976	\$ 2,699,809	\$ 2,626,281	<b>Governmental Activities</b>
					Net Investment in Capital Assets
					Restricted for:
					Expendable
--	--	--	-- (1)	41,609	OPEB
112,544	109,986	105,900	96,604	107,807	Pension Benefits
6,154	8,661	11,904	16,269	56,219	Capital Projects
37,734	37,639	31,965	--	87,253	Debt Service
					Legally Segregated for Grants
1,045,897	1,190,106	1,174,791	1,077,117	1,133,256	and Other Purposes
141	140	139	--	--	Regional Park Endowment
					Nonexpendable
188	185	183	319	315	Regional Park Endowment
(2,991,814)	331,408	196,850	37,790	(73,741)	Unrestricted
\$ 881,421	\$ 4,324,937	\$ 4,085,708	\$ 3,927,908	\$ 3,978,999	Total Governmental Activities Net Position
					<b>Business-Type Activities</b>
\$ 642,427	\$ 624,621	\$ 587,934	\$ 574,982	\$ 591,664	Net Investment in Capital Assets
					Restricted for:
					Expendable
7,324	7,090	58,772	--	--	Debt Service
			--	--	Passenger Facility Charges
70,538	62,522	55,331	--	--	Approved Capital Projects
1,000	1,000	1,000	--	--	Replacements and Renewals
33,337	37,412	40,355	--	--	Landfill Closure/Postclosure
8,174	7,141	6,109	--	--	Landfill Corrective Action
879	879	879	--	--	Wetland
104	104	104	--	--	Prima Deshecha/La Pata Closure
--	--	--	58,149	50,899	Airport <sup>(2)</sup>
--	--	--	82,205	84,070	OC Waste & Recycling <sup>(2)</sup>
362,546	384,871	335,122	350,474	313,568	Unrestricted
\$ 1,126,329	\$ 1,125,640	\$ 1,085,606	\$ 1,065,810	\$ 1,040,201	Total Business-Type Activities Net Position

**Net Position by Component  
Last Ten Fiscal Years  
(Accrual Basis of Accounting) (Continued)**

	Fiscal Year				
	2019-20	2018-19	2017-18	2016-17 <sup>(3)</sup>	2015-16
<b>Primary Government</b>					
Net Investment in Capital Assets	\$ 4,175,423	\$ 3,986,295	\$ 3,831,242	\$ 3,521,582	\$ 3,370,773
Restricted for:					
Expendable					
OPEB <sup>(1)</sup>	--	--	--	--	--
Pension Benefits	135,342	143,647	135,485	125,876	111,639
Capital Projects	162,614	212,897	123,245	164,400	10,836
Debt Service	44,770	30,399	34,464	69,590	44,879
Legally Segregated for Grants and Other Purposes	1,212,985	1,202,317	1,148,735	1,192,827	1,103,257
Regional Park Endowment	167	159	148	145	144
Passenger Facility Charges					
Approved Capital Projects	8,158	3,282	12,044	2,775	14,705
Replacements and Renewals	1,000	1,000	1,000	1,000	1,000
Landfill Closure/Postclosure	27,730	28,531	26,655	28,962	33,997
Landfill Corrective Action	8,820	8,619	8,358	8,278	8,245
Wetland	879	879	879	879	879
Prima Deshecha/La Pata Closure	104	104	104	104	104
Airport <sup>(2)</sup>	--	--	--	--	--
OC Waste & Recycling <sup>(2)</sup>	--	--	--	--	--
Nonexpendable					
Regional Park Endowment	200	200	200	196	193
Unrestricted	(2,933,804)	(3,091,221)	(2,857,824)	(2,611,463)	(2,514,942)
<b>Total Primary Government Net Position</b>	<b>\$ 2,844,388</b>	<b>\$ 2,527,108</b>	<b>\$ 2,464,735</b>	<b>\$ 2,505,151</b>	<b>\$ 2,185,709</b>

- Notes: (1) In FY 2011-12, it was determined that the Restricted Net Position for Other Postemployment Benefits does not meet the definition of restriction and should be reported as unrestricted.
- (2) Starting in FY 2012-13, Restricted Net Position for Business-Type Activities will be shown by activity detail.
- (3) The balances shown have not been restated to include the prior period adjustments.

Fiscal Year					
2014-15	2013-14 <sup>(3)</sup>	2012-13	2011-12 <sup>(3)</sup>	2010-11	
\$ 3,313,004	\$ 3,271,433	\$ 3,151,910	\$ 3,274,791	\$ 3,217,945	<b>Primary Government</b>
					Net Investment in Capital Assets
					Restricted for:
					Expendable
--	--	--	-- <sup>(1)</sup>	41,609	OPEB <sup>(1)</sup>
112,544	109,986	105,900	96,604	107,807	Pension Benefits
6,154	8,661	11,904	16,269	56,219	Capital Projects
45,058	44,729	90,737	--	87,253	Debt Service
					Legally Segregated for Grants
1,045,897	1,190,106	1,174,791	1,077,117	1,133,256	and Other Purposes
141	140	139	--	--	Regional Park Endowment
					Passenger Facility Charges
70,538	62,522	55,331	--	--	Approved Capital Projects
1,000	1,000	1,000	--	--	Replacements and Renewals
33,337	37,412	40,355	--	--	Landfill Closure/Postclosure
8,174	7,141	6,109	--	--	Landfill Corrective Action
879	879	879	--	--	Wetland
104	104	104	--	--	Prima Deshecha/La Pata Closure
--	--	--	58,149	50,899	Airport <sup>(2)</sup>
--	--	--	82,205	84,070	OC Waste & Recycling <sup>(2)</sup>
					Nonexpendable
188	185	183	319	315	Regional Park Endowment
(2,629,268)	716,279	531,972	388,264	239,827	Unrestricted
\$ 2,007,750	\$ 5,450,577	\$ 5,171,314	\$ 4,993,718	\$ 5,019,200	Total Primary Government Net Position

County of Orange  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2020  
(Dollar Amounts in Thousands)

**Changes in Net Position  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)**

	Fiscal Year				
	2019-20	2018-19	2017-18	2016-17 <sup>(1)</sup>	2015-16
<b>Expenses</b>					
Governmental Activities:					
General Government	\$ 313,583	\$ 221,830	\$ 196,233	\$ 186,340	\$ 203,394
Public Protection	1,571,137	1,650,165	1,475,626	1,485,137	1,433,421
Public Ways and Facilities	158,356	172,970	151,779	97,928	142,071
Health and Sanitation	752,996	715,343	656,234	593,617	554,872
Public Assistance	1,219,816	1,193,705	1,102,747	1,097,327	1,097,129
Education	48,845	52,323	48,412	44,510	46,170
Recreation and Cultural Services	122,694	139,183	123,798	112,749	115,136
Interest on Long-Term Debt	33,617	30,910	25,741	17,544	20,112
Subtotal Governmental Activities	4,221,044	4,176,429	3,780,570	3,635,152	3,612,305
Business-Type Activities:					
Airport	132,804	136,075	124,466	125,522	120,921
OC Waste & Recycling	130,853	128,354	125,472	105,149	96,301
Compressed Natural Gas	11	160	299	367	283
Subtotal Business-Type Activities	263,668	264,589	250,237	231,038	217,505
Total Primary Government Expenses	\$ 4,484,712	\$ 4,441,018	\$ 4,030,807	\$ 3,866,190	\$ 3,829,810
<b>Program Revenues</b>					
Governmental Activities:					
Charges for Services					
General Government	\$ 45,713	\$ 47,508	\$ 43,104	\$ 41,988	\$ 34,048
Public Protection	299,121	319,248	355,850	307,630	288,185
Public Ways and Facilities	54,762	52,334	55,544	67,796	63,487
Health and Sanitation	140,631	132,172	112,715	117,170	85,392
Public Assistance	38,431	40,158	38,741	40,589	37,975
Education	575	1,100	1,237	1,274	1,426
Recreation and Cultural Services	26,143	34,506	49,892	47,763	46,937
Operating Grants and Contributions	2,500,368	2,289,265	2,175,087	2,067,777	2,037,311
Capital Grants and Contributions	141,118	63,429	123,575	113,481	105,776
Subtotal Governmental Activities Program Revenues	3,246,862	2,979,720	2,955,745	2,805,468	2,700,537
Business-Type Activities:					
Charges for Services					
Airport	135,273	157,785	152,551	150,260	149,894
OC Waste & Recycling	179,542	171,741	162,273	153,842	147,130
Compressed Natural Gas	95	108	266	248	269
Operating Grants and Contributions	5,285	193	272	69	171
Capital Grants and Contributions	-	1,424	4,829	1,828	2,174
Subtotal Business-Type Activities Program Revenues	320,195	331,251	320,191	306,247	299,638
Total Primary Government Program Revenues	\$ 3,567,057	\$ 3,310,971	\$ 3,275,936	\$ 3,111,715	\$ 3,000,175

Notes: (1) The balances shown have not been restated to include prior period adjustments.

Fiscal Year				
2014-15	2013-14 <sup>(1)</sup>	2012-13	2011-12 <sup>(1)</sup>	2010-11
\$ 191,793	\$ 131,026	\$ 221,110	\$ 161,615	\$ 223,710
1,326,028	1,261,984	1,264,354	1,231,925	1,174,859
114,398	127,561	137,651	144,382	136,017
537,580	626,063	621,381	593,657	586,525
1,049,665	988,735	944,230	930,348	931,263
43,314	41,240	38,548	41,226	39,788
102,069	96,820	101,232	102,762	101,993
23,560	28,028	31,269	56,765	53,806
3,388,407	3,301,457	3,359,775	3,262,680	3,247,961
124,778	120,731	122,568	107,120	88,059
69,307	94,161	94,737	94,553	93,985
331	379	305	306	349
194,416	215,271	217,610	201,979	182,393
\$ 3,582,823	\$ 3,516,728	\$ 3,577,385	\$ 3,464,659	\$ 3,430,354

#### Expenses

##### Governmental Activities:

General Government  
Public Protection  
Public Ways and Facilities  
Health and Sanitation  
Public Assistance  
Education  
Recreation and Cultural Services  
Interest on Long-Term Debt  
Subtotal Governmental Activities

##### Business-Type Activities:

Airport  
OC Waste & Recycling  
Compressed Natural Gas

##### Subtotal Business-Type Activities

##### Total Primary Government Expenses

\$ 36,924	\$ 32,016	\$ 32,127	\$ 26,942	\$ 33,561
286,644	273,215	283,031	271,423	310,773
53,834	53,071	39,981	62,653	53,960
102,599	93,470	81,039	86,027	93,815
37,650	42,300	34,780	35,036	36,304
1,480	2,059	1,327	1,437	1,576
43,882	39,251	39,637	38,888	37,560
1,996,861	2,033,550	1,904,858	1,800,296	1,706,231
33,241	54,478	62,893	39,010	170,516
2,593,115	2,623,410	2,479,673	2,361,712	2,444,296
141,563	136,359	132,941	129,213	124,298
139,493	125,106	106,876	99,249	102,595
312	392	385	293	242
255	900	200	212	657
9,215	5,277	3,839	5,216	6,544
290,838	268,034	244,241	234,183	234,336
\$ 2,883,953	\$ 2,891,444	\$ 2,723,914	\$ 2,595,895	\$ 2,678,632

#### Program Revenues

##### Governmental Activities:

Charges for Services  
General Government  
Public Protection  
Public Ways and Facilities  
Health and Sanitation  
Public Assistance  
Education  
Recreation and Cultural Services  
Operating Grants and Contributions  
Capital Grants and Contributions

##### Subtotal Governmental Activities Program Revenues

##### Business-Type Activities:

Charges for Services  
Airport  
OC Waste & Recycling  
Compressed Natural Gas  
Operating Grants and Contributions  
Capital Grants and Contributions

##### Subtotal Business-Type Activities Program Revenues

##### Total Primary Government Program Revenues

**Changes in Net Position  
Last Ten Fiscal Years  
(Accrual Basis of Accounting) (Continued)**

	Fiscal Year				
	2019-20	2018-19	2017-18	2016-17 <sup>(3)</sup>	2015-16
<b>Net (Expense)/Revenue</b>					
Governmental Activities	\$ (974,182)	\$ (1,196,709)	\$ (824,825)	\$ (829,684)	\$ (911,768)
Business-Type Activities	56,527	66,662	69,954	75,209	82,133
Total Primary Government Net (Expense)	<u>\$ (917,655)</u>	<u>\$ (1,130,047)</u>	<u>\$ (754,871)</u>	<u>\$ (754,475)</u>	<u>\$ (829,635)</u>
<b>General Revenue and Other Changes in Net Position</b>					
Governmental Activities:					
Taxes					
Property Taxes, Levied for General Fund	\$ 332,635	\$ 320,395	\$ 305,296	\$ 287,212	\$ 311,902
Property Taxes, Levied for Flood Control District	115,908	110,529	104,798	98,563	82,193
Property Taxes, Levied for OC Parks	89,804	85,640	81,206	76,493	61,048
Property Taxes, Levied for OC Public Libraries	56,767	54,074	51,166	47,804	45,364
Property Tax Increments <sup>(2)</sup>	--	--	--	--	--
Property Taxes in-Lieu of Motor Vehicle License Fees	418,370	395,809	372,728	351,011	333,595
Other Taxes	104,863	99,965	99,889	98,216	78,184
Grants and Contributions Not Restricted to Specific Programs	11,673	2,720	10,757	8,434	4,583
State Allocation of Motor Vehicle License Fees	838	1,180	1,615	1,234	1,100
Unrestricted Investment Earnings	30,538	44,170	19,389	19,760	17,032
Miscellaneous	53,631	52,813	71,164	80,229	63,825
Gain on Sale of Capital Assets	--	--	--	--	--
Transfers	9,826	8,922	10,767	25,922	21,518
Subtotal Governmental Activities	<u>1,224,853</u>	<u>1,176,217</u>	<u>1,128,775</u>	<u>1,094,878</u>	<u>1,020,344</u>
Extraordinary Gain/(Loss) Dissolution of OCDA <sup>(1)</sup>	--	--	--	--	--
Business-Type Activities:					
Other Taxes	50	10	82	78	72
Unrestricted Investment Earnings	19,771	24,941	7,695	3,497	6,526
Miscellaneous Revenues	87	174	1,830	1,386	2,170
Transfers	(9,826)	(8,922)	(10,767)	(25,922)	(21,518)
Subtotal Business-Type Activities	<u>10,082</u>	<u>16,203</u>	<u>(1,160)</u>	<u>(20,961)</u>	<u>(12,750)</u>
Total Primary Government General Revenue and Other Charges	<u>\$ 1,234,935</u>	<u>\$ 1,192,420</u>	<u>\$ 1,127,615</u>	<u>\$ 1,073,917</u>	<u>\$ 1,007,594</u>
<b>Change in Net Position</b>					
Governmental Activities	\$ 250,671	\$ (20,492)	\$ 303,950	\$ 265,194	\$ 108,576
Business-Type Activities	66,609	82,865	68,794	54,248	69,383
Total Primary Government	<u>\$ 317,280</u>	<u>\$ 62,373</u>	<u>\$ 372,744</u>	<u>\$ 319,442</u>	<u>\$ 177,959</u>

Notes: (1) Extraordinary item results from dissolution of OCDA which is now reported as a private-purpose trust fund.  
(2) Starting in FY 2012-13, there were no property tax increment revenues due to dissolution of OCDA.  
(3) The balances shown have not been restated to include prior period adjustments.

Fiscal Year					
	2014-15	2013-14 <sup>(3)</sup>	2012-13 <sup>(3)</sup>	2011-12	2010-11
\$	(795,292)	\$ (678,047)	\$ (880,102)	\$ (900,968)	\$ (803,665)
	96,422	52,763	26,631	32,204	51,943
\$	(698,870)	\$ (625,284)	\$ (853,471)	\$ (868,764)	\$ (751,722)
\$	328,500	\$ 277,591	\$ 313,299	\$ 311,779	\$ 298,953
	77,090	72,737	69,321	68,184	73,260
	57,266	54,042	51,550	51,168	51,554
	42,333	39,734	37,961	37,389	37,590
	--	--	--	18,308	30,755
	314,957	295,798	309,745	303,955	228,421
	71,613	73,178	108,430	43,568	83,938
	49,476	14,192	6,711	9,377	27,457
	764	895	1,659	2,667	49,889
	6,796	18,459	11,559	4,195	23,703
	69,789	54,412	48,478	57,125	64,563
	--	--	--	34	--
	19,959	17,557	10,276	11,767	12,681
	1,038,543	918,595	968,989	919,516	982,764
	--	--	1,800	(69,639)	--
	109	101	93	134	--
	3,042	3,064	2,113	3,530	5,509
	1,597	3,177	1,235	1,508	1,109
	(19,959)	(17,557)	(10,276)	(11,767)	(12,681)
	(15,211)	(11,215)	(6,835)	(6,595)	(6,063)
\$	1,023,332	\$ 907,380	\$ 963,954	\$ 843,282	\$ 976,701
\$	243,251	\$ 240,548	\$ 90,687	\$ (51,091)	\$ 179,099
	81,211	41,548	19,796	25,609	45,880
\$	324,462	\$ 282,096	\$ 110,483	\$ (25,482)	\$ 224,979

**Net (Expense)/Revenue**

Governmental Activities

Business-Type Activities

Total Primary Government Net (Expense)

**General Revenue and Other**

**Changes in Net Position**

Governmental Activities:

Taxes

Property Taxes, Levied for General Fund

Property Taxes, Levied for

Flood Control District

Property Taxes, Levied for OC Parks

Property Taxes, Levied for

OC Public Libraries

Property Tax Increments <sup>(2)</sup>

Property Taxes in-Lieu of

Motor Vehicle License Fees

Other Taxes

Grants and Contributions Not Restricted  
to Specific Programs

State Allocation of Motor

Vehicle License Fees

Unrestricted Investment Earnings

Miscellaneous

Gain on Sale of Capital Assets

Transfers

Subtotal Governmental Activities

Extraordinary Gain/(Loss)

Dissolution of OCDA <sup>(1)</sup>

Business-Type Activities:

Other Taxes

Unrestricted Investment Earnings

Miscellaneous Revenues

Transfers

Subtotal Business-Type Activities

Total Primary Government General

Revenue and Other Charges

**Change in Net Position**

Governmental Activities

Business-Type Activities

Total Primary Government



**Fund Balances, Governmental Funds  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)**

	Fiscal Year				
	2019-20	2018-19	2017-18	2016-17	2015-16
<b>General Fund</b>					
Nonspendable <sup>(1)</sup>	\$ 460,074	\$ 396,541	\$ 378,418	\$ 372,572	\$ 331,889
Restricted <sup>(1)</sup>	78,982	49,989	31,815	39,581	49,230
Assigned <sup>(1)</sup>	106,929	147,686	179,119	265,293	321,064
Unassigned <sup>(1)</sup>	217,317	196,517	219,426	73,446	25,655
<b>Total General Fund</b>	<b>\$ 863,302</b>	<b>\$ 790,733</b>	<b>\$ 808,778</b>	<b>\$ 750,892</b>	<b>\$ 727,838</b>
<b>All Other Governmental Funds</b>					
Nonspendable <sup>(1)</sup>	\$ 25,866	\$ 23,368	\$ 21,505	\$ 21,697	\$ 20,501
Restricted <sup>(1)</sup>	1,588,765	1,657,781	1,492,269	1,635,408	1,479,405
Assigned <sup>(1)</sup>	214,144	180,139	176,953	170,472	129,782
Unassigned <sup>(1)</sup>	--	--	--	--	--
<b>Total All Other Governmental Funds</b>	<b>\$ 1,828,775</b>	<b>\$ 1,861,288</b>	<b>\$ 1,690,727</b>	<b>\$ 1,827,577</b>	<b>\$ 1,629,688</b>

- Note: (1) In accordance with GASB Statement No. 54, which was implemented in FY 2010-11, the classification of fund balance was redefined.
- (2) The balances shown have not been restated to include prior period adjustments.

Fiscal Year				
2014-15	2013-14 <sup>(2)</sup>	2012-13	2011-12	2010-11
\$ 336,606	\$ 321,022	\$ 263,446	\$ 225,460	\$ 266,328
31,486	42,028	34,679	26,336	10,872
269,529	153,336	68,157	100,448	1,394
26,887	--	78,264	990	--
<b>\$ 664,508</b>	<b>\$ 516,386</b>	<b>\$ 444,546</b>	<b>\$ 353,234</b>	<b>\$ 278,594</b>

**General Fund**

Nonspendable <sup>(1)</sup>  
Restricted <sup>(1)</sup>  
Assigned <sup>(1)</sup>  
Unassigned <sup>(1)</sup>

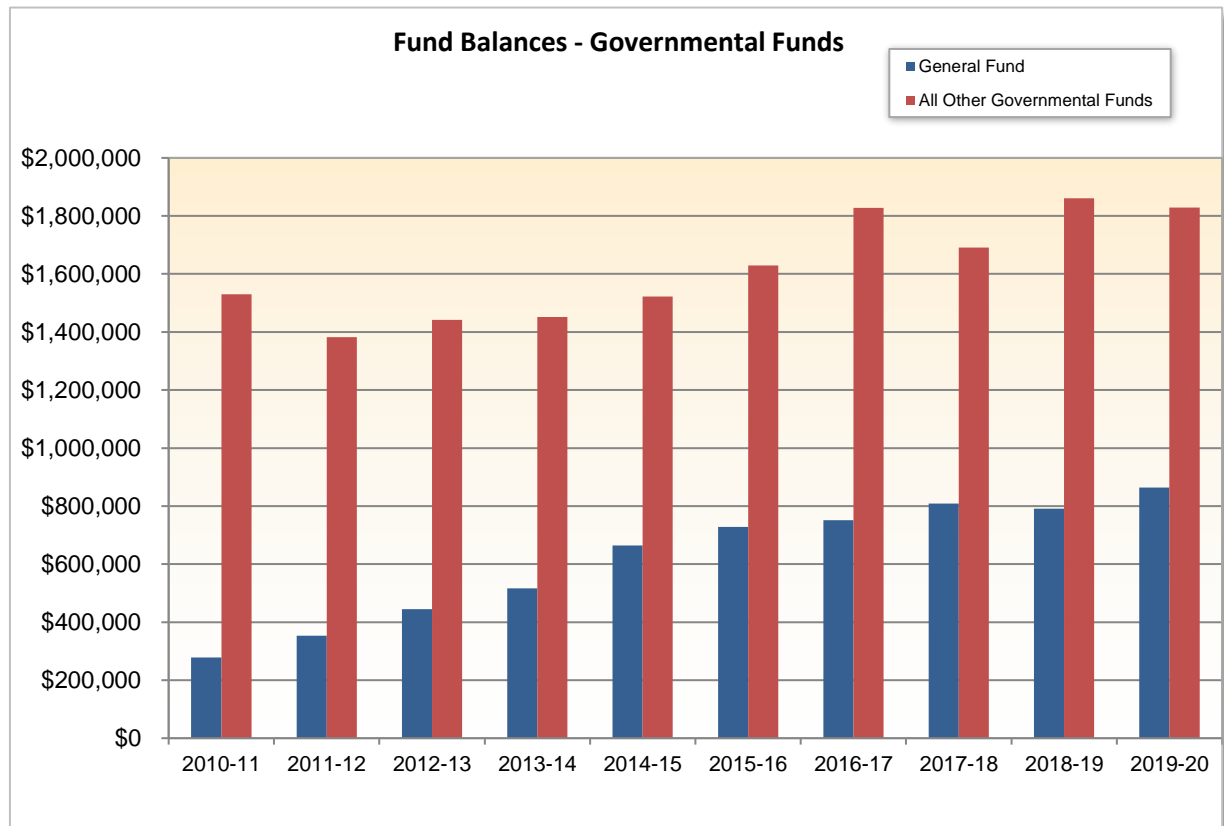
**Total General Fund**

\$ 21,296	\$ 21,207	\$ 18,929	\$ 23,057	\$ 20,802
1,417,122	1,362,102	1,357,556	1,318,071	1,482,755
83,765	67,929	65,556	43,900	34,173
--	--	--	(3,016)	(8,074)
<b>\$ 1,522,183</b>	<b>\$ 1,451,238</b>	<b>\$ 1,442,041</b>	<b>\$ 1,382,012</b>	<b>\$ 1,529,656</b>

**All Other Governmental Funds**

Nonspendable <sup>(1)</sup>  
Restricted <sup>(1)</sup>  
Assigned <sup>(1)</sup>  
Unassigned <sup>(1)</sup>

**Total All Other Governmental Funds**



**Changes in Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(Modified Basis of Accounting)**

	Fiscal Year				
	2019-20	2018-19	2017-18	2016-17	2015-16
<b>Revenues</b>					
Taxes	\$ 1,087,160	\$ 1,033,209	\$ 982,742	\$ 923,561	\$ 876,808
Licenses, Permits, and Franchises	26,193	25,956	28,142	28,209	27,659
Fines, Forfeitures, and Penalties	54,731	64,582	69,858	96,950	61,669
Use of Money and Property	99,619	124,827	85,694	68,498	88,211
Intergovernmental	2,506,018	2,243,421	2,232,699	2,172,013	2,125,136
Charges for Services	553,644	538,659	567,464	530,883	466,659
Other	60,389	74,508	78,707	63,949	69,436
Total Revenues	4,387,754	4,105,162	4,045,306	3,884,063	3,715,578
<b>Expenditures</b>					
General Government	346,701	271,722	295,157	267,663	261,387
Public Protection	1,492,539	1,485,357	1,441,435	1,401,694	1,289,902
Public Ways and Facilities	138,760	152,657	135,056	97,169	123,140
Health and Sanitation	747,178	680,305	649,064	578,772	527,482
Public Assistance	1,210,986	1,145,340	1,094,675	1,073,964	1,061,647
Education	47,702	47,826	46,842	42,564	43,928
Recreation and Cultural Services	119,379	114,127	117,965	106,356	100,381
Capital Outlay	194,454	213,950	259,797	176,308	116,569
Debt Service					
Principal Retirement	90,093	75,410	108,997	100,119	126,319
Interest	43,887	43,062	36,273	47,089	43,039
Debt Issuance Costs	--	--	--	--	--
Total Expenditures	4,431,679	4,229,756	4,185,261	3,891,698	3,693,794
Excess (Deficit) of Revenues Over Expenditures	(43,925)	(124,594)	(139,955)	(7,635)	21,784
<b>Other Financing Sources (Uses)</b>					
Transfers In	590,322	633,185	505,092	653,593	396,952
Transfers Out	(590,049)	(629,486)	(502,637)	(631,891)	(387,373)
Debt Issued	83,708	61,107	58,489	31,536	127,494
Premium on Debt Issued	--	--	--	--	11,724
Refunding Bonds Issued	--	--	--	--	--
Payment to Refunded Bond Escrow	--	--	--	--	--
Provisions for Increase in Land Held for Resale	--	--	--	--	--
Capital Leases	--	--	47	--	254
Loan Issuance	--	212,304	--	175,340	--
Total Other Financing Sources	83,981	277,110	60,991	228,578	149,051
Extraordinary Gain/(Loss)	--	--	--	--	--
Net Change in Fund Balances	\$ 40,056	\$ 152,516	\$ (78,964)	\$ 220,943	\$ 170,835
<b>Debt Service as a Percentage of Noncapital Expenditures:</b>					
	3.16%	2.95%	3.70%	3.97%	4.73%

Notes: (1) The balances shown have not been restated to include prior period adjustments.

Fiscal Year				
2014-15	2013-14	2012-13	2011-12 <sup>(1)</sup>	2010-11
\$ 822,511	\$ 778,936	\$ 854,587	\$ 784,797	\$ 738,109
24,583	24,920	15,213	18,046	16,831
108,115	62,081	79,267	80,180	93,461
73,700	63,611	58,441	81,088	89,514
2,064,354	2,070,245	1,940,687	1,846,311	1,745,066
480,023	470,899	439,224	435,920	478,916
71,207	54,406	77,464	66,920	64,125
3,644,493	3,525,098	3,464,883	3,313,262	3,226,022
212,805	172,195	186,145	170,156	207,193
1,230,878	1,194,069	1,157,676	1,125,831	1,068,267
102,732	127,506	112,294	126,809	110,789
515,560	621,891	611,369	580,791	576,793
1,030,404	972,156	932,414	909,296	911,704
41,949	40,008	37,239	37,621	37,671
98,001	98,388	94,051	91,753	84,506
102,863	125,781	122,639	105,207	84,311
104,756	111,486	72,499	95,429	87,685
31,513	35,107	43,777	46,152	40,634
--	200	--	--	--
3,471,461	3,498,787	3,370,103	3,289,045	3,209,553
173,032	26,311	94,780	24,217	16,469
338,055	294,374	274,363	345,692	395,752
(323,604)	(279,287)	(268,110)	(336,157)	(388,274)
31,541	39,639	78,419	10,000	36,000
--	--	--	2,927	--
--	--	--	34,380	--
--	--	--	(40,491)	(710)
--	--	--	43	--
43	--	--	--	133
--	--	--	--	--
46,035	54,726	84,672	16,394	42,901
--	--	1,800	(113,615)	--
\$ 219,067	\$ 81,037	\$ 181,252	\$ (73,004)	\$ 59,370
4.04%	4.34%	3.60%	4.44%	4.12%

#### Revenues

Taxes  
Licenses, Permits, and Franchises  
Fines, Forfeitures, and Penalties  
Use of Money and Property  
Intergovernmental  
Charges for Services  
Other  
Total Revenues

#### Expenditures

General Government  
Public Protection  
Public Ways and Facilities  
Health and Sanitation  
Public Assistance  
Education  
Recreation and Cultural Services  
Capital Outlay  
Debt Service  
Principal Retirement  
Interest  
Debt Issuance Costs  
Total Expenditures  
Excess (Deficit) of Revenues  
Over Expenditures

#### Other Financing Sources (Uses)

Transfers In  
Transfers Out  
Debt Issued  
Premium on Debt Issued  
Refunding Bonds Issued  
Payment to Refunded Bond Escrow  
Provisions for Increase in Land Held  
for Resale  
Capital Leases  
Loan Issuance  
Total Other Financing Sources  
Extraordinary Gain/(Loss)  
Net Change in Fund Balances

Debt Service as a Percentage  
of Noncapital Expenditures:

**Assessed Value of Taxable Property <sup>(1)</sup>**  
**Last Ten Fiscal Years**

Fiscal Year	Residential Property	Industrial/ Commercial Property	Other Property <sup>(2)</sup>	Unsecured Roll Gross Total <sup>(3)</sup>
2019-20	\$ 480,900,743	\$ 134,341,781	\$ 2,582,299	\$ 22,599,621
2018-19	454,536,503	127,625,128	2,489,493	21,677,257
2017-18	427,214,695	119,884,555	2,827,145	20,772,113
2016-17	400,931,553	114,636,194	2,787,769	20,582,609
2015-16	377,592,570	110,440,476	3,294,159	20,394,462
2014-15	352,800,864	105,523,254	3,694,094	20,902,660
2013-14	328,138,473	102,580,010	3,792,261	19,281,087
2012-13	315,635,908	100,074,695	3,489,057	19,905,480
2011-12	310,211,002	96,431,670	2,848,162	20,634,672
2010-11	304,895,403	97,097,750	3,038,747	21,198,638

- Notes:
- (1) Article XIII A, added to the California Constitution by Proposition 13 in 1978, fixed the base valuation of property subject to taxes at the full cash value appeared on the Assessor's 1975-76 assessment roll. The full cash value can be increased to reflect the annual inflation up to 2 percent, the current market value at time of ownership change and the market value for new construction. Estimated actual value of taxable property cannot easily be determined as the property in the County is not reassessed annually. Reassessment normally occurs when ownership changes.
  - (2) Other property includes: timeshares, rural/agricultural land, unique miscellaneous, mineral rights, water rights and personal property and fixtures.
  - (3) Unsecured roll includes properties for which taxes assessed are not a lien on real property and are not sufficient, in the opinion of the Assessor, to secure payment of taxes. It consists of improvements, business personal property, boats and aircrafts, and it can also include land and improvements that are identified as real estate of others, as defined by the Assessor (reference Revenue and Taxation Code Section 134).

Source: Orange County Assessor Department

Total Taxable Assessed Value	Less: Exempt & Non-Reimbursed Exemptions	Net Taxable Assessed Value	Total Direct Tax Rate Percent <sup>(1)</sup>
\$ 640,424,444	\$ (14,679,567)	\$ 625,744,877	1.00
606,328,381	(13,748,645)	592,579,736	1.00
570,698,508	(12,895,747)	557,802,761	1.00
538,938,125	(12,807,570)	526,130,555	1.00
511,721,667	(12,722,344)	498,999,323	1.00
482,920,872	(11,661,965)	471,258,907	1.00
453,791,831	(10,943,554)	442,848,277	1.00
439,105,140	(10,634,193)	428,470,947	1.00
430,125,506	(9,729,486)	420,396,020	1.00
426,230,538	(9,452,472)	416,778,066	1.00

**Direct and Overlapping Property Tax Rates  
Last Ten Fiscal Years  
(Rate Per \$1,000 of Assessed Value) <sup>(4)</sup>**

Fiscal Year	Direct Rate <sup>(1)</sup>	Overlapping Rates <sup>(2)</sup>				Total Direct & Overlapping Rates
	County General	School Districts	Local Special Districts	Cities	Public Utility	
2019-20	1.00000	0.05358	0.01202	0.00678	0.00326	1.07564
2018-19	1.00000	0.05515	0.01216	0.00687	0.00317	1.07735
2017-18	1.00000	0.05366	0.01289	0.00713	0.00259	1.07627
2016-17	1.00000	0.04840	0.01316	0.00659	0.00270	1.07085
2015-16	1.00000	0.05101	0.01455	0.00670	0.00227	1.07453
2014-15	1.00000	0.04579	0.04438	0.00681	-- <sup>(3)</sup>	1.09698

- Notes:
- (1) Article XIII A, added to the California Constitution by Proposition 13 in 1978, fixed the base valuation of property subject to taxes at the full cash value appeared on the Assessor's 1975-76 assessment roll. The full cash value can be increased to reflect the annual inflation up to 2 percent, the current market value at time of ownership change and the market value for new construction. Estimated actual value of taxable property cannot easily be determined as the property in the County is not reassessed annually. Reassessment normally occurs when ownership changes.
  - (2) These overlapping rates are in addition to the County General rate, but only apply to taxpayers within the borders of the school districts, local special districts, cities, and public utilities that lie within the County.
  - (3) No rate was available for Public Utility in FY 2014-15.
  - (4) The schedule is presented to show information for 10 years. However, a full 10-year trend is not currently available; the County will be adding years in the future.

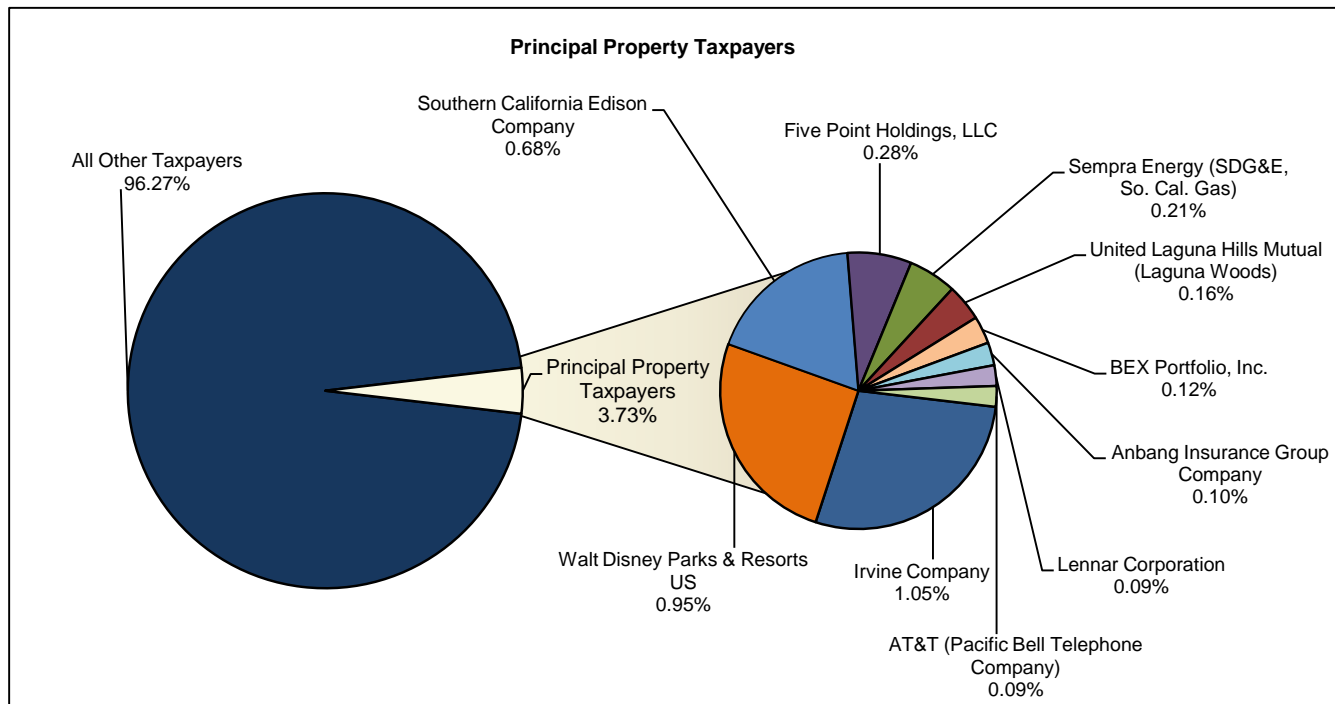
Source: Auditor-Controller, County of Orange





**Principal Property Taxpayers  
Current Year and Nine Years Ago**

Taxpayer	2020			2011		
	Actual Taxes Levied	Rank	Percentage of Total Taxes Levied	Actual Taxes Levied	Rank	Percentage of Total Taxes Levied
Irvine Company	\$ 76,208	1	1.05%	\$ 60,286	1	1.19%
Walt Disney Parks & Resorts US	68,969	2	0.95%	45,147	2 & 8	0.90%
Southern California Edison Company	49,220	3	0.68%	28,050	3	0.56%
Five Point Holdings, LLC	20,233	4	0.28%			
Sempra Energy (SDG&E, So. Cal. Gas)	14,883	5	0.21%			
United Laguna Hills Mutual (Laguna Woods)	11,346	6	0.16%			
BEX Portfolio, Inc.	8,680	7	0.12%			
Anbang Insurance Group Company	7,011	8	0.10%			
Lennar Corporation	6,799	9	0.09%			
AT&T (Pacific Bell Telephone Company)	6,474	10	0.09%			
Irvine Company LLC				28,605	4 & 5	0.57%
Irvine Apartment Communities				9,744	6	0.19%
Pacific Bell Telephone Company				9,001	7	0.18%
United Laguna Hills				7,283	9	0.14%
Heritage Fields El Toro LLC				7,012	10	0.14%
<b>Total</b>	<b>\$ 269,823</b>		<b>3.73%</b>	<b>\$ 195,128</b>		<b>3.87%</b>

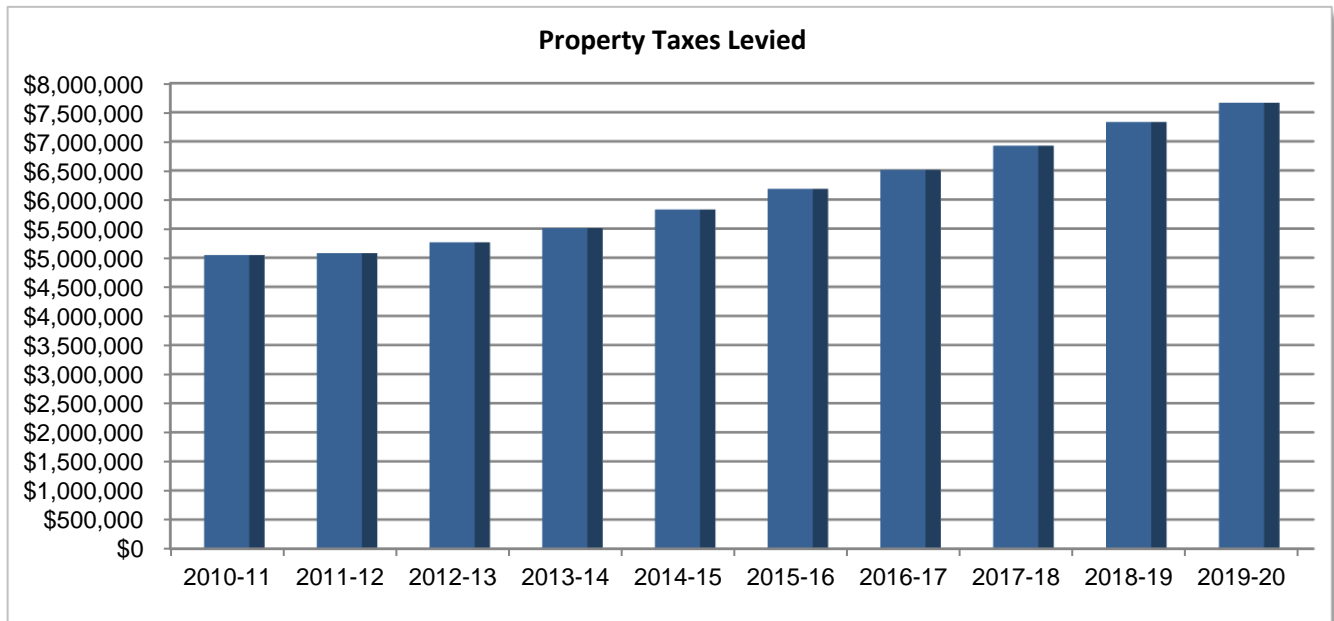


Note: The base used for the Percentage of Total Taxes Levied for 2020 includes total secured taxes of \$7,225,004.

Source: Treasurer-Tax Collector, County of Orange

**Property Tax Levies and Collections  
Last Ten Fiscal Years**

Fiscal Year	Taxes Levied for the Fiscal Year <sup>(1)</sup>	Collections Within the Fiscal Year of the Levy <sup>(2)</sup>		Collections of Delinquent Taxes from Prior Years	Total Collections for the Fiscal Year <sup>(3)</sup>	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2019-20	\$ 7,664,009	\$ 7,567,252	98.74%	\$ -- <sup>(4)</sup>	\$ 7,567,252	98.74%
2018-19	7,333,137	7,252,952	98.91%	42,520	7,295,472	99.49%
2017-18	6,925,546	6,855,493	98.99%	45,929	6,901,422	99.65%
2016-17	6,511,944	6,446,780	99.00%	48,232	6,495,012	99.74%
2015-16	6,183,862	6,119,771	98.96%	52,179	6,171,950	99.81%
2014-15	5,828,106	5,759,699	98.83%	59,019	5,818,718	99.84%
2013-14	5,509,379	5,444,912	98.83%	54,185	5,499,097	99.81%
2012-13	5,265,844	5,194,193	98.64%	59,586	5,253,779	99.77%
2011-12	5,079,589	5,002,490	98.48%	84,249	5,086,739	100.14%
2010-11	5,045,802	4,960,748	98.31%	35,665	4,996,413	99.02%



- Notes:
- (1) Total tax levy includes secured, supplemental, unsecured and former redevelopment agency increment, including penalties.
  - (2) Total tax collections include penalties.
  - (3) Total collections include collections of current year taxes and collections related to prior year levies.  
The percentage of levy represents the ratio of total collections to the taxes levied for that fiscal year.
  - (4) No amounts are shown because the property taxes levied will be collected in the following year.

Source: Auditor-Controller, County of Orange

**Ratios of Outstanding Debt <sup>(1)</sup> by Type**  
**Last Ten Fiscal Years (in Thousands Except Per Capita)**  
**(Accrual Basis of Accounting)**

Governmental Activities							
Fiscal Year	Refunding Recovery Bonds <sup>(6)</sup>	Redevelopment Bonds <sup>(2)</sup>	Certificates of Participation <sup>(5)</sup>	Pension Obligation Bonds <sup>(5)</sup>	Teeter Plan Notes	SARI Line Loans	Lease Revenue Bonds <sup>(6),(7),(8)</sup>
2019-20	\$ --	\$ --	\$ --	\$ 2,967	\$ 34,661	\$ --	\$ 447,481
2018-19	--	--	-	5,445	29,507	--	449,669
2017-18	--	--	392	8,217	27,247	--	245,288
2016-17	--	--	811	11,220	27,868	23,900	263,692
2015-16	--	--	1,262	19,140	30,191	28,022	141,145
2014-15	--	--	1,744	27,227	33,823	36,277	105,880
2013-14	19,172	--	2,262	32,193	39,830	47,410	137,115
2012-13	35,317	--	2,822	37,925	43,486	59,892	155,828
2011-12	51,600	--	3,422	47,523	--	40,328	181,097
2010-11	67,028	47,009	4,064	54,680	--	33,999	249,924

- Notes:
- (1) Details regarding the County's outstanding debt can be found in Note 11, Long-Term Obligations.
  - (2) Redevelopment Bonds are no longer County debt due to the dissolution of Redevelopment Agency on February 1, 2012. Details regarding the Redevelopment Bonds can be found in Note 12, Conduit Debt Obligations and Successor Agency Debt.
  - (3) Capital lease obligations arise from lease agreements which are in-substance like purchases. The agreements convey property rights to the lessee and the lessee assumes substantially all the risks and benefits of ownership.
  - (4) See demographic and economic statistics schedule for personal income and population data. For years prior to FY 2012-13, the personal income ratio and the debt per capita amounts were calculated using personal income and population from the prior fiscal year.
  - (5) Beginning FY 2012-13, outstanding debt does not include Interest Accretion on capital appreciation bonds (CAB), this was separated and numbers were restated.
  - (6) Beginning FY 2013-14, outstanding debt does not include deferred amount on refunding due to implementation of GASB Statement No. 65. Prior years have not been restated.
  - (7) Lease Revenue Bonds and Airport Revenue Bonds include unamortized premiums and discounts.
  - (8) Prior year balances for the Civic Center Facilities Master Plan Financing have been combined with Lease Revenue Bonds per GASB Statement No. 88.

Source: Auditor-Controller, County of Orange

Capital Lease Obligations <sup>(3)</sup>	Interest Accretion on CAB	Business-Type Activities		Total Primary Government	Percentage of Personal Income <sup>(4)</sup>	Per Capita <sup>(4)</sup>
		Airport Revenue Bonds <sup>(7)</sup>	Waste Management System Revenue Bonds			
\$ 31,702	\$ 15,090	\$ 93,462	\$ --	\$ 625,363	0.28%	\$ 196
39,396	25,201	98,079	--	647,297	0.28%	201
43,169	36,586	152,199	--	513,098	0.24%	159
55,831	46,641	187,318	--	617,281	0.31%	193
67,928	73,926	195,127	--	556,741	0.29%	175
79,168	96,303	202,536	--	582,958	0.31%	185
62,446	103,377	209,804	--	653,609	0.34%	210
67,353	110,084	240,540	7,018	760,265	0.41%	247
71,755	--	248,900	13,666	658,291	0.40%	215
76,074	--	256,683	19,921	809,382	0.51%	269

**Ratios of Net General Bonded Debt <sup>(1)</sup> Outstanding  
Last Ten Fiscal Years (in Thousands Except Per Capita)  
(Accrual Basis of Accounting)**

General Debt Outstanding						
Fiscal Year	Refunding Recovery Bonds	Pension Obligation Bonds <sup>(3)</sup>	Restricted for Debt Payments <sup>(3)</sup>	Total (Excess)/ Under	Percentage of Assessed Value	Per Capita <sup>(2)</sup>
2019-20	\$ --	\$ 18,057	\$ 18,057	\$ --	0.00%	\$ --
2018-19	--	30,646	30,646	--	0.00%	--
2017-18	--	42,770	42,770	--	0.00%	--
2016-17	--	53,985	53,985	--	0.00%	--
2015-16	--	87,521	87,521	--	0.00%	--
2014-15	--	116,494	116,494	--	0.00%	--
2013-14	19,172	127,206	127,206	19,172	0.00%	6
2012-13	35,317	138,484	138,484	35,317	0.01%	11
2011-12	51,600	47,523	47,523	51,600	0.01%	17
2010-11	67,028	54,680	54,680	67,028	0.02%	22

Notes: (1) Details regarding the County's outstanding debt can be found in Note 11, Long-Term Obligations.  
(2) See demographic and economic statistics schedule for population data. For years prior to FY 2012-13, the debt per capita amount was calculated using the population for the prior fiscal year.  
(3) Beginning in FY 2012-13, outstanding debt includes accreted interest on capital appreciation bonds.

Source: Auditor Controller, County of Orange

**Legal Debt Margin as a Percentage of Debt Limit  
Last Ten Fiscal Years**

Fiscal Year	Assessed Value <sup>(1)</sup>	Legal Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to the Limit as a Percentage of Debt Limit <sup>(2)</sup>
2019-20	\$ 632,758,256	\$ 7,909,478	\$ --	\$ 7,909,478	0%
2018-19	598,901,016	7,486,263	--	7,486,263	0%
2017-18	563,662,044	7,045,776	--	7,045,776	0%
2016-17	531,052,158	6,638,152	--	6,638,152	0%
2015-16	504,650,360	6,308,130	--	6,308,130	0%
2014-15	476,303,290	5,953,791	--	5,953,791	0%
2013-14	447,749,156	5,596,864	--	5,596,864	0%
2012-13	432,902,274	5,411,278	--	5,411,278	0%
2011-12	424,769,642	5,309,621	--	5,309,621	0%
2010-11	420,751,575	5,259,395	--	5,259,395	0%



Note:

(1) Assessed Value includes the State assessed properties.

(2) The amount of the general obligation bonded indebtedness the County can incur is limited by law to 1.25 percent of the equalized assessment property tax roll. In order for the County to issue general obligation bonds secured by ad valorem taxes on real property, California Constitution Article XIII A, section 1 requires the approval of 2/3 of the voting on the proposition.

Source: Auditor-Controller, County of Orange

County of Orange  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2020  
(Dollar Amounts in Thousands)

**Pledged Revenue Coverage <sup>(1)</sup>**  
**Last Ten Fiscal Years**

<b>South Orange County Public Financing Authority</b>						
<b>Funding Source:</b> Interest Earnings, Rents and Concessions, and Transfers						
	<b>Debt Service</b>					
<b>Fiscal Year</b>	<b>Gross Revenue</b>	<b>Operating Expenses</b>	<b>Net Available Revenue</b>	<b>Principal</b>	<b>Interest</b>	<b>Coverage</b>
2019-20	\$ 4,491	\$ 64	\$ 4,427	\$ 1,975	\$ 2,511	0.99
2018-19	6,076	--	6,076	6,930	2,839	0.62
2017-18	10,489	--	10,489	7,165	3,152	1.02
2016-17	10,465	--	10,465	7,335	2,974	1.02
2015-16	5,828	271	5,557	4,920	906	0.95
2014-15	5,830	--	5,830	4,780	1,049	1.00
2013-14	5,825	--	5,825	4,680	1,143	1.00
2012-13	5,841	--	5,841	4,520	1,307	1.00
2011-12	--	262	(262)	--	--	--
2010-11	--	--	--	--	--	--

<b>Orange County Public Financing Authority</b>						
<b>Funding Source:</b> Interest Earnings, Rents and Concessions, and Transfers						
	<b>Debt Service</b>					
<b>Fiscal Year</b>	<b>Gross Revenue</b>	<b>Operating Expenses</b>	<b>Net Available Revenue</b>	<b>Principal</b>	<b>Interest</b>	<b>Coverage</b>
2019-20	\$ --	\$ --	\$ --	\$ --	\$ --	--
2018-19	--	--	--	--	--	--
2017-18	2,466	--	2,466	9,590	335	0.25
2016-17	10,189	--	10,189	41,235	1,587	0.24
2015-16	44,418	--	44,418	25,420	3,235	1.55
2014-15	29,928	--	29,928	24,235	4,455	1.04
2013-14	29,949	--	29,949	23,115	5,605	1.04
2012-13	29,952	--	29,952	22,160	6,638	1.04
2011-12	35,697	--	35,697	61,630	10,837	0.49
2010-11	74,725	--	74,725	58,990	13,643	1.03

<b>Airport Revenue Bonds</b>						
<b>Funding Source:</b> Rents and Concessions, Other Charges for Services, Misc Revenue, Interest Earnings, and Available Passenger Facility Charge Revenue						
	<b>Debt Service</b>					
<b>Fiscal Year</b>	<b>Gross Revenue</b>	<b>Operating Expenses</b>	<b>Net Available Revenue</b>	<b>Principal</b>	<b>Interest</b>	<b>Coverage</b>
2019-20	\$ 136,374	\$ 92,346	\$ 44,028	\$ 1,950	\$ 2,632	9.61
2018-19	154,833	95,862	58,971	22,170	7,924	1.96
2017-18	145,649	90,889	54,760	35,090	8,845	1.25
2016-17	143,707	89,055	54,652	7,530	9,999	3.12
2015-16	143,661	82,833	60,828	7,205	10,338	3.47
2014-15	135,491	82,558	52,933	6,995	10,603	3.01
2013-14	131,285	84,708	46,577	30,473	11,395	1.11
2012-13	126,966	79,739	47,227	9,250	12,250	2.20
2011-12	124,403	77,628	46,775	7,851	12,592	2.29
2010-11	120,088	70,521	49,567	7,460	12,906	2.43

<b>Orange County Public Facilities Corporation Bonds</b>						
<b>Funding Source:</b> Interest Earnings and Transfers						
	<b>Debt Service</b>					
<b>Fiscal Year</b>	<b>Gross Revenue</b>	<b>Operating Expenses</b>	<b>Net Available Revenue</b>	<b>Principal</b>	<b>Interest</b>	<b>Coverage</b>
2019-20	\$ --	\$ --	\$ --	\$ --	\$ --	--
2018-19	53	--	53	392	2,209	0.02
2017-18	2,423	--	2,423	419	2,179	0.93
2016-17	2,405	8	2,397	451	2,157	0.92
2015-16	2,470	--	2,470	482	2,121	0.95
2014-15	2,475	--	2,475	518	2,090	0.95
2013-14	2,459	--	2,459	560	2,045	0.94
2012-13	2,403	44	2,359	600	2,005	0.91
2011-12	2,770	--	2,770	642	1,958	1.07
2010-11	2,525	--	2,525	694	1,906	0.97

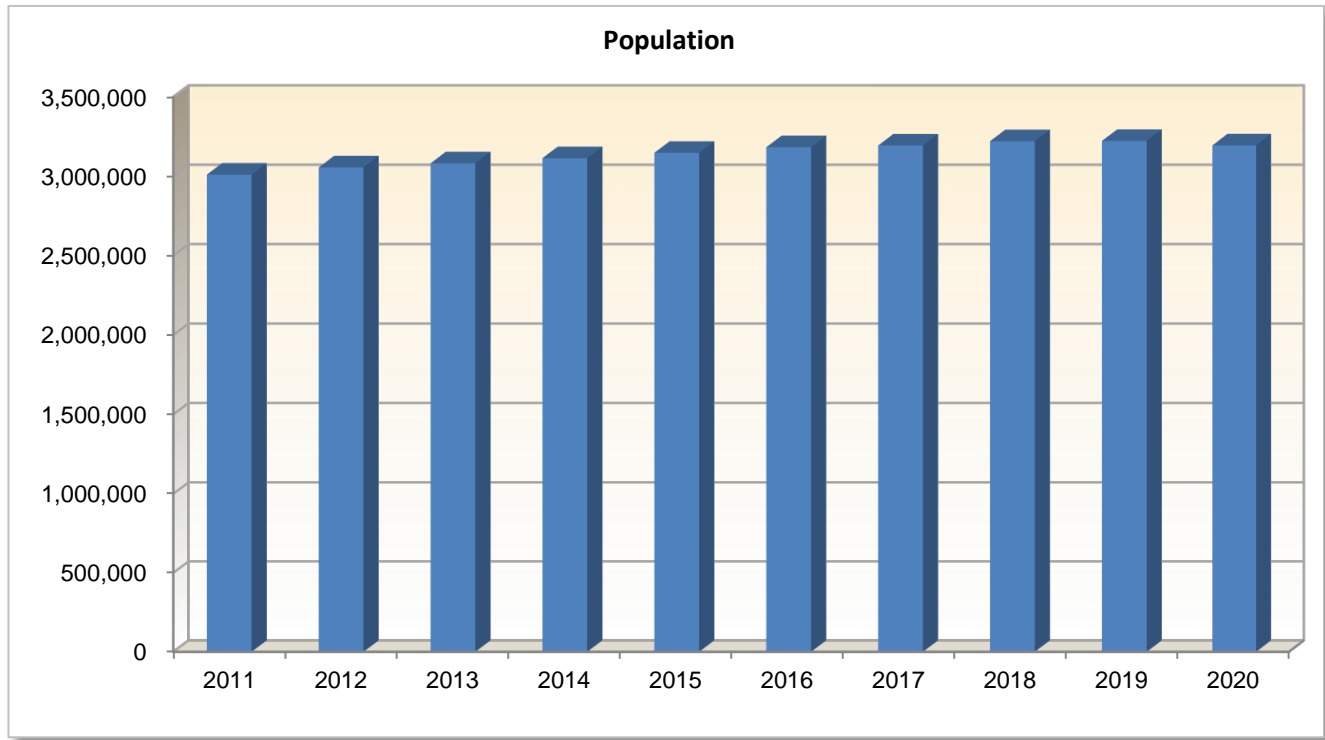
<b>Teeter Plan Notes</b>						
<b>Funding Source:</b> Delinquent Property Taxes Collected						
	<b>Debt Service</b>					
<b>Fiscal Year <sup>(2)</sup></b>	<b>Gross Revenue</b>	<b>Operating Expenses</b>	<b>Net Available Revenue</b>	<b>Principal</b>	<b>Interest</b>	<b>Coverage</b>
2019-20	\$ 8,793	\$ 275	\$ 8,518	\$ 78,554	\$ 1,263	0.11
2018-19	9,701	239	9,462	58,847	1,379	0.16
2017-18	11,210	220	10,990	59,110	1,105	0.18
2016-17	26,232	154	26,078	33,859	600	0.77
2015-16	316	210	106	74,561	347	0.00
2014-15	174	2,954	(2,780) <sup>(3)</sup>	37,548	352	(0.07)
2013-14	11,147	251	10,896	43,295	413	0.25
2012-13	15,706	1,032	14,674	14,449	327	0.99
2011-12	--	--	--	--	--	--
2010-11	--	--	--	--	--	--

- Notes: (1) Details regarding the County's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation or amortization expenses.  
(2) Teeter Plan Notes were converted from short-term commercial paper to long-term note in FY 2012-13, therefore, only long-term note information is presented.  
(3) For FY 2014-15, there is a deficit balance for Net Available Revenue due to the change in Teeter Plan Reserve methodology.

Source: Auditor-Controller, County of Orange

**Demographic and Economic Statistics  
Last Ten Calendar Years**

Year	Population <sup>(1)</sup>	Personal Income <sup>(2)</sup>	Per Capita Personal Income (Absolute Dollars) <sup>(2)</sup>	Median Age <sup>(3)</sup>	Public School Enrollment (In Thousands) <sup>(4)</sup>	Unemployment Rate <sup>(5)</sup>
2020	3,194,332	\$ 226,531,000	\$ 70,917	38.6	473,612	12.3%
2019	3,222,498	230,180,000	71,429	37.8	478,823	3.0%
2018	3,221,103	215,479,000	66,896	37.5	485,835	3.1%
2017	3,194,024	199,492,000	62,458	37.3	490,430	4.2%
2016	3,183,011	190,978,000	59,999	37.1	493,030	4.4%
2015	3,147,655	185,500,000	58,933	36.7	497,116	4.0%
2014	3,113,991	177,412,900	56,973	36.4	500,487	5.4%
2013	3,081,804	168,966,400	54,827	36.2	501,801	6.7%
2012	3,055,792	166,345,500	54,436	36.7	502,195	8.1%
2011	3,010,232	159,007,100	52,822	37.3	502,895	8.6%



Sources:

- (1) California Department of Finance, Demographic Research Unit, <http://www.dof.ca.gov>
- (2) Chapman University Economic & Business Review.
- (3) U.S. Census Bureau, American Community Survey, <http://www.census.gov>
- (4) California Department of Education, <http://www.cde.ca.gov>
- (5) State of California, Employment Development Department, <http://www.edd.ca.gov/>



**Principal Employers  
Current Year and Nine Years Ago**

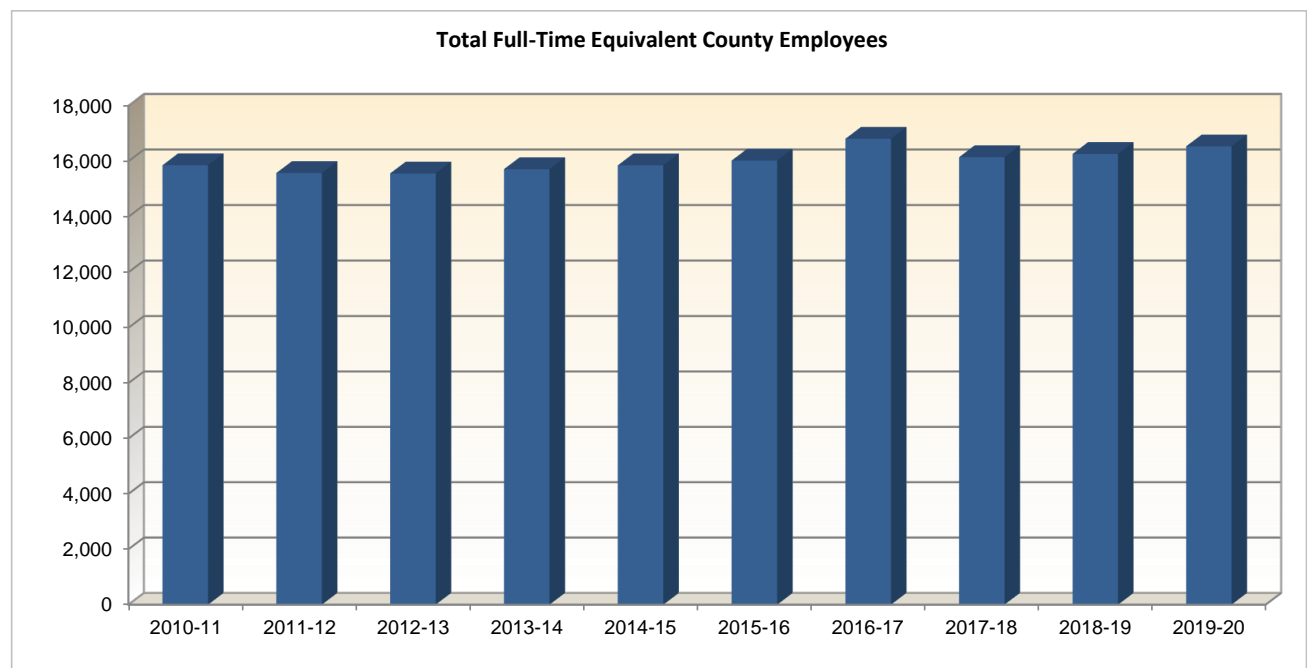
2020			
Employer	Number of Employees	Rank	Percentage of Total County Employment
Walt Disney Co.	32,000	1	2.04%
University of California, Irvine	24,174	2	1.54%
County of Orange	18,435	3	1.17%
St. Joseph Health System	14,000	4	0.89%
Kaiser Permanente	8,200	5	0.52%
Albertsons	7,535	6	0.48%
Boeing Co.	6,500	7	0.41%
Hoag Memorial Hospital	6,500	8	0.41%
Walmart Inc.	6,200	9	0.39%
Target Corporation	6,000	10	0.38%

2011			
Employer	Number of Employees	Rank	Percentage of Total County Employment
Walt Disney Co.	22,000	1	1.37%
University of California, Irvine	21,291	2	1.33%
County of Orange	17,257	3	1.08%
St. Joseph Health System	12,048	4	0.75%
Boeing Co.	7,700	5	0.48%
Bank of America Corporation	6,300	6	0.39%
Yum Brands Inc.	6,300	7	0.39%
Kaiser Permanente	5,968	8	0.37%
Target Corporation	5,527	9	0.34%
Cedar Fair LP	5,200	10	0.32%

Source: Orange County Business Journal Book of Lists - County of Orange  
<http://www.labormarketinfo.edd.ca.gov>

**Full-time Equivalent County Employees by Function  
Last Ten Fiscal Years**

Function/Program	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13 <sup>(2)</sup>	2011-12	2010-11
General Government	1,657	1,473	1,461	1,511	1,419	1,341	1,322	1,273	1,279	1,314
Public Protection	6,696	6,738	6,722	6,915	6,642	6,674	6,760	6,781	6,653	6,692
Public Ways and Facilities	400	407	386	431	435	440	478	508	542	569
Health and Sanitation	2,334	2,339	2,307	2,409	2,253	2,198	2,128	2,137	2,209	2,292
Public Assistance	4,403	4,290	4,276	4,529	4,306	4,239	4,043	3,876	3,867	3,935
Education	320	312	306	309	302	286	290	286	307	324
Recreation and Cultural Services	318	293	288	298	272	265	274	268	283	289
Airport	160	163	157	153	154	159	162	167	168	168
OC Waste & Recycling	238	241	236	249	233	241	249	255	257	261
CFCOC	11	11	10	9	11	11	11	11	13	14
<b>Total Full-time Equivalent Employees (1)</b>	<b>16,537</b>	<b>16,267</b>	<b>16,149</b>	<b>16,813</b>	<b>16,027</b>	<b>15,854</b>	<b>15,717</b>	<b>15,562</b>	<b>15,578</b>	<b>15,858</b>



Note: (1) Full-time equivalent employment is calculated by dividing total labor hours by the total of hours in a fiscal year (2,080 hours).

(2) Updated FY 2012-13 numbers due to revaluation of methodology. It was subsequently determined that prior methodology was appropriate.

Source: County Executive Office, County of Orange

County of Orange  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2020

**Operating Indicators by Function/Program  
Last Ten Fiscal Years**

Function/Program	Fiscal Year				
	2019-20	2018-19	2017-18	2016-17	2015-16
<b>General Government</b>					
Auditor-Controller					
Property Tax Bills Prepared	1,104,521	1,112,743	1,125,902	1,127,725	1,141,652
Assessor					
Number of Real Property Valued	954,305	950,469	943,771	937,630	930,470
Number of Unsecured Property Assessed	116,270	116,188	117,126	121,665	141,224
New Parcels Created and Mapped	8,044	8,035	7,868	9,053	6,665
New Construction Events	26,223	21,087	20,758	21,254	19,397
County Executive Office					
Volunteer Program Service Hours	414,774	685,725	562,121	645,482	613,277
Clerk-Recorder					
Marriage Licenses Issued	22,308	22,565	23,702	25,309	23,725
Marriage Ceremonies Performed	11,679	11,242	11,946	12,876	11,122
Copies of Birth Certificates Issued	71,679	87,961	82,463	85,051	74,508
Property-Related Document Recordings	629,179	477,083	534,185	640,243	617,914
Passport Applications Filed	7,217	10,071	10,144	9,437	7,093
Treasurer-Tax Collector					
Orange County Investment Pool Income <sup>(1)</sup>	\$ 89,264	\$ 94,197	\$ 57,610	\$ 36,677	\$ 24,877
Assets Under Management <sup>(1)</sup>	\$ 10,271,573	\$ 9,934,121	\$ 9,387,613	\$ 9,092,268	\$ 8,271,502
Number of Property Tax Bills	1,256,890	1,375,794	1,471,356	1,448,886	1,367,275
Percentage of Secured Tax Bill Collection	99.15%	99.26%	99.36%	99.39%	99.26%
Number of Incoming Phone Calls	93,312	89,079	98,660	108,061	111,948
Percentage of Electronic Payments	64.2%	63.2%	60.9%	57.2%	54.9%
Secured Tax Bill Subscribers <sup>(3)</sup>	61,287	51,559	42,866	40,898	38,213
Property Tax Payments by eCheck	449,107	412,819	398,711	348,961	309,977
Registrar of Voters					
Registered Voters	1,633,966	1,558,988	1,481,881	1,535,967	1,395,380
Highest Number of Ballots Cast	818,021	1,106,729	635,224	1,239,405	691,802
Elections Conducted	4	5	1	1	4
<b>Public Protection</b>					
Sheriff-Coroner					
Patrolled Cities Population	638,420	648,371	646,818	644,496	641,753
Patrolled Unincorporated Areas Population	128,421	129,128	129,278	125,792	125,420
Number of Bookings to Orange County Jail System	46,046	58,773	61,157	56,330	56,163
Average Daily Jail Head Count	4,667	6,140	6,249	6,220	6,028
District Attorney					
Defendants Prosecuted-Adult	55,747	60,117	62,682	61,219	61,521
Defendants Prosecuted-Juvenile	2,229	2,783	3,426	3,631	3,564
Probation					
Physical Arrests-Adult	*	*	*	*	*
Physical Arrests-Juvenile	*	*	*	*	*
Probationers under Supervision as of June 30th-Adult	11,761	11,164	11,560	11,189	11,714
Probationers under Supervision as of June 30th-Juvenile	1,364	1,892	2,270	2,290	2,550
Avg. Daily Juvenile Hall Population	91	109	129	150	130
Avg. Daily Camp Population	64	100	119	136	143
Public Defender					
Cases Appointed Annually	52,253	59,513	59,095	61,878	65,574

Note: (1) Dollar amounts in thousand  
(2) \* means Not Available  
(3) Name changed in FY 18-19, formerly Secured Tax Bill Reminders  
Source: County Departments

Fiscal Year					Function/Program
2014-15	2013-14	2012-13	2011-12	2010-11	
<u>General Government</u>					
					Auditor-Controller
1,216,325	1,220,750	1,186,238	1,153,816	1,189,320	Property Tax Bills Prepared
					Assessor
924,791	918,672	914,489	901,840	899,644	Number of Real Property Valued
145,151	135,551	139,865	159,464	161,005	Number of Unsecured Property Assessed
6,918	4,519	8,175	3,649	2,739	New Parcels Created and Mapped
18,530	16,904	17,173	17,129	9,372	New Construction Events
					County Executive Office
638,230	700,759	815,407	885,416	935,284	Volunteer Program Service Hours
					Clerk-Recorder
23,553	25,244	22,502	22,415	20,868	Marriage Licenses Issued
11,213	12,056	*	*	*	Marriage Ceremonies Performed
79,826	82,268	81,775	83,611	85,773	Copies of Birth Certificates Issued
651,866	580,899	839,353	741,935	725,323	Property-Related Document Recordings
5,016	2,686	*	*	*	Passport Applications Filed
					Treasurer-Tax Collector
\$ 14,581	\$ 11,298	\$ 12,958	\$ 17,978	\$ 22,295	Orange County Investment Pool Income <sup>(1)</sup>
\$ 7,604,246	\$ 6,566,145	\$ 6,490,056	\$ 5,922,768	\$ 6,183,195	Assets Under Management <sup>(1)</sup>
1,381,808	1,421,654	1,347,596	1,257,709	1,382,198	Number of Property Tax Bills
99.21%	99.16%	98.94%	98.51%	98.35%	Percentage of Secured Tax Bill Collection
121,461	115,123	150,830	148,463	162,955	Number of Incoming Phone Calls
54.2%	53.8%	49.4%	51.1%	49.3%	Percentage of Electronic Payments
35,917	31,988	28,664	25,451	21,027	Secured Tax Bill Subscribers <sup>(3)</sup>
285,932	248,908	213,146	181,151	143,136	Property Tax Payments by eCheck
					Registrar of Voters
1,424,216	1,411,232	1,683,001	1,612,145	1,621,934	Registered Voters
640,358	340,187	1,133,204	145,474	898,205	Highest Number of Ballots Cast
7	3	2	2	5	Elections Conducted
<u>Public Protection</u>					
					Sheriff-Coroner
637,261	631,934	627,447	557,403	553,148	Patrolled Cities Population
124,014	121,473	120,396	119,698	121,488	Patrolled Unincorporated Areas Population
56,135	61,262	63,439	65,256	63,615	Number of Bookings to Orange County
6,055	7,039	6,805	6,265	5,721	Jail System
					Average Daily Jail Head Count
					District Attorney
56,233	55,906	57,873	61,759	64,418	Defendants Prosecuted-Adult
4,482	5,103	6,651	6,743	7,907	Defendants Prosecuted-Juvenile
					Probation
*	*	2,947	2,307	1,926	Physical Arrests-Adult
*	*	640	467	488	Physical Arrests-Juvenile
10,725	14,425	14,186	14,788	13,243	Probationers under Supervision as of June 30th-Adult
3,124	4,156	4,984	5,399	5,792	Probationers under Supervision as of June 30th-Juvenile
150	229	320	315	417	Avg. Daily Juvenile Hall Population
203	182	193	169	194	Avg. Daily Camp Population
					Public Defender
79,119	74,101	77,073	73,487	77,661	Cases Appointed Annually

County of Orange  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2020

**Operating Indicators by Function/Program  
Last Ten Fiscal Years (Continued)**

Function/Program	Fiscal Year				
	2019-20	2018-19	2017-18	2016-17	2015-16
<u>Public Ways and Facilities</u>					
OC Public Works					
Building and Home Inspections	42,365	60,753	42,590	39,056	40,662
<u>Health and Sanitation</u>					
OC Community Resources					
Animal Licenses	136,985	147,874	149,342	171,237	192,470
Health Care Agency					
911 Emergency Medical Services Responses	242,201	234,589	234,459	204,683	193,538
Retail Food Facility Inspections Conducted	28,146	35,406	30,893	32,305	26,195
Hazardous Waste Inspections Conducted	7,433	7,735	6,003	7,271	8,328
Number of Home Visits by Public Health Nurses	10,777	20,794	20,156	32,108	29,219
Number of Low Income Children Dental Health Services	199	200	360	311	496
Number of Ocean Water Days of Closure (In Beach-Miles)	64	10	10	17	22
<u>Public Assistance</u>					
OC Community Resources					
Adult Day Care Hours of Service	45,252	52,819	65,900	47,567	49,971
Elderly Nutrition Program Meals Delivered	1,174,703	1,353,713	1,323,802	1,417,361	1,374,275
One-Way Transportation Trips Provided to Seniors	139,891	183,429	185,258	190,534	198,851
Veterans Served-Veterans/Dependents	27,419	23,555	24,063	9,091	*
Veterans Served-OC4Vets	723	910	673	555	*
Social Services Agency					
Average Monthly Medi-Cal Recipients	774,729	782,990	806,716	817,408	810,388
Average Monthly Child Abuse Hotline Calls	3,005	4,572	4,189	4,076	4,259
Average Monthly CalFresh (formerly Food Stamp) Recipients	214,668	206,789	233,038	250,772	263,556
Average Monthly In-Home Supportive Services	28,988	27,892	26,369	24,427	22,635
Average Persons Receiving Cash Assistance	35,098	35,803	41,622	46,369	52,081
Average Children in Foster Care/Relative Care	2,333	1,977	1,917	1,886	1,791
Average Elder and Adult Abuse Unduplicated Reports Received	1,153	1,175	1,091	995	942
<u>Education</u>					
OC Community Resources					
Total Volumes Borrowed at Library Branches	7,016,302	7,746,484	7,041,985	6,864,635	6,634,747
<u>Recreation and Cultural Services</u>					
OC Community Resources					
Exotic Invasive Plant Removal (acres)	1,791	3,225	2,285	2,940	2,782
Native Vegetation Restoration (acres)	358	411	414	262	293
Slip and Dry Storage Tenants	603	3,150	438	438	2,903
Boat Launches	21,890	15,521	16,487	16,303	17,695
Sailing and Event Center Participants	78,340	100,952	101,945	80,752	50,000
Ocean Institute Students/Visitors	39,561	44,404	90,948	127,361	192,384
Hotel Guests	49,165	58,998	59,319	39,140	43,515
Catalina Express Passengers	109,030	124,471	129,239	128,000	25,711
Special Events at the Harbor	4	5	6	6	8
<u>Airport</u>					
Passengers	7,562,040	10,718,001	10,670,156	10,373,714	10,361,436
Air Cargo Tonnage	17,193	19,098	19,577	17,813	18,568
Takeoffs & Landings	260,644	314,000	302,483	285,704	276,817
<u>OC Waste &amp; Recycling</u>					
Solid Waste Tonnage	5,174,096	5,148,761	4,980,101	4,810,116	4,772,722
Gallons of Leachate and Impacted Ground Water Collected	7,573,496	8,062,718	5,576,351	5,599,757	3,542,736

Note: \* means Not Available

Source: County Departments

Fiscal Year					Function/Program
2014-15	2013-14	2012-13	2011-12	2010-11	
					<u>Public Ways and Facilities</u>
					OC Public Works
30,324	31,772	19,368	15,591	13,215	Building and Home Inspections
					<u>Health and Sanitation</u>
					OC Community Resources
198,358	192,320	191,098	200,755	173,570	Animal Licenses
					Health Care Agency
183,794	170,804	171,420	168,172	156,638	911 Emergency Medical Services Responses
31,397	32,689	34,953	35,025	34,962	Retail Food Facility Inspections Conducted
5,950	4,616	6,058	5,444	6,237	Hazardous Waste Inspections Conducted
31,258	35,101	34,953	32,498	29,260	Number of Home Visits by Public Health Nurses
					Number of Low Income Children Dental Health Services
755	1,225	1,107	1,344	1,533	Number of Ocean Water Days of Closure (In Beach-Miles)
24	20	8	1	61	
					<u>Public Assistance</u>
					OC Community Resources
43,010	50,944	49,129	70,267	93,425	Adult Day Care Hours of Service
1,406,526	1,347,251	1,360,601	1,636,379	1,846,571	Elderly Nutrition Program Meals Delivered
180,899	187,864	155,003	184,476	287,611	One-Way Transportation Trips Provided to Seniors
*	*	*	*	*	Veterans Served-Veterans/Dependents
*	*	*	*	*	Veterans Served-OC4Vets
					Social Services Agency
718,061	521,078	430,559	418,649	403,142	Average Monthly Medi-Cal Recipients
4,049	3,674	3,009	2,880	3,003	Average Monthly Child Abuse Hotline Calls
					Average Monthly CalFresh (formerly Food Stamp) Recipients
258,676	247,517	230,964	213,919	185,489	Average Monthly In-Home Supportive Services
20,787	19,652	19,663	19,240	18,335	Average Persons Receiving Cash Assistance
55,921	55,225	55,008	56,847	58,770	Average Children in Foster Care/Relative Care
1,924	2,119	2,213	2,128	2,148	Average Elder and Adult Abuse Unduplicated Reports Received
815	710	636	630	604	
					<u>Education</u>
					OC Community Resources
6,411,127	6,642,739	6,564,262	6,741,380	7,796,954	Total Volumes Borrowed at Library Branches
					<u>Recreation and Cultural Services</u>
					OC Community Resources
1,466	1,154	4,102	4,042	629	Exotic Invasive Plant Removal (acres)
312	368	843	994	2,448	Native Vegetation Restoration (acres)
3,204	2,679	2,700	2,237	2,748	Slip and Dry Storage Tenants
15,511	15,606	15,037	14,327	15,150	Boat Launches
75,000	111,838	115,996	111,959	108,070	Sailing and Event Center Participants
41,000	100,000	108,668	110,059	125,000	Ocean Institute Students/Visitors
43,073	42,887	41,141	36,800	26,972	Hotel Guests
123,688	123,257	123,257	120,945	114,176	Catalina Express Passengers
12	15	16	16	16	Special Events at the Harbor
					<u>Airport</u>
9,608,873	9,304,295	9,124,172	8,642,116	8,611,054	Passengers
16,997	17,564	17,821	16,831	15,150	Air Cargo Tonnage
264,726	252,166	252,506	251,191	260,466	Takeoffs & Landings
					<u>OC Waste &amp; Recycling</u>
4,581,359	4,070,238	3,428,657	3,304,643	3,495,649	Solid Waste Tonnage
					Gallons of Leachate and Impacted Ground Water Collected
5,510,821	3,854,530	3,116,108	3,448,964	3,209,725	

**Capital Asset Statistics by Function  
Last Ten Fiscal Years**

Function/Program	Fiscal Year				
	2019-20	2018-19	2017-18	2016-17	2015-16
<b><u>General Government</u></b>					
Auditor-Controller					
AC Administration Building <sup>(3)</sup>	1	1	1	1	1
Hall of Finance and Records	-	1	1	1	1
County Executive Office					
Hall of Administration	1	1	1	1	1
Clerk-Recorder					
OC Archives Building	1	1	1	1	1
Registrar of Voters					
Trailers	2	2	2	1	1
Vehicles/Trucks	3	3	3	4	4
<b><u>Public Protection</u></b>					
Sheriff-Coroner					
Crime/Forensic Lab	1	1	1	1	1
Jail Facilities	3	3	3	3	3
Vehicles	944	939	938	948	917
Buses	13	13	13	12	11
Helicopters	5	5	5	5	4
Boats	10	10	10	10	10
Robot Andros	3	3	3	3	3
Haz-mat Vehicles	4	4	4	4	4
K-9 units	31	35	34	26	28
District Attorney					
Justice Center Offices	5	5	5	5	5
Probation Department					
Juvenile Institutions	3	4	4	4	4
Vehicles/Trucks	139	171	158	159	155
Equipment	15	16	15	13	12
<b><u>Public Ways and Facilities</u></b>					
OC Public Works <sup>(1)</sup>					
County Administration South Bldg 16	1	*	*	*	*
Data Center	1	1	1	1	1
Alternate Fuel Vehicles	49	41	42	46	50
Vehicles/Trucks	135	318	314	316	268
Watersheds	23	22	22	21	19
Dams	5	4	4	4	3
Dump Trucks	2	20	17	16	19
Tractors	27	36	50	50	50
Trailers	44	37	42	40	46
Street Miles	346	320	345	330	330

Note: (1) Presentation changed in FY 19-20 to summarize by function

(2) \* means Not Available

(3) Building was moved from OC Community Resources to the Auditor-Controller in FY 19-20

Source: County Departments

Fiscal Year					Function/Program
2014-15	2013-14	2012-13	2011-12	2010-11	
<u>General Government</u>					
Auditor-Controller					
1	1	1	1	1	AC Administration Building <sup>(3)</sup>
1	1	1	1	1	Hall of Finance and Records
County Executive Office					
1	1	1	1	1	Hall of Administration
Clerk-Recorder					
1	1	1	1	1	OC Archives Building
Registrar of Voters					
1	1	1	1	1	Trailers
4	3	3	3	3	Vehicles/Trucks
<u>Public Protection</u>					
Sheriff-Coroner					
1	1	1	1	1	Crime/Forensic Lab
3	3	3	3	3	Jail Facilities
916	911	918	838	844	Vehicles
11	11	11	11	13	Buses
3	3	2	2	2	Helicopters
10	10	9	9	5	Boats
3	3	3	3	3	Robot Andros
4	4	4	4	4	Haz-mat Vehicles
22	18	13	10	14	K-9 units
District Attorney					
5	5	5	5	5	Justice Center Offices
Probation Department					
4	4	4	5	5	Juvenile Institutions
159	156	*	*	*	Vehicles/Trucks
16	12	*	*	*	Equipment
<u>Public Ways and Facilities</u>					
OC Public Works <sup>(1)</sup>					
*	*	*	*	*	County Administration South Bldg 16
1	1	1	1	1	Data Center
51	60	60	59	59	Alternate Fuel Vehicles
355	375	358	361	362	Vehicles/Trucks
13	13	13	13	19	Watersheds
3	3	3	3	3	Dams
18	21	9	16	22	Dump Trucks
32	28	11	8	14	Tractors
54	35	18	17	24	Trailers
320	320	319	320	320	Street Miles



**Capital Asset Statistics by Function  
Last Ten Fiscal Years (Continued)**

Function/Program	Fiscal Year				
	2019-20	2018-19	2017-18	2016-17	2015-16
<u>Health and Sanitation</u>					
Health Care Agency					
Clinics <sup>(1)</sup>	9	4	4	4	4
Laboratories <sup>(1)</sup>	2	2	2	2	2
Trailers <sup>(1)</sup>	25	9	10	9	12
Vehicles/Trucks <sup>(1)</sup>	39	35	33	30	24
OC Community Resources					
Animal Care Center	1	1	1	1	1
Trailers	6	3	2	3	3
<u>Public Assistance</u>					
Social Service Agency					
Vehicles	1	1	2	4	5
Office Locations	19	19	20	20	20
<u>Education</u>					
OC Community Resources					
Library Branches	32	32	33	33	33
Library Headquarters	*	*	*	*	*
<u>Recreation and Cultural Services</u>					
OC Community Resources					
Park Land (acres)	62,617	62,617	62,900	62,900	62,900
Recreational Trails (in miles)	295	295	295	295	295
Zoo	1	1	1	1	1
Urban Regional Parks	15	15	15	15	15
Wilderness Parks	5	5	5	5	5
Nature Preserves	4	4	4	4	4
Harbors	3	3	3	3	3
Beaches	11	11	11	11	11
Historical Sites	7	7	7	7	7
Boats	9	7	9	10	8
Tractors	25	22	26	26	25
Trailers	45	42	35	33	31
Vehicles/Trucks	261	239	207	199	204
Harbor	1	1	1	1	1
Marinas	1	1	2	2	2
Public Parking Areas	9	9	9	9	9
Beaches	1	1	1	1	1
Access Points to Ocean	6	6	6	6	6
Hotel	1	1	1	1	1
Ocean Education Center	1	1	1	1	1
Sailing and Events Center	1	1	1	1	1
Shops	17	20	24	24	24
Restaurants	16	14	16	16	16
Fuel Dock	1	1	1	1	1
Shipyard	1	1	1	1	1
Boater Service Buildings	15	15	15	15	15
Parcel 11 (Yacht Building Company)	1	1	1	1	1
Parcel 23 (Yacht Club)	1	1	1	1	1

Note: (1) Presentation changed in FY 2014-15 to summarize by asset

(2) \* means Not Available

Source: County Departments

Fiscal Year					Function/Program
2014-15	2013-14	2012-13	2011-12	2010-11	
					<u>Health and Sanitation</u>
					Health Care Agency
4	3	3	3	2	Clinics <sup>(1)</sup>
2	2	2	2	2	Laboratories <sup>(1)</sup>
12	8	11	27	27	Trailers <sup>(1)</sup>
24	25	25	24	27	Vehicles/Trucks <sup>(1)</sup>
					OC Community Resources
1	1	1	1	1	Animal Care Center
3	3	3	3	3	Trailers
					<u>Public Assistance</u>
					Social Service Agency
5	5	6	10	10	Vehicles
20	19	20	20	19	Office Locations
					<u>Education</u>
					OC Community Resources
33	33	33	33	33	Library Branches
*	*	*	*	1	Library Headquarters
					<u>Recreation and Cultural Services</u>
					OC Community Resources
62,900	60,500	59,318	57,688	57,688	Park Land (acres)
295	295	295	295	295	Recreational Trails (in miles)
1	1	1	1	1	Zoo
15	15	15	12	12	Urban Regional Parks
5	5	5	5	5	Wilderness Parks
4	4	4	4	4	Nature Preserves
3	3	3	2	2	Harbors
11	11	11	9	9	Beaches
7	7	7	7	7	Historical Sites
7	7	9	21	15	Boats
26	28	24	26	22	Tractors
27	29	33	30	24	Trailers
174	170	211	188	233	Vehicles/Trucks
1	1	1	1	1	Harbor
2	2	2	2	2	Marinas
9	9	9	9	9	Public Parking Areas
1	1	1	1	1	Beaches
6	6	6	6	6	Access Points to Ocean
1	1	1	1	1	Hotel
1	1	1	1	1	Ocean Education Center
1	1	1	1	1	Sailing and Events Center
23	23	23	25	25	Shops
16	16	16	16	15	Restaurants
1	1	1	1	1	Fuel Dock
1	1	1	1	1	Shipyard
15	15	15	15	15	Boater Service Buildings
*	*	*	*	1	Parcel 11 (Yacht Building Company)
*	*	*	*	1	Parcel 23 (Yacht Club)

**Capital Asset Statistics by Function  
Last Ten Fiscal Years (Continued)**

Function/Program	Fiscal Year				
	2019-20	2018-19	2017-18	2016-17	2015-16
<u>Airport</u>					
Acres	501	501	501	501	501
Runways	2	2	2	2	2
Public Parking Structures/Lots	5	5	5	5	5
Terminals	3	3	3	3	3
Fire Trucks	4	4	4	4	4
<u>OC Waste &amp; Recycling</u>					
Active Landfills	3	3	3	3	3
Inactive Landfills	2	2	2	2	2
Household Hazardous Waste Collection Centers	4	4	4	4	4
Dozers	15	6	6	6	8
Dump Trucks	10	5	10	10	10
Loaders	15	12	12	12	21
Scrapers	8	6	6	6	8
Excavators	3	2	2	2	2
Tractors	19	28	35	27	30
Graders	3	3	4	4	4
Compactors	9	9	7	7	8
Water/Fuel Trucks	12	9	14	14	13
Sweeper	2	1	1	*	*

\* means Not Available

Source: County Departments

Fiscal Year					Function/Program
2014-15	2013-14	2012-13	2011-12	2010-11	
					<u>Airport</u>
501	501	501	501	501	Acres
2	2	2	2	2	Runways
5	5	5	5	5	Public Parking Structures/Lots
3	3	3	3	1	Terminals
4	4	4	4	4	Fire Trucks
					<u>OC Waste &amp; Recycling</u>
3	3	3	3	3	Active Landfills
2	2	2	2	2	Inactive Landfills
					Household Hazardous Waste
4	4	4	4	4	Collection Centers
7	7	7	8	8	Dozers
10	10	12	12	14	Dump Trucks
20	20	20	21	22	Loaders
8	8	8	8	11	Scrapers
2	2	2	2	2	Excavator
28	29	28	29	29	Tractors
4	4	4	4	4	Graders
8	8	8	8	8	Compactors
13	13	11	11	11	Water/Fuel Trucks
*	*	*	*	*	Sweeper





**Orange County Auditor-Controller**  
1770 N. Broadway, Santa Ana, CA 92706



OC Auditor-Controller: [www.ac.ocgov.com](http://www.ac.ocgov.com)  
County of Orange: [www.ocgov.com](http://www.ocgov.com)

**EXHIBIT B**

COUNTY OF ORANGE  
INVESTMENT POLICY STATEMENT



# Orange County Treasurer



## 2021 Investment Policy Statement

(Approved By B.O.S. 11/17/2020)

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# **ORANGE COUNTY TREASURER INVESTMENT POLICY STATEMENT**

## **PURPOSE**

This policy is intended to provide the structure for the prudent investment of the cash balances entrusted to the Orange County Treasurer (the “Treasurer”) and outline the policies to assist in maximizing the efficiency of the Treasurer’s cash management system while meeting the daily cash flow demands of the County, the School Districts, Community Colleges, voluntary participants and other County-related agency funds. The Treasurer’s Investment Policy Statement is approved annually by the County Board of Supervisors as required by California Government Code Section 53646 (a) (1) and reviewed annually by the Treasury Oversight Committee, pursuant to the requirements of California Government Code Section 27133. (All references are to the California Government Code unless otherwise stated.)

## **I. POLICY STATEMENT**

The investment practices and policies of the Treasurer are based on compliance with State law and prudent money management. The primary goal is to invest public funds in a manner that will provide the maximum security of principal invested with secondary emphasis on providing adequate liquidity to pool participants and lastly to achieve a market rate of return within the parameters of prudent risk management while conforming to all applicable statutes and resolutions governing the investment of public funds.

The Orange County Investment Fund (the “OCIF”), which includes all cash balances entrusted to the Treasurer as noted above, is designed to meet both the investment and cash requirements of our participants. If separate funds are established, the Treasurer shall determine on a cash flow basis what percent of available cash will be invested in each fund.

## **II. SCOPE**

The scope of this Investment Policy Statement applies to all financial assets as indicated in II.1 below.

### **1. FUNDS**

The Treasurer is responsible for investing the unexpended cash of the OCIF, defined as all monies under the investment authority of the Treasurer, including funds, and subsets of funds for the Orange County Department of Education; and excluding the County employee’s pension and medical trust funds which are invested separately by Orange County Employees Retirement System (OCERS), and those funds that are invested separately by the County Treasurer under bond indenture agreements. The County Funds are accounted for in the County’s CAFR and include:

- Governmental Funds, including the General Fund
- Enterprise Funds
- Fiduciary Funds
- Any other funds or new funds created by the County, unless specifically exempted

**a) Pooled Funds:**

It is the Treasurer's policy to pool certain funds for investment purposes to provide efficiencies and economies of scale. Investing through pooled funds will provide for greater use of funds by allowing for more efficient cash flows, a reduction in transaction costs, and improved access to the market. In addition to allowing for one pool for all participants, OCIF may also be split into different pools to meet the specific needs of participants such as short-term pools and longer-term pools. Each pool established will be reviewed separately for purposes of determining compliance with the Investment Policy Statement. These pools are based on the investment requirements detailed in Government Code Sections 53600 et seq. and 53630 et seq.

- i. If a longer-term pool such as an extended fund is established by the Treasurer, it will be utilized for investment requirements generally longer than one year. It will be invested primarily in high grade securities.
- ii. If a short-term pool is established, it can be established as a single pool or as separate pools depending on the needs of the pool participants. These pools will be utilized for shorter-term investment requirements and providing liquidity for immediate cash needs. They will be invested primarily in cash-equivalent securities to fulfill the primary goals of safety and liquidity.

**b) Specific Investment Accounts:**

From time to time, the Treasurer may be asked by the County or a participant's governing board to invest other specific investments or to manage bond proceeds issued by the County, a local school district, voluntary participant, or other local agency. This may include deposits that are set aside for future needs of a long-term nature and may be appropriately invested in longer-term securities, either in a pool or in specific investments as allowed by Government Code. The County or the participating agencies will be required to sign a written agreement acknowledging that there may be risk to principal should they desire to redeem funds early, thereby forcing an early sale of securities rather than holding investments to maturity.

In addition, no investment will be made in any security that at the time of the investment has a term remaining to maturity in excess of five years, unless the appropriate legislative body has granted express authority to make that investment either specifically or as part of an investment program approved by that legislative body no less than three months prior to the investment. Strategies for such deposits may include matching maturities with long-term liabilities.

### **III. PRUDENCE**

Government Code Sections 27000.3 and Section 53600.3 provide that the "prudent investor" standard is to be used by the Treasurer as a fiduciary of public funds. This standard provides that when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the Treasurer shall act with care, skill, prudence, and diligence under the circumstances then prevailing, specifically including, but not limited to, the general economic conditions and the anticipated needs of the County and other depositors that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the County and

the other depositors. Within the limitation of this section and considering individual investments as part of an overall investment strategy, investments may be acquired as authorized by law.

The Treasurer and those delegated staff shall act in accordance with written procedures and the Investment Policy Statement, exercise due diligence, report in a timely fashion and implement appropriate controls to mitigate adverse developments.

#### **IV. DELEGATION OF AUTHORITY**

Annually, the County Board of Supervisors delegates to the Treasurer the authority to invest and reinvest the funds of the County and other depositors as specified in Government Code Sections 27000.1, 53607 and 53608. Such delegation is conditioned upon the Treasurer submitting any and all investment policies and amendments thereto to the Board for review and approval. The Treasurer may further delegate investment authority to such persons within the Treasurer's Department as deemed appropriate.

#### **V. OBJECTIVES**

Criteria for selecting investments and the absolute order of priority are:

##### **1. SAFETY**

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

The Treasurer shall seek to preserve principal and minimize capital losses by mitigating credit risk and market risk as follows:

- a) **Credit Risk:** Defined as an issuer's ability and willingness to repay interest and principal. Credit risk shall be mitigated by diversifying the fund among issues and issuers so that the failure of any one issue or issuer would not result in a significant loss of income or principal to participants.
- b) **Market Risk:** Defined as the risk of market value fluctuations due to changes in the general level of interest rates. Because longer-term securities generally have greater market risk than shorter-term securities, market risk will be mitigated by establishing a maximum weighted average maturity or duration for the portfolio. Occasional market losses on individual securities are inevitable with active portfolio management and must be considered within the context of the overall investment return.

##### **2. LIQUIDITY**

Liquidity refers to the recurring maturity of a portion of the investment portfolio, as well as the ability to sell an investment at any given moment with a minimal chance of principal loss. A portion of OCIF, which may be in a separate pool, will maintain liquidity for the purpose of meeting all operating requirements and reasonably anticipated cash flow needs.

##### **3. YIELD**

Yield refers to the objective of attaining a market rate of return commensurate with the risk profile and cash flow characteristics of the portfolio throughout budgetary and economic

cycles. Under Government Code Section 53601.6, securities issued by, or backed by, the United States government can result in zero- or negative- interest accrual if held to maturity, in the event of, and for the duration of, a period of negative market interest rates. Although the Treasurer may employ certain indices to gauge the funds' rate of return, such indices shall be used solely for comparative purposes and do not constitute a warranty or guarantee of actual fund performance.

#### **4. MARK-TO-MARKET**

Investment pools, as described in Section II, 1 (a) of this Investment Policy Statement, are marked to market. To the extent reasonably possible and consistent with the Treasurer's trust and fiduciary duty, any funds in a short-term pool will attempt to stabilize at a \$1.00 net asset value (NAV). If the ratio of the market value of the short-term pool divided by the book value of the short-term pool is less than \$.9975, holdings may be sold as necessary to maintain the NAV above \$.9975.

The Treasurer will also act on a "best efforts" basis to keep any short-term pools above \$.9975 and will provide the NAV of all pools in the monthly report. However, the \$1.00 NAV is not guaranteed or insured by the Treasurer for any pool, including any longer-term pool, nor are the pools registered with the Securities Exchange Commission (SEC).

### **VI. AUTHORIZED INVESTMENTS**

The County is authorized by Government Code Section 53600 et seq. to invest in specific types of securities. Investments not specifically listed below are prohibited. Consistent with the requirements of law and this Investment Policy Statement, the Treasurer may place orders for the execution of transactions with or through such broker/dealers, banks or counterparties as may be selected from time to time at his/her discretion. All securities must be U.S. dollar denominated. To the extent consistent with the objectives stated above, the investment restrictions outlined below, and the investment limitations specified in Sections VII and VIII, the pools may invest in the following areas.

#### **1. U. S. TREASURY SECURITIES**

United States Treasury bills, notes, bonds, or certificates of indebtedness, for which the full faith and credit of the United States are pledged for the payment of principal and interest. There is no limit on the percentage of any individual pool's total assets that can be invested in this category.

#### **2. U. S. GOVERNMENT AGENCY SECURITIES**

Obligations, participations, or other instruments of, or issued by, a federal agency or a United States government-sponsored enterprise (GSE). There is no limit on the percentage of any individual pool's total assets that can be invested in this category including no issuer limit.

#### **3. COMMERCIAL PAPER**

Eligible commercial paper shall not exceed 270 days maturity, and shall not exceed 40% of any individual pool's total assets. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (a) or paragraph (b):

- a)** Has total assets in excess of five hundred million dollars (\$500,000,000), is organized and operating within the United States as a general corporation and has debt other than

commercial paper, if any, that is rated “A” or higher by a NRSRO.

- b) Is organized in the United States as a special purpose corporation, trust, or limited liability company, has program-wide credit enhancements including, but not limited to overcollateralization, letters of credit or a surety bond.

No more than 5% of any individual pool’s total assets may be invested in any one issuer’s commercial paper.

#### **4. NEGOTIABLE CERTIFICATES OF DEPOSIT**

Negotiable certificates of deposit issued by a nationally or state-chartered bank, savings association, or a federal association (as defined by Section 5102 of the California Financial Code), or by a federally licensed or state-licensed branch of a foreign bank. No more than 20% of any individual pool’s total assets may be invested in negotiable certificates of deposit and maximum remaining maturity cannot exceed eighteen months.

#### **5. REPURCHASE AGREEMENTS**

Investments in repurchase agreements for the purpose of this Investment Policy Statement means a purchase of securities by the Treasurer pursuant to an agreement by which the seller will repurchase the securities on or before a specified date and for a specified amount and will deliver the underlying securities to the Treasurer by book entry, physical delivery, or by third party custodial agreement. The term of a repurchase agreement shall not exceed one year and have capital of not less than \$500 million.. The term "securities," for the purpose of repurchase agreements, means securities of the same issuer, description, issue date, and maturity.

To participate in repurchase agreements, a master repurchase agreement must be completed and signed by all parties involved. The Treasurer will maintain a signed copy of the agreement. Repurchase agreements are required to be collateralized by securities or cash.

##### **a) Collateralization:**

In order to anticipate market changes and provide a level of security for all repurchase agreement transactions, the market value of securities that underlie a repurchase agreement shall be valued at 102% or greater of the funds borrowed against those securities and the value shall be adjusted no less frequently than weekly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102% no later than the next business day.

Collateral will be limited to cash, and U.S. Treasury and U.S. Government Agency securities. For compliance purposes, U.S. Treasury and/or U.S. Government Agency collateral are exempt from the issuer limits as stated in Section VIII.2. Collateral will be held by an independent third party with whom the Treasurer has a current custodial agreement. A clearly marked evidence of ownership (safekeeping/custody receipt) must be supplied to the Treasurer and retained. No collateral substitutions may be made without prior approval of the Treasurer.

Investments in repurchase agreements are limited to no more than 20% of any individual pool's total assets. Agreements are subject to Government Code Section 53601 and must comply with the delivery requirements and the maturity provision from Section 53601.

#### **6. BANKERS' ACCEPTANCES**

Bankers' acceptances, also known as time drafts or bills of exchange, that are drawn on and accepted by a commercial bank. Purchases of bankers' acceptances shall not exceed 180 days maturity. Bankers' acceptances are limited to no more than 40% of any individual pool's total assets.

#### **7. MONEY MARKET MUTUAL FUNDS**

Shares of beneficial interest issued by diversified management companies that are money market mutual funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.), which only invest in direct obligations in U.S. Treasury bills, notes, and bonds, U.S. Government Agencies, Municipal Debt, and repurchase agreements with a weighted average maturity of 60 days or less. Money Market Mutual Funds that do not maintain a constant Net Asset Value (NAV) are prohibited. Money market mutual funds are not required to conform to the restrictions detailed in this Investment Policy Statement, but are limited to no more than 20% of any individual pool's total assets. The Treasurer shall be required to investigate money market mutual funds prior to investing and perform a periodic review, but at least annually thereafter while the funds are invested in the money market mutual fund. At a minimum, approved money market mutual funds shall have met either of the following criteria:

- a) Attained the highest ranking or the highest letter and numerical rating provided by no less than two NRSROs.
- b) Retained an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of \$500,000,000.

#### **8. STATE POOL – LOCAL AGENCY INVESTMENT FUND**

The Treasurer may invest in the Local Agency Investment Fund (LAIF) established by the State Treasurer under Government Code Section 16429.1. LAIF has no final stated maturity and will be reported as a one-day maturity. Investments in LAIF shall not exceed the current State limit (\$75 million per pool as of 1/1/2020).

#### **9. MUNICIPAL DEBT**

Such instruments are defined as being issued by a local or state agency, including:

- a) Bonds issued by the local agency, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency or by a department, board, agency or authority of the local agency.
- b) Registered state warrants or treasury notes or bonds of this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of a state.



- c) Bonds, notes, warrants, or other evidences of indebtedness of a local agency within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

#### **10. MEDIUM-TERM NOTES**

Medium-term notes are defined as all corporate and depository institution debt securities with a maximum remaining maturity of not more than 397 days for any short-term pools and two years for any other pools such as a longer-term pool. Medium-term notes must be issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Investments in medium-term notes are limited to no more than 20% of any individual pool's total assets.

#### **11. INVESTMENT POOLS**

Shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code Section 6509.7 that invests in the securities and obligations as authorized under 53601 (a) to (o), inclusive, and that comply with the investment restrictions of Government Code Sections 53600 through 53610 and Section 53630. The Treasurer shall be required to investigate all local government investment pools prior to investing and perform a quarterly review thereafter while the funds are invested in the pool. The analysis shall include, but is not limited to, the following characteristics of a pool/fund as part of its investigation and quarterly review:

- Eligible securities
- Maximum maturity
- REPO collateral/counter-party
- Size of the pool/fund
- Limits on withdrawal/deposit
- Expense ratio

Investments in this investment type are limited to no more than 20% of any individual pool's total assets. No more than 10% of any individual pool's total assets shall be invested in a single investment pool.

#### **12. SUPRANATIONAL SECURITIES**

Supranational securities are defined as United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity five years or less, and eligible for purchase and sale within the United States. Investments in supranationals shall not exceed 30 percent of any individual pool's total assets.

### **VII. INVESTMENT CREDIT RATING RESTRICTIONS**

Credit ratings will be applied at the time of purchase of a security and monitored for changes while owned. A downgrade subsequent to purchase in a security's credit rating will not constitute a violation of the Investment Policy Statement. Securities that are downgraded below the minimum acceptable rating levels must be reviewed for possible sale by the

Treasurer within a reasonable amount of time. The credit ratings referred to in this policy must be assigned by one of the following Nationally Recognized Statistical Rating Organizations (NRSRO): Standard & Poor's Corporation (S&P), Moody's Investors Service, Inc. (Moody's) and Fitch Ratings (Fitch).

All short-term and long-term investments, except those noted below, 1) must have the minimum ratings required below by at least two NRSROs, and 2) the lowest rating of any NRSRO must meet or exceed the minimum rating required below:

S&P	A-1, "AA"
Moody's	P-1, MIG 1/VMIG 1, "Aa"
Fitch	F-1, "AA"

If an issuer of Long-term debt has a Short-term debt rating, then it may not be less than the minimum required Short-term debt ratings above.

- a) Municipal debt issued by the County of Orange, California (as defined in Section VI 9), U.S. Government obligations (as defined in Section VI 1 and VI 2) and State Pool (as defined in Section VI 8), are exempt from the credit rating requirements listed above.
- b) Money Market Mutual funds (as defined in Section VI 7) and Investment Pools (as defined in Section VI 11) require the highest ranking or the highest letter and numerical rating provided by at least one NRSRO.

Any issuer, and all related entities, that have been placed on "Credit Watch-Negative" by a NRSRO will be placed on hold and current holdings reviewed for possible sale within a reasonable period of time unless the following criteria are met and are also approved in writing by the Treasurer prior to purchase:

The issuer has:

- (a) an A-1+ or F1+ short-term rating; and
- (b) at least an AA or Aa2 or higher long-term rating from each of the NRSROs that rate the issuer.

## **VIII. DIVERSIFICATION AND MATURITY RESTRICTIONS**

It is the policy of the Treasurer to diversify the pooled funds. Investments are diversified to minimize the risk of loss resulting in overconcentration of assets in a specific maturity, specific issuer, or a specific class of securities. Diversification strategies shall be established by the Treasurer and periodically reviewed.

### **1. AUTHORIZED INVESTMENTS AND ISSUER CONCENTRATION**

Only debt issued by firms listed on the Office of the Treasurer's Approved Issuer List may be purchased. The following diversification limits will also be applied at the time of purchase of a security.

Type of Investment	Cal Gov Code % of Funds Permitted	Orange County IPS	Cal Gov Code Maximum Final Maturity	Orange County IPS Maximum Final Maturity (All Pooled Funds Except Short-Term Funds)	Orange County IPS Maximum Final Maturity (Short-Term Fund)
U.S. Treasury Securities	100%	100%	5 Years	5 Years	397 Days
U.S. Government Agency Securities (GSEs)	100%	100%	5 Years	5 Years	397 Days
Municipal Debt	100%	20% Total, no more than 5% in one issuer except 10%- County of Orange	5 Years	3 Years	397 Days
Medium-Term Notes	30%	20% Total, no more than 5% in one issuer	5 Years	2 Years	397 Days
Bankers Acceptances	40%, 30% of a single issuer	40% Total, no more than 5% in one issuer	180 Days	180 Days	180 Days
Commercial Paper	40%, 10% of a single issuer	40% Total, no more than 5% in one issuer	270 Days	270 Days	270 Days
Negotiable Certificates of Deposits	30%	20% Total, no more than 5% in one issuer	5 Years	18 months	397 Days
State of California Local Agency Investment Fund	\$75 million per account	State limit (\$75 million per pool as of 1/1/2020)	N/A	N/A	N/A
Repurchase Agreements	100%	20% Total, no more than 10% in one issuer	1 Year	180 Days	1 Year
Money Market Mutual Funds (MMMF)	20%	20% Total, no more than 10% in one MMMF account	N/A	N/A	N/A
JPA Investment Pools (JPA)	100%	20% Total, no more than 10% in one JPA Pool	N/A	N/A	N/A
Supranationals	30%	30% Total, no more than 5% in one issuer	5 Years	5 Years	397 Days

## 2. MATURITY

- a) The weighted average maturity (WAM) of any short-term pool, on a dollar-weighted basis, shall not exceed 60 days.
- b) The maximum maturity of any investment purchased will be five years with the exception of investments and investment pools authorized by the Board of Supervisors or the appropriate legislative body to be invested in longer than five year maturities.

The following restrictions will apply:

Short-term	13 months (397 days)
Long-term	5 years

- c) For purposes of calculating a final maturity date, the earlier of either the final maturity date, pre-refunded date, or mandatory put to tender option date that will be used.

- d) For purposes of calculating the weighted average maturity of the portfolio, the maturity of a variable-rate security will be considered its next interest rate reset date, if there is a reasonable expectation that the security will maintain an approximate value of par upon each adjustment of the security's interest rate at any time until final maturity.

### **3. DURATION**

- a) All pools, except short-term pools, shall have a maximum duration of 1.50 years.

## **IX. PROHIBITED TRANSACTIONS**

At the time of purchase, all permitted investments shall conform in all respects with this Investment Policy Statement and with applicable provisions of the Government Code, as may be amended from time to time. No investment prohibited by Government Code shall be permitted herein.

Any investment transactions, credit risk criterion, percentage limitations, or market valuations that are not in compliance with this Investment Policy Statement and cannot be corrected without penalty **at time of purchase** must be documented and approved by the Treasurer in writing as soon as possible. Thereafter, action shall be taken by the Treasurer to correct such matter as soon as practical. If a percentage restriction is adhered to at the time of purchase, a later increase or decrease in percentage resulting from a change in values or assets will not constitute a violation of that restriction.

### **1. The following transactions are prohibited:**

- a) Borrowing for investment purposes ("Leverage").
- b) Reverse Repurchase Agreements, as defined by Government Code Section 53601(j) (3) and (j) (4) or otherwise.
- c) Structured Notes (e.g. inverse floaters, leveraged floaters, structured certificates of deposit, equity-linked securities, event-linked securities). This includes all floating-rate, adjustable-rate or variable-rate securities in which a change in interest rates or other variables that can reasonably be foreseen to occur during their term would result in their market value not returning to par at the time of each interest rate adjustment.

Simple "floating rate notes," whose periodic coupon adjustment is based on a short-term (one-year or less) rate index (such as Treasury bills, federal funds, prime rate, SOFR or LIBOR) and which have a reasonable expectation of maintaining a value of par at each interest rate adjustment through final maturity, are exempt from this definition. Additionally, U.S. Treasury and Agency zero coupon bonds or callable securities which otherwise meet the quality, maturity, and percent limitations assigned to their respective security category, are exempt from this section.

- d) Structured Investment Vehicles (SIV).
- e) Derivatives (e.g., options, futures, swaps, swap options, spreads, straddles, caps, floors, collars).
- f) Money Market Mutual Funds that do not maintain a constant Net Asset Value (NAV).

## **X. ETHICS AND CONFLICT OF INTEREST**

The Treasurer and all persons involved in the investment process shall refrain from personal business activity, which could create a conflict with proper execution of the investment program, or which could impair the ability to execute impartial investment decisions. The Treasurer and all treasury and investment personnel shall disclose to the Treasury Oversight Committee any material financial interests in financial institutions, broker dealers, and vendors (“outside entities”) that conduct business with the County of Orange and shall disclose any material financial investment positions in such outside entities.

### **1. STATEMENT OF ECONOMIC INTEREST FORM 700**

The Treasurer, Auditor-Controller, members of the Treasury Oversight Committee, and all designated employees must annually file a Form 700 (Statement of Economic Interests) in accordance with the County’s Conflict-of-Interest Code.

### **2. COUNTY’S GIFT BAN ORDINANCE – SEC. 1-3-22 THE CODIFIED ORDINANCES, ORANGE COUNTY, CALIF.**

The County’s Gift Ban Ordinance prohibits the receipt of specified gifts to the Treasurer, Auditor-Controller, and “designated employees” from business entities and individuals that “do business with the County” as that termed in defined in the Ordinance. Under the Ordinance, the term “designated employee” includes every employee of the County who is designated in the County’s Conflict-of-Interest Code to file a Form 700 and every member of a board or commission under the jurisdiction of the Board of Supervisors required to file such a form. For purposes of the Treasurer’s Office, “designated employees” include: the Chief Assistant Treasurer-Tax Collector, the Assistant Treasurer-Tax Collectors, all investment staff, all financial/credit analysts, all cash managers, and all accounting and compliance staff. The Treasurer will review this list of “designated employees” periodically and submit any proposed changes to the Board of Supervisors for approval.

## **XI. AUTHORIZED BROKER/DEALERS AND FINANCIAL INSTITUTIONS**

The Treasurer will maintain a list of broker/dealers and financial institutions authorized to provide investment and/or depository services and products. Any permitted investment, not purchased directly from an approved issuer, shall be purchased either from a “primary” or regional securities broker/dealer qualifying under SEC Rule 15c3-1(uniform net capital rule) and licensed by the state as a broker/dealer as defined in Section 25004 of the Corporations Code or a “well capitalized” national bank or Federal savings association as defined in Title 12 of the Code of Federal Regulations (CFR) Part 6.4 or a savings association or Federal association as defined by Section 5102 of the California Financial Code. To be eligible to receive local agency money, a bank, savings association, federal association or federally insured industrial loan company shall have received an overall rating of not less than “satisfactory” in its most recent evaluation by the appropriate federal financial supervisory agency of its record of meeting the credit needs of California’s communities, including low- and moderate-income neighborhoods, pursuant to Section 2906 of Title 12 of the United States Code. Sections 53601.5 and 53601.6 shall apply to all investments that are acquired pursuant to this section. Broker/dealers must comply with the political contribution limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board. Section

27133(c) of the Government Code prohibits the selection of any broker, brokerage, dealer, or securities firm that has made a contribution to the Treasurer, any member of the Board of Supervisors, or any candidate for those offices, within any consecutive 48 month period.

The Treasurer shall conduct an annual review of each broker/dealer and financial institution's financial condition and registrations to determine whether it should remain on the approved broker/dealer list for investment and/or depository services and require annual audited financial statements to be on file for each firm. The Treasurer shall strive to open an application period every two years for all new and existing broker/dealers and financial institutions submitting a questionnaire to determine if they should be added to the approved broker/dealer list. This detailed questionnaire is required to be completed by broker/dealers and financial institutions seeking to provide investment services. The Treasurer shall annually send a copy of the current Investment Policy Statement to all broker/dealers and financial institutions approved to provide investment services to the County, and they shall notify the Treasurer in writing of receipt and that they have read it.

## **XII. PERFORMANCE EVALUATION**

The Treasurer shall submit monthly, quarterly, and annual reports (in compliance with Government Code Sections 53607, 53646, and 27134) to the Treasury Oversight Committee, the pool participants, the County Executive Officer, the Director of Auditor-Controller Internal Audit, the Auditor-Controller, and the Board of Supervisors. These reports shall contain sufficient information to permit an informed outside reader to evaluate the performance of the investment program and shall be in compliance with Government Code. In accordance with GASB Statements 31, 40, 72 and 84, the Treasurer shall provide financial information on investments for the County's Comprehensive Annual Financial Report.

## **XIII. SAFEKEEPING**

All security transactions, including collateral for repurchase agreements, entered into by the Treasurer shall be conducted on a delivery-versus-payment (DVP) basis. All investments shall have the County of Orange and either the OCIF or the specific pool name as its registered owner except for municipal debt issued by the County of Orange and privately placed with the County Treasurer in which case the investments shall have the Orange County Treasurer on behalf of the OCIF as its registered owner.

All securities shall be held by a third party custodian designated by the Treasurer (this does not apply to money market funds or investment pools). The third party custodian shall be required to issue a safekeeping statement to the Treasurer listing the specific instrument, rate, maturity, and other pertinent information.

## **XIV. MAINTAINING THE PUBLIC TRUST**

All participants in the investment process shall act as custodians of the public trust. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust.

## **XV. INTERNAL CONTROLS**

The Treasurer shall establish a system of written internal controls, which will be reviewed annually with the County's independent (external) auditor. The controls shall be designed to prevent loss of public funds due to fraud, employee error, and misrepresentation by third parties, unanticipated market changes, or imprudent actions by employees of the Treasurer's Office. The Treasurer shall evaluate audit reports in a timely manner with the Treasury Oversight Committee. The quarterly audit reports of the Treasury shall be provided as required by Government Code Sections 26920 through 26922. Daily compliance of the investment portfolio shall be performed by the Department's Accounting and Compliance Units. Compliance will be determined on a fair market value basis. All agreements, statements, and trade packets will be subject to review annually by auditors in conjunction with their audit.

## **1. INVESTMENT PROCEDURES**

The Treasurer shall develop and maintain written administrative procedures for the operation of the investment program that are consistent with this investment policy. Procedures will include reference to safekeeping, Master Repurchase Agreements, wire transfer agreements, collateral and depository agreements, banking service contracts, and other investment and banking related activities. Such procedures shall include explicit delegation of authority to personnel responsible for investment transactions.

No investment personnel may engage in an investment transaction except as provided under terms of this policy and the procedures established by the County Treasurer. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of all Treasury and Investment personnel.

## **XVI. EARNINGS AND COSTS APPORTIONMENT**

The Treasurer determines the interest earnings for the respective pools on an accrual basis. Accrual basis interest earnings and Treasury administrative fees (see below) are allocated to each individual pool participant based upon their average daily balance on deposit with the Treasurer. The actual cash distribution is generally paid in the months following.

As authorized by Government Code Section 27013, the Treasurer who invests, deposits or otherwise handles funds for public agencies for the purpose of earning interest or other income on such funds as permitted by law, may deduct from such interest or income, before distribution thereof, the actual administrative cost of such investing, depositing or handling of funds and of distribution of such interest or income. Such cost reimbursement shall be paid into the county general fund. In addition, the costs of compliance with the Treasury Oversight provisions of Government Code Sections 27130 through 27137 shall be included as an eligible administrative cost. These investment administrative costs will be deducted from any interest or income, prior to distribution to the pool participant. The Treasurer shall annually prepare a proposed budget revenue estimate, providing a detailed itemization of all estimated costs which comprise this investment administrative fee charged in accordance with Government Code Section 27013. The Treasurer will be required to annually reconcile the estimated charges and actual costs incurred and adjust participant accounts accordingly.

Investment earnings and the above estimated fee charge will be allocated to the pool participants on at least a quarterly basis. As of the first working day of the following period,

the pool participants' account will reflect the gross investment earnings and the estimated monthly administrative and overhead costs. The Treasurer's monthly report will state the current estimated fees charged to participants.

## **XVII. VOLUNTARY PARTICIPANTS**

Should a local agency within Orange County, or a Joint Powers Agency (JPA) consisting of at least one public agency from within Orange County, not required by California law to deposit monies with the Treasurer desire entry into the Treasurer's Investment Pool, the agency shall comply with the requirements of Government Code Section 53684 and provide to the Treasurer a resolution adopted by its governing board stating that excess funds are available for the purpose of investment. The resolution shall specify that the local agency authorizes the investment of excess funds pursuant to Section 53684, those persons authorized at the agency to coordinate the transactions, the agency's willingness to be bound by the withdrawal provisions of Government Code Section 27136, and the agency's understanding that investment administrative charges will be deducted by the Treasurer as permitted by Sections 53684(b) and 27013. The Treasurer shall approve or disapprove such agency's request in writing. Upon the Treasurer's approval of voluntary participants to join the pool, the Treasurer will notify the Board of Supervisors within 5 days.

Monies deposited by local agencies approved for entry into the Treasurer's Investment Pool will be invested in the OCIF and shall be invested by the Treasurer in accordance with this Investment Policy Statement, as amended from time to time. The local agency's authorized representative will execute an agreement with the Treasurer. This agreement specifies the contractual terms and conditions by which the Treasurer will manage and invest local agency's excess funds which have been deposited for investment with the Treasurer.

## **XVIII. WITHDRAWAL**

As required by Government Code Sections 27000.3, 27133(h), 27136 and 53684(c), withdrawal of participant funds for the purpose of investing or depositing these funds outside the County treasury shall require prior written approval from the Treasurer or designee. The Treasurer shall thereafter review the withdrawal request consistent with his/her trust and fiduciary duties. Prior to approving or disapproving the withdrawal request, the Treasurer or designee shall make a finding of the effect on the stability and predictability of the investments and on the interests of the other depositors in the County treasury.

## **XIX. PERFORMANCE STANDARDS**

The investment portfolio shall be designed with the objective of obtaining a market rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs, but focusing on, in order of importance, preservation of capital, liquidity, and yield.

The Treasurer's investment strategy is to actively manage the portfolios to create less risk than a benchmark comparable index and to use economies of scale to invest and administer the program at a reasonable cost. Given this strategy, the basis used by the Treasurer to determine whether market yields are being achieved shall be the indices most comparable to



the fund, such as money rate data published in Barron's, The Wall Street Journal, Bloomberg, or other bond fund indices. The standards enumerated herein do not constitute a guarantee of the fund's performance.

## **XX. INVESTMENT POLICY STATEMENT REVIEW**

This Investment Policy Statement shall be reviewed on an annual basis by the Treasury Oversight Committee prior to being presented to for review and approval by, the Board of Supervisors in an open session.

## **XXI. FINANCIAL REPORTING**

The monthly Treasurer's Investment Report and all compliance Audit Reports shall be provided to the Orange County Board of Supervisors, the County Executive Officer, the Chief Financial Officer, the Director of Auditor-Controller Internal Audit, the Auditor-Controller, the Treasury Oversight Committee, the presiding judge of the Superior Court, the director or director executive officer and Treasurer or other official responsible for the funds of any Local Agency who has investments in the OCIF as allowed by Government Code Sections 53607, 53646, and 53686.

All reports filed by the Treasurer in accordance with Government Code Section 53646 shall, among other matters, state compliance of the portfolio with the Investment Policy Statement, or the manner in which the portfolio is not in compliance. A statement will also be filed by the Treasurer in accordance with Government Code 53646(b) denoting the ability of each pool to meet its expenditure requirements for the next six months or provide an explanation of why sufficient money may not be available.

## **XXII. LEGISLATIVE CHANGES**

Any State of California law that further restricts allowable maturities, investment type, percentage allocations, or any other provision of this Investment Policy Statement will, upon effectiveness, be incorporated into this Investment Policy Statement and supersede any and all previous applicable language.

## **XXIII. DISASTER RECOVERY PROGRAM**

The Treasurer's Disaster Plan includes critical phone numbers and addresses of key treasury and investment personnel as well as currently approved bankers and broker/dealers. Three copies of the Disaster Plan for home, office, and car have been distributed to key treasury and investment personnel. The plan provides for an offsite location to be communicated at the time of readiness if our offices are uninhabitable.

In the event the Treasurer or authorized staff is unable to invest the portfolio, the Treasurer has an agreement with the custodian for a daily sweep of all uninvested cash with the custody bank into a money market mutual fund. Until normal operations of the Treasurer's office have been restored, the limitations on the size of an individual issuer and the percentage restrictions by investment type would be allowed to exceed those approved in this Investment

Policy Statement and would be required to be reported to the Board of Supervisors and pool participants in a timely manner.

## **INVESTMENT POLICY STATEMENT GLOSSARY**

This Glossary is for general reference purposes only and does not constitute an exhaustive or exclusive list of terms and definitions applicable to this Investment Policy Statement. The definitions included herein do not modify any of the terms of this Investment Policy Statement or applicable law.

**ACCREDITED INVESTOR:** Defined in the Code of Federal Regulations (CFR) 230.501 (a)(9) as any entity, including a government body that owns “investments”, as defined in the CFR 270.2A51-1(b)(7)(i), such as cash and cash equivalents, for investment purposes under the Investment Company Act in excess of \$5 million.

**ACCRUED INTEREST:** The amount of interest that is earned but unpaid since the last interest payment date.

**ADJUSTABLE RATE NOTE:** (See Floating Rate Note)

**AGENCY SECURITIES:** (See U.S. Government Agency Securities)

**AMORTIZATION:** The systematic reduction of the amount owed on a debt issue through periodic payments of principal.

**AVERAGE LIFE:** The average length of time that an issue of serial bonds and/or term bonds with a mandatory sinking fund feature is expected to be outstanding.

**ASKED PRICE:** The price at which securities are offered from a seller.

**ASSET BACKED SECURITIES (ABS):** (See Receivable-Backed Securities)

**BANKERS' ACCEPTANCE (BA):** Negotiable money market instruments issued primarily to finance international trade. These are time drafts in which a bank “accepts” as its financial responsibility to pay the principal at maturity even if the importer does not. In essence, these are bank obligations collateralized by goods being shipped between an exporter and an importer.

**BASIS POINT:** When a yield is expressed as 7.32%, the digits to the right of the decimal point are known as basis points. One basis point equals 1/100 of one percent. Basis points are used more often to describe changes in yields on bonds, notes and other fixed-income securities.

**BID PRICE:** The price at which a buyer offers to buy a security.

**BOOK ENTRY:** The system, maintained by the Federal Reserve, by which most money market securities are “delivered” to an investor’s custodian bank. The Federal Reserve maintains a computerized record of the ownership of these securities, and records any changes in ownership corresponding to payments made over the Federal Reserve wire (delivery versus payment). The owners of these securities do not receive physical certificates.

**BOOK VALUE:** The original cost of the investment, plus accrued interest and amortization of any premium or discount.

**BROKER:** A broker brings buyers and sellers together and is compensated for his/her service.

**CALLABLE BONDS:** Bonds that may be redeemed by the issuing company prior to the maturity date.

**CALL PRICE:** The price at which an issuer may redeem a bond prior to maturity. The price is usually at a slight premium to the bond's original issue price to compensate the holder for loss of income and ownership.

**CALL RISK:** The risk to a bondholder that a bond may be redeemed prior to maturity.

**CAPITAL GAIN/LOSS:** The profit or loss realized from the sale of a capital asset.

**CERTIFICATE OF DEPOSIT (CD or NCD):** A deposit of funds at a bank for a specified period of time that earns interest at a specified rate. Commonly known as "CDs" or "negotiable CDs."

**COLLATERAL:** Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits of public moneys.

**COMMERCIAL PAPER (CP):** Short-term unsecured promissory notes issued by corporations for maturities of 270 days or less.

**CONSUMER RECEIVABLE-BACKED BONDS:** (See Receivable-Backed Securities)

**CONVEXITY:** A measure of a bond's price sensitivity to changing interest rates. A high convexity indicates greater sensitivity of a bond's price to interest rate changes.

**CREDIT OUTLOOK:** (See Rating Outlook)

**CREDIT QUALITY:** The measurement of the financial strength of a bond issuer. This measurement helps an investor to understand an issuer's ability to make timely interest payments and repay the loan principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by nationally recognized statistical rating organizations.

**CREDIT RISK:** The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

**CREDIT WATCH:** indicates that a company's credit is under review and credit ratings are subject to change.

\*+ (positive)

Credit is under review for possible upgrade.

\*- (negative)

Credit is under review for possible downgrade.

\*

Credit is under review, direction uncertain.

**COUPON:** The rate at which a bond pays interest.

**CURRENT YIELD:** The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

**CUSTODIAN:** A bank or other financial institution that keeps custody of stock certificates and other assets.

**DEALER:** A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

**DELIVERY VERSUS PAYMENT (DVP):** Delivery of securities with a simultaneous exchange of money for the securities.

**DERIVATIVE:** A security whose interest rate of principal amount may vary and are determined by a market index or a combination of market indexes.

**DISCOUNT:** The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as Treasury bills and bankers acceptances, are known as **discount securities**. They sell at a discount from par, and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

**DIVERSIFICATION:** An investment principle designed to spread the risk in a portfolio by dividing investments among different sectors, industries and companies.

**DOLLAR-WEIGHTED AVERAGE MATURITY:** A calculation that expresses the "average maturity" of an investment portfolio using each investment's maturity weighted by the size of that investment.

**DURATION:** A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

**FEDERAL FUNDS RATE:** Interest rate charged by banks with excess reserves at a Federal Reserve district bank to banks needing overnight loans to meet reserve requirements. A target rate is set by the FOMC.

**FEDERAL OPEN MARKET COMMITTEE (FOMC):** This committee sets Federal Reserve guidelines regarding purchases and sales of government securities in the open market as a means of influencing the volume of bank credit and money.

**FEDERAL RESERVE SYSTEM:** A U.S. centralized banking system, which has supervisory powers over the 12 Federal Reserve banks and about 6,000 member banks.

**FITCH, INC:** (see Nationally Recognized Statistical Rating Organization)

**FIXED-INCOME SECURITIES:** Securities that return a fixed income over a specified period.

**FLOATING RATE NOTE:** A debt security whose interest rate is reset periodically (monthly, quarterly, annually) and is based on a market index (e.g. Treasury bills, London Interbank Offered Rate (LIBOR), Secured Overnight Financing Rate (SOFR) etc.).

**INTEREST:** The amount earned while owning a debt security, generally calculated as a percentage of the principal amount.

**INTERNAL CONTORLS:** An internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that 1) the cost of a control should not exceed the benefits likely to be derived and 2) the valuation of costs and benefits requires estimates and judgments by management.

**INVESTMENT COMPANY ACT OF 1940:** Federal legislation which sets the standards by which investment companies, such as mutual funds, are regulated in the areas of advertising, promotion, performance reporting requirements, and securities valuations.

**LIQUIDITY:** The speed and ease with which an investment can be converted to cash.

**LOCAL AGENCY:** County, city, city and county, including a chartered city or county, school district, community college district, public district, county board of education, county superintendent of schools, or any public or municipal corporation.

**MARK-TO-MARKET:** The market valuation for every security in a portfolio used in determining Net Asset Value (NAV).

**MARKET RISK:** The risk that changes in overall market conditions or interest rate may adversely affect current market prices.

**MARKET VALUE:** The price at which a security is trading and could presumably be purchased or sold.

**MASTER REPURCHASE AGREEMENT:** A written contract between the parties of a repurchase agreement establishing each party's rights in all current and future transactions until termination of the contract by either party.

**MATURITY:** The date upon which the principal or stated value of an investment becomes due and payable.

**MEDIUM TERM NOTES (MTN):** Debt securities issued by a corporation or depository institution with a maturity ranging from nine months to five years. The term "medium-term note" refers to the time it takes for an obligation to mature, and includes other corporate debt securities originally issued for maturities longer than five years, but which have now fallen within the five-year maturity range. MTNs issued by banks are also called "bank notes."

**MONEY MARKET:** The market in which short-term debt instruments (Treasury bills, discount notes, commercial paper, bankers acceptances, etc.) are issued and traded.

**MONEY MARKET MUTUAL FUNDS:** An investment company that pools money from investors and invest in a variety of short-term money market instruments.

**MOODY'S INVESTORS SERVICE, INC:** (See Nationally Recognized Rating Services)

**MUNICIPAL DEBT:** Bonds, notes and other securities issued by a state, municipality or county.

**NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO):** Firms that review the creditworthiness of the issuers of debt securities, and express their opinion in the form of letter ratings (e.g. AAA, AA, A, BBB, etc.). The primary rating agencies are the following: Standard & Poor's Corporation; Moody's Investor Services, Inc.; and Fitch, Inc.

**NEGOTIABLE CD:** (See Certificates of Deposit)

**NET ASSET VALUE (NAV):** A per-share valuation of a mutual fund based on total assets minus total liabilities.

**NON-CALLABLE:** Bond that cannot be called at the option of the issuer.

**OFFER PRICE:** The price asked by a seller of securities.

**PAR or PAR VALUE:** The amount of principal that must be paid at maturity. Also referred to as the face amount of a bond, normally quoted in \$1,000 increments per bond.

**PHYSICAL DELIVERY:** The delivery of an investment to a custodian bank in the form of a physical certificate and/or supporting documents evidencing the investment (as opposed to "book entry" delivery).

**PORTFOLIO:** A group of securities held by an individual or institutional investor.

**PREMIUM:** The difference between the par value of a bond and the market value of the bond, when the market value is above par.

**PRICE RISK:** The risk that the price of a bond sold prior to maturity will be less than the price at which the bond was originally purchased.

**PRIMARY DEALER:** Banks and securities brokerages authorized to buy and sell government securities in direct dealings with the Federal Reserve Bank of New York in its execution of Federal Open Market Operations.

**PRIME RATE:** The base rate that banks use in pricing commercial loans to their best and most creditworthy customers.

**PRINCIPAL:** The face value or par value of an investment.

**PROSPECTUS:** A legal document that must be provided to any prospective purchaser of a new securities offering registered with the SEC. This can include information of the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements.

**QUALIFIED INSTITUTIONAL BUYER (QIB):** Defined in CFR Section 230.144A as a class of investors that can be conclusively assumed to be sophisticated and in little need of the protection afforded by the Securities Act's registration provisions. They must own and invest on a discretionary basis at least \$100 million in securities of issuers that are not affiliated with the QIB to qualify for qualified institutional buyer status. This includes any institutional investors included in the accredited investor definition, provided they satisfy the \$100 million threshold.

**RATING OUTLOOK:** The potential direction of the credit rating assigned by a NRSRO for a specific company.

**REINVESTMENT RISK:** The risk that coupon payments (or other payments received) cannot be reinvested at the same rate as the initial investment.

**RECEIVABLE-BACKED SECURITIES:** Securities collateralized with consumer receivables, such as automobile loans, credit card receivables, or home equity loans, which are owned by the issuer, but placed with a trustee for the benefit of the investor.

**RECEIVABLE PASS-THROUGH CERTIFICATE:** A debt obligation that is backed by a portfolio of receivables, normally issued by a bank or financial institution. The interest and principal of the obligation is paid out of the cash flow generated by the receivables portfolio.

**REFUNDED BOND:** A bond secured by an escrow fund that is sufficient to pay off the entire issue of bonds at the next call date (pre-funded) or maturity (escrowed to maturity).

**REGISTERED STATE WARRANT:** A short-term obligation of a state governmental body issued in anticipation of revenue.

**REPURCHASE AGREEMENT (REPO):** The purchase of securities, on a temporary basis, with the seller's simultaneous agreement to repurchase the securities back at a later date at a specified price that includes interest for the buyer's holding period.

**RULE 2a-7 OF THE INVESTMENT COMPANY ACT:** Applies to all money market mutual funds and mandates such funds to maintain certain standards.

**RULE G-37 OF THE MUNICIPAL SECURITIES RULEMAKING BOARD:** Federal regulations to sever any connection between the making of political contributions and the awarding of municipal securities business.

**SAFEKEEPING:** Storage and protection of a customer's financial assets, valuables, or documents, provided as a service by an institution serving as Agent or Custodian and, where control is delegated by the customer.

**SECURITIES & EXCHANGE COMMISSION (SEC):** The federal agency responsible for supervising and regulating the securities industry.

**SINKING FUND:** Money accumulated on a regular basis in a separate custodial account that is used to redeem debt securities or preferred stock issues.

**STANDARD & POOR'S CORPORATION:** (See Nationally Recognized Rating Services)



**STRUCTURED INVESTMENT VEHICLE (SIV):** A pool of investment assets that attempts to profit from credit spreads between short-term debt and long-term structured finance products such as asset-backed securities (ABS). Funding for SIVs comes from the issuance of commercial paper that is continuously renewed or rolled over; the proceeds are then invested in longer maturity assets that have less liquidity but pay higher yields. SIVs often employ great amounts of leverage to generate returns.

**SUPRANATIONAL:** An entity that is formed by two or more central governments with the purpose of promoting economic development for the member countries. Examples include the International Bank for Reconstruction and Development, International Finance Corporation, and the Inter-American Development Bank.

**THIRD-PARTY CUSTODIAL AGREEMENT:** (See Custodian)

**TOTAL RETURN:** The sum of all investment income plus changes in the capital value of the portfolio. For mutual funds, return on an investment is composed of share price appreciation plus any realized dividends or capital gains. This is calculated by taking the following components during a certain time period.

$$(\text{Price appreciation}) + (\text{Dividends paid}) + (\text{Capital gains}) = \text{Total Return}$$

**TRADE DATE:** The date and time corresponding to an investor's commitment to buy or sell a security.

**U. S. GOVERNMENT AGENCY SECURITIES:** Debt securities issued by U.S. Government sponsored enterprises and federally related institutions. These government agencies include: Federal Home Loan Banks (FHLB), Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac), Federal National Mortgage Association (FNMA or Fannie Mae), Federal Farm Credit Banks (FFCB) and Tennessee Valley Authority (TVA).

**U.S. TREASURY SECURITIES:** Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk, and are the benchmark for interest rates on all other securities in the U.S. and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

**Treasury bills:** non-interest-bearing discount securities with maturities under one year issued by the U.S. Treasury to finance the national debt.

**Treasury notes:** interest-bearing obligations of the U.S. Treasury with maturities ranging from two to ten years from date of issue.

**Treasury bonds:** interest-bearing obligations issued by the U.S. Treasury with maturities that range from ten to thirty years from date of issue.

**UNIFORM NET CAPITAL RULE:** SEC Rule 15C3-1 outlining capital requirements for broker/dealers.

**VARIABLE RATE NOTE:** (See Floating Rate Note)

**VOLATILITY:** A degree of fluctuation in the price and valuation of securities.

**WEIGHTED AVERAGE MATURITY (WAM):** The average maturity of all the securities that comprise a portfolio. According to SEC rule 2a-7, the WAM for SEC registered money market mutual funds may not exceed 60 days and no one security may have a maturity that exceeds 397 days.

**WHEN ISSUED (WI):** A conditional transaction in which an authorized new security has not been issued. All “when issued” transactions are settled when the actual security is issued.

**YIELD:** The annual rate of return on a debt investment computed as though held to maturity expressed as a percentage.

**YIELD TO CALL (YTC):** The rate of return an investor earns from a bond assuming the bond is redeemed (called) prior to its nominal maturity date.

**YIELD TO MATURITY (YTM):** The rate of return earned on an investment considering all cash flows and timing factors: interest earnings, discounts, and premiums above par.

**ZERO-COUPON BONDS/U.S. TREASURY STRIPS:** A bond which represents ownership of a single coupon or principal payment due on a U.S. Treasury bond. Zeros or strips mature at face value at a specified date in the future and make no payments until that date. They always sell at a discount from face value.